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CHALLENGES FACING THE EHLANZENI DISTRICT MUNICIPALITY IN THE IMPLEMENTATION OF LOCAL ECONOMIC DEVELOPMENT PROGRAMME

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2011-11-03
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NONTOBEKO PORTIA MAHLALELA

A research report submitted to the Faculty of Management, University of the Witwatersrand, in partial fulfillment of the requirements for the degree of Master of Management in the field of Public and Development Management.

October 2005

DECLARATION

I declare that this research report is my own, unaided work. It is being submitted in partial fulfillment of the requirements for the degree of Master of Management in the field of Public and Development Management in the University of the Witwatersrand, Johannesburg. It has not been submitted before for any degree or examination in any other University.

NONTOBEKO PORTIA MAHLALELA, OCTOBER 2005

DEDICATION

This is for you Mathuthu my son.

ACKNOWLEDGEMENTS

I would like to thank Dr MDJ Matshabaphala for giving me constant advice throughout this study and teaching me how to conduct research. I would also like to thank my brother Sabelo for his unconditional support and confidence in me. These two former colleagues at work Jabu Sindane and Jurgen Ehrmann offered me great assistance and support in the early stages of the research. Ms Diana Mudimbu, who is both a friend and a colleague at work, has been truly supportive during difficult times. I wish to say a big thank you to you all. Thanks also to Collins Miruka for proofreading and editing the completed draft. Finally, I am very grateful to my mother Sesana Matsebula for all the love and patience. I would also like to acknowledge Mr Magudu Khoza for encouraging and supporting me in many occasions.

ABSTRACT

This research project employs case study methodology to explore the factors that impact on Ehlanzeni District Municipality's efforts to implement local economic development (LED) interventions to improve the livelihoods of poor communities. More specifically, the goal of this thesis is to explore some of the reasons why LED interventions often struggle to meet their main objective of improving the livelihoods of local poor people. It is hoped that the findings of this research will assist policymakers and local economic development planners in making more informed decisions. In conclusion, it is argued that while the potential LED is not disputed, the implementation of such strategies are often inconsistent with the overall objective of poverty alleviation and economic development. For this reason, local municipalities will not be able to do this without clear policy guidance; institutional capacity-building; inter-sectoral collaboration of political 'champions' to drive the process; and real empowerment of the beneficiaries whom the projects are supposed to assist.

LIST OF ABBREVIATIONS

RDP: Reconstruction and Development Programme

IDP: Integrated Development Plan

LED: Local Economic Development

GEAR: Growth, Employment and Redistribution

ANC: African National Congress

EDM: Ehlanzeni District Municipality

OECD: Organization for Economic Cooperation and Development

BEE: Black Economic Empowerment

DPLG: Department of Provincial Local Government

MEE: Mpumalanga Economic Empowerment

MII: Mpumalanga Investment Initiative

NGO: Non-Government Organization

PDC: Previously Disadvantaged Communities

PPP: Private Public Partnership

SMME: Small, Micro and Medium Enterprises

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CHAPTER 1: ORIENTATION TO THE STUDY

1.1 INTRODUCTION

It is becoming increasingly clear that government, markets and voluntary groups are all dependent on each other in various ways. The effective delivery of services by government requires the cooperation of the segments of society that are targeted for those services; and private initiatives require services and support from government. As a result of this interdependence, development management is undergoing radical changes. The private sector, government institutions and voluntary groups are increasingly entering into new relationships where the role of each group is complementary to the others.

Government at all levels can play a critical role in increasing investment and making local firms more globally competitive. However, it is important to note that government does not compete – firms compete. Government is responsible for the environment and conditions in private enterprises operate. Each level of the government can play an important role in enhancing the ability of firms to compete and encouraging the formation of new business.

Within planning circles and schools of thought dealing with Local Economic Development (LED), there has been an ongoing discussion about the merits of integrated planning, the dire need for it, and how it contributes to sustainable development. Much has been written about the requirements for Integrated Development Plans (IDP's) and national legislation has been passed to compel all Municipal and District Councils to undertake IDP's. As part of this initiative, District and Local Municipalities have to ensure that their plans align vertically and horizontally and reinforce one another. Most, if not all municipalities in Mpumalanga province, and elsewhere in the country, have completed the first phase of these plans. They now stand at the

threshold of how to translate them into workable schemes. Little of the discussion in recent debates has concentrated on how to make the jump from the broad vision statements, and the schematic and sectoral plans embodied in the IDP, to the requisite details.

LED requires communication, partnership and cooperation of relevant role players and institutions within the local economy and administration. Hence, there is a need to set up an institutional arrangement that responds to these requirements. This arrangement must be designed in a way that ensures sustainability, consistency and stability over an extended period of time. LED is a long-term process and requires long-term visions and should therefore be unharmed by or rather overcome shortsighted everyday politics and interests.

In Mpumalanga Province, the Former Premier Mr. NJ Mahlangu has identified an Economic Forum as the ideal institutional arrangement to serve as a platform where residents (individuals, private organizations, governments, NGOs, etc) of a community with an interest in local development can come together. The purpose of an economic forum is to share information (coordination), to share and pool resources and experiences (leveraging) and to solve problems, which come up in the course of LED projects (troubleshooting).

With the intention to drive the process forward, Mr Mahlangu launched various economic forums at the district municipality level during 2002 and the beginning of 2003. In December 2002, the Ehlanzeni Economic Forum was officially launched and five (5) residents representing the four (4) local municipalities of Mbombela, Thaba Chweu, Umjindi, Nkomazi and one (1) from the district were elected. On the 12th of March 2003, the nominees of the district economic forum met with officials of the Ehlanzeni District Municipality for the first time. The main objective of the meeting was to lay down the way forward. However, during the meeting many uncertainties and confusion on

purpose mandate, responsibility and layout of a forum in general surfaced. It is these kinds of initiatives, often embarked on because of the imperatives of LED and IDP that will form the units of analysis of this study.

1.2 RESEARCH OBJECTIVE

The main objective of this reserch is to highlight the problems experienced by the Ehlanzeni District Municipality (EDM) when implementing LED and IDP activities or initiatives. Concerns dealt with here include:

- The unclear roles and responsibilities of different officials with regard to LED activities
- Lack of clear procedures and policies regarding LED
- Allocation of funds and other relevant resources. Currently there are different LED budgets in different departments that are not properly coordinated.

The research seeks to identify and discuss the challenges or factors that affect the implementation of LED programme in Ehlanzeni District Municipality in Mpumalanga Province and to come up with recommendations for future reference. In the next section of this report, I will give brief descriptions of core concepts used in the report.

Ehlanzeni District Municipality faces difficulties when implementing the LED programme. Most officials and politicians within EDM are uncertain as to what LED means, what they are supposed to do; who is supposed to do what and how they are supposed to organize it. The Department of Provincial and Local Government has identified several roles or functions for the District Municipality, which should be added to their existing list of developmental functions as identified in the LED Policy Paper: These are some of the roles identified by the Department;

- The planning and coordination of LED strategies within the framework of the municipality's IDP,
- Establishment of an LED programme to foster cooperation and coordination of LED policies, structures and projects at the district level,
- The undertaking of economic analysis and studies for the identification of lead LED sectors in the region that can kick start development.
- Collection and dissemination of information to assist local municipalities with LED interventions.
- Policy information and leadership of integrated economic development and spatial planning, including formulation of IDP's, procurement policies, etc.

Coordination and Integration of these LED activities within Ehlanzeni District Municipality is done in an unstructured manner. Different stakeholders or departments within are implementing some activities although there is a unit responsible for LED.

The main doubts or elements of the problem to be considered are:

- Is the municipality supposed to be the driver of the LED process, or a facilitator, or rather an active observer of a process, which is driven by the local business sector?
- Is LED another task to be shouldered by the Municipal Manager or should it rest with the planning department, or should the municipality hire a person who is exclusively dedicated to LED, or is it a task to be taken over by the Executive Mayor?

1.3 DEFINITION OF CONCEPTS

Development: Todaro (1994) defines development in strictly economic terms as the capacity of a national economy, whose initial economic condition has been more or less static for a long time, to generate and sustain an annual increase in its gross national product (GNP) at rates of perhaps 5% to 7% or more. This is the definition adopted in this report. Development here refers to the development of economic wealth of countries or regions for the well-being of their inhabitants. The economic development process supposes that legal and institutional adjustments are made to give incentives for innovation and for investments so as to develop an efficient production and distribution system for goods and service.

Local Economic Development: Many development agencies consider Local Economic Development as a process where local people work together to achieve sustainable economic growth that brings economic benefits and quality of life improvements for all in the community. In this view, LED offers local government, the private sector, non-profit organizations and local communities the opportunity to work together to improve the local economy.

The conceptualization adopted in this report is constrained by the definition proffered by Ehlanzeni District Municipality (2003) Integrated Development Plan (IDP). In EDM's Integrated Development strategy, LED is treated as a locally driven process designed to identify, harness and utilize resources to stimulate the economy and create new job opportunities. Led is not one specific action or programme; rather it is the total sum of the individual contributions of the broad spectrum of the community. LED occurs when the local authority, business, labour, NGOs and most importantly individuals strive to improve their economic status by combining skills, resources and ideas.

Local Government: In the Republic of South Africa, government is constituted as national, provincial and local spheres of government, which are distinctive, interdependent and interrelated. The objects of local government are:

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

(See, LED guideline document for municipalities in South Africa prepared by Department of Provincial and Local Government, 2000)

Local Economic Development: LED Projects are activities, which are creating business opportunities, employment and income. A typical purpose of an LED project is to create conditions which stimulate ventures or create conditions for business ventures to emerge. Local Economic Development (LED) offers local government, the private sector, the not-for-profit sectors and the local community the opportunity to work together to improve the local economy. It aims to enhance competitiveness and thus encourage sustainable growth that is inclusive. The purpose of local economic development (LED) is to build up the economic capacity of a local area to improve its economic future and the quality of life for all. It is a process by which public, business and non-governmental sector partners work collectively to create better conditions for economic growth and employment generation.

Integrated Development Plan: IDP can be described as a participatory planning process aimed at integrating sectoral strategies, in order to support

the optimal allocation of scarce resources between sectors and geographic and the population in a way that promotes sustainable growth and development equity and the empowerment of the poor and the marginalized (IDP document of Ehlanzeni District Municipality, 2002 – 2007). Every municipality in South Africa is required to produce an Integrated Development Plan, in which the municipality's future is mapped over the short, medium and long term. Issues that are considered include spatial planning, disaster management, finances, performance targets and economic development. Before moving on to render an account of the context and background of the research problem, I wish to state upfront the objectives of this research as well as the research questions.

1.4 PROBLEM STATEMENT

This research project seeks to explore the factors that impact on Ehlanzeni District Municipality's efforts to implement local economic development (LED) interventions to improve the livelihoods of poor communities. More specifically, the goal of this thesis is to explore some of the reasons why LED interventions often struggle to meet their main objective of improving the livelihoods of local poor people. It is hoped that the findings of this research will assist policymakers and local economic development planners in making more informed decisions.

In this regard, a number of research questions are raised;

1. What are the contributory factors impacting on the implementation of the LED Program in Ehlanzeni?
2. What attempts are being made currently to implement LED in the municipality?

3. What are the ideal alternative strategies to be followed to bring about the improvement in the implementation of the LED program in Ehlanzeni?

1.5 CONTEXT AND BACKGROUND

Various projects have been identified in EDM during the IDP process that can be treated as local economic development (LED) projects. As a result, consultative processes have been launched and partly implemented by various public stakeholders. These projects range from one-stop centers to market stall and cultural villages. In many cases, development agencies provide technical support for these projects. The national government has issued a white paper on LED (pro poor approach of LED) and is currently preparing a national policy paper on LED.

These activities show that local economic development ranks high on the development agenda of national, provincial and local government. However, the concept is seldom plainly understood and it is not clear who should play which role in LED especially when it comes to the division of labor between local government and the local business community or other non-governmental stakeholders. In many instances, both the private sector and local government are not yet well prepared for a constructive partnership.

An example of this confusion is a draft document by the Department of Provincial and Local Government, which is responsible for LED on a national level. The document states the following in the executive summary:

> From central government's perspective, the most important objectives for municipal LED are job creation, sustainable urban and rural development, and explicitly pro-poor approaches within a holistic LED strategy. The LED approach promoted in this policy paper is innovative, creative and re-distributive. LED is to be broadened and deepened to meeting, first and foremost, the needs of the poor, women, children,

disabled and people living with HIV/AIDS. Within newly-demarcated districts, small towns should be given priority.

In other words, in the perspective of the lead department for LED, LED means bringing together employment policy, urban development policy, rural development policy, social policy, family policy and health policy. The “E” for economic in LED, is marginalized.

The need for closer cooperation and coordination between different role players of LED within Ehlanzeni cannot be over emphasized. This is the most direct way to speed up service delivery for poor communities in my opinion. Previously, the implementation of LED was in many cases done on an *ad hoc* basis. After the local government democratic elections of 2000, new systems were put in place (new leadership and new structures). Ehlanzeni as part of local government was also mandated to implement LED.

Ehlanzeni is required by law to play an important role in Local Economic Development as an employer, purchaser of goods and services, developer of infrastructure and in other economic activities. In addition, local government has been given the constitutional mandate to promote social and economic development. Local government’s developmental mandate encourages municipalities to address poverty, joblessness and redistribution in their local areas.

In order to play these roles in an efficient, effective and professional way, the municipality needs to provide an institutional arrangement through which LED can be coordinated, managed, implemented and monitored. The LED unit must be given the capacity necessary to perform its mandated tasks, namely:

- Authority: the unit must have legitimate powers to act on behalf the municipality in terms of facilitating, planning and implementing LED

activities (Currently there are lots of bureaucratic procedures that are not even necessary to speed up service delivery).

- Resources: staff, financing, technical skills and information should be available to the unit.

1.6 RESEARCH METHODOLOGY

This section deals with the method used to collect the data – including the sample and procedures. According to Bailey (1987), there are a variety of approaches to social science research. Further, each particular project will be unique in some ways because of the particular time and place in which it is conducted. Each project entails gathering data, analyzing data and interpreting data. These stages are as follows:

- Choosing the research problem and stating hypothesis
- Formulating the research design
- Gathering the data
- Coding and analyzing the data
- Interpreting the results so as to rest the hypothesis

As Leedy and Ormrod (2001) indicate, research is a systematic process of collecting and analyzing information (data) in order to increase the understanding of the phenomena about which society is concerned or interested. People often use a systematic approach when they collect and interpret information to solve the small problems of daily living. A “formal research,” however, is normally done where people intentionally set out to enhance their understanding of a phenomenon and expect to communicate what their findings are to the larger scientific community. Therefore in order to understand the challenges facing Ehlanzeni District Municipality when implementing Local Economic Development Programme, a specific methodology was followed which is explained in this chapter.

Methodology refers to the overall approach to the research process, from the theoretical underpinning to the collection and analysis of the data (Hussey and Hussey, 1997). Like theories, methodologies cannot be true or false, only more or less useful. Methods, on the other hand, refer only to the various means by which data can be collected and /or analyzed. Thus, methodology is concerned with the following main issues:

- Why the data is collected
- What data is collected
- From where the data is collected
- When the data is collected
- How the data is collected
- How the data is analyzed

There are a number of different kinds of research methodology. According to (Hussey and Hussey, 1997) some methodologies can use either a positivistic (quantitative approach) or a phenomenological paradigm (qualitative approach). For this particular research, internal stakeholders (both officials and councilors) and external stakeholders (private sector and NGOs) were nterviewed using a standard format. Follow-up interviews were done on one to one basis especially for senior managers (Directors of Departments within the Ehlanzeni District Municipality). Observations and experiences of LED Task Teams Meetings were also recorded as appropriate. Secondary data was obtained from published information on LED, Local government and development. My sample (N = 52) was designed in such a way that it comprised 50% of local government officials (n = 25), 25% NGOs personnel (n = 12) and 25% private sector people (n = 15). The primary data obtained from the interviews, observation and experience from the meetings was summarized, analyzed and interpreted.

1.7 CONCLUSION

A major premise of the study is that local leaders and participants believe that strategic planning is crucial for a successful and beneficial development intervention. There is need to engage leadership from both the public and private sector and to encourage broad-based citizen participation. More awareness on the progress being made with the implementation of local economic development plans and the details of the plans is needed.

There is also room for improvement for using IDPs in decision-making by government officials. Given the turnover in local leadership, particularly with elected officials, a concerted effort to educate new leaders about the plan and the process used needs to be made. Regular updating of the plan (every 1 - 2 years) will help educate new leadership and provide an opportunity to make the public aware of what has already been accomplished. Despite some of the weaknesses about the contents the specific plans, I believe that strategic planning and leadership will provide an opportunity for local government and people within a district to work together to set policy and direction for economic growth.

CHAPTER 2: LITERATURE REVIEW

The reform of economic systems in developing countries during the 1980s focused largely on increasing the role of the market and improving the environment in which it operates. For some years, there was a preoccupation with the private sector, such that reformers almost seemed to forget the potential role of the public sector in promoting development. In recent years, there have been widespread attempts both to redefine the role of the public sector in developing countries and to improve its performance. An increasingly important component of these reforms is the introduction of policies to decentralize the functions of government.

During the 1990s, fiscal decentralization and local government reform have become among the most widespread trends in development. Many of these wide-ranging and costly efforts, however, have made only modest progress toward meeting their stated goals. This chapter reviews emerging literature on Local Economic Development (LED) and integrated Development Planning (IDP). But first, I will look at the broader theme of development.

2.1 DEVELOPMENT

The unchanging challenge of development is to provide a better life for the populace. All people want opportunity to live a worthy life. Development is therefore based on human well-being. The underlying anthropological position is that any person has the ability to become more than she/he is at any particular stage. Development provides the mechanism for people to become more than they are (Coetzee, Graff, Hendriks, Wood, 2001).

The emergence of Development Studies as an academic discipline in the second half of the twentieth century is in large part due to increasing concern about economic prospects for the third world after decolonization. While it originally emerged as a branch of economics, development economics, it has

become an increasingly inter- and multi-disciplinary subject, encompassing politics, sociology, geography and international relations. From this it follows that action plans formulated as development interventions should aim to create opportunities for increased ‘’humanness.’’ Increased humanness as the basic ideal for development will imply a striving for:

- Social justice
- Comprehensive consultation and joint decision-making
- The alleviation of all forms of suffering (satisfaction of basic needs)
- Respect for the local ecosystem as well as the local social and cultural patterns; and
- The advancement of people through their own endeavors (freedom of expression and impression).

The United Nations’ Human Development Report (1990) emphasizes that development is much more than just the expansion of income and wealth. Human Development has initially been defined as the process of enlarging people’s choices to leading a long and healthy life, acquiring knowledge and having access to resources for a decent standard of living. According to Coetzee and others (2001), the nineteenth century with the process of Enlightenment, came with the term ‘modern’. They also noted that there are two main paths along which modernization has taken place. The first is the so-called capitalist path; the second is operationalized in a bureaucratic socialist state. In the case of capitalist-oriented societies, modernity is sought by allowing the economy to solve the problem of increasing the productive capacity of society. In short, the term ‘modernization’ points to a societal condition where economic growth and efficient state administration define the path of the society’s progress. But this means that the only future that can be seen within this scenario is a future of more economic growth and more efficient state administration.

2.2 DEMOCRATIZING DEVELOPMENT

The critical theoretical approach to understanding development begins by examining the relationship between human reason and human freedom. In considering the notion and practice of democracy in various parts of the globe, Habermas (1972) contends that democratization is sought not in order to increase the system's efficiency but in order to change the structures of power and, secondly, in order to activate processes of defining goals which, on the premises of administrative decisions, either follow the wrong direction or do not function.

The United Nation's Human Development Report (2002) states that politics matter for human development because people everywhere want to be free to determine their destinies, express their views, and participate in the decisions that shape their lives. These capabilities are just as important for human development for expanding people's choices as being able to read or enjoy good health. In the 1980s and 1990s, the world made dramatic progress in opening up political systems and expanding political freedoms.

In South Africa, democracy, which is also linked to development, came with a number of changes, for example, the participatory approach. The developmental local government is a creature of the democratic constitution. It requires local government structures to work with citizens and groups within their jurisdiction to find sustainable ways to meet social, economic and material needs of the populace and improve the quality of their lives. Economic development loses its meaning if economic growth does not entail the involvement of the majority in productive economic activities and the uplifting of living standards. At the social level, underemployment implies that individuals in this segment of the labor force do not produce and earn enough to ensure that they have decent standards of living.

Paul Baran (1957), in his essay entitled "The Political Economy of Growth," was perhaps one of the earliest analysts to call attention to the fact that developing countries that had been colonized had inherited a special type of social formation in which the capitalist sector of the economy was grafted onto pre-capitalist forms of production in a manner that was distorted. In particular, he argued that this type of capitalism did not pose its own imperative for dynamic transformation and dynamic growth and development since it was essentially dependent on and constrained by external factors. Implicit in Baran`s argument was the contention that in the absence of an internally motivated conscious process of transformation, the growth process within an unfettered domestic and international market process would not only marginalize majority of the labor force, but would also marginalize the developing country itself in the international arena.

2.3 THE POLITICAL ECONOMY OF UNDERDEVELOPMENT

Although the international economic regime is swiftly eroding the state's sphere of influence, it is on the national level that basic development strategies are formulated and implemented. It is at the national level that basic choices are made regarding human welfare and natural resource management. Many development scholars agree that the following elements are macro economic determinants (see, for instance, Martinussen, (1997) :

- Sound macroeconomic management. Pursuing prudent fiscal policies, maintaining the international balance of payments among other macro economic management tools are critical for development.
- Poverty alleviating growth: It is argued that pursuing labor-intensive economic policies is crucial to maximize employment generation for the poorest and most vulnerable sectors. This should also involve applying monetary and fiscal incentives to strengthen productive and marketing opportunities for small farmers and businesses.

- Agricultural production: reversing policy biases against the agricultural sector, strengthening domestic food security, increasing the share of public investment in agriculture for land improvement, watershed management and extension services among others of like nature are necessary policy tools to boost agricultural production.
- The role of the state as an economic agent, as manager of the public well being and as guarantor of social development should never be underrated.
- Cost internalization: eliminating distortions in existing pricing structures to include environmental and social costs in order to achieve true efficiency must be part and parcel of any proposed developmental intervention.

With unemployment, poverty rates, and interest rates all running above desirable rates and with AIDs epidemic killing a very high number of South African adult population, contemporary South Africa seems to defy systematic analysis. Patrick Bond (2001) shows the roots of this apparent chaos in the uneven development of capital accumulation and attendant class struggles and factional conflicts. His book is not only essential historical background for understanding current developments, it also provides powerful analytical weapons to all people struggling for more human and sustainable patterns of economic development in South Africa and many other countries on the global-capitalist periphery.

Bond's (2001) analysis shows that South Africa is yet to recover from the economic depression, growing poverty, and crisis of human-social reproduction produced by apartheid. By incorporating the role not only of external imperialist institutions (British finance capital, the IMF, the World Bank), but also of internal inequalities and struggles based on race and class (including factional conflicts among the white-settler population), Bond's narrative provides a broad-based introduction to the political economy of

South Africa past and present. While uncompromisingly marxist in that he insists on the central roles of class and the circuits of productive and financial capital, Bond's approach is far from dogmatic. In explaining the main contradictions and crisis tendencies of accumulation, he critically draws upon the writings of numerous mainstream economists, journalists, and political figures in South Africa - exhibiting full command of a broad range of relevant sources ranging from academic journals and books, to working papers produced by various think tanks, to trade- and professional-association magazines and newsletters, to the popular press.

Both Bond (2001) and Mhone and Edigheji (2003) insist on the possibility of a socialist development strategy centered on a convergence of domestic resource use, domestic demand, and domestic needs - above all the basic needs of workers and communities for South Africa. In considering each period of accumulation, crisis, and restructuring, Bond points out how the limits of production, investment, and state economic policy are traceable to the system's failure to adequately empower and address the basic needs of, workers and their communities (both urban and rural). He does this not only in general programmatic terms but also in terms of specific sectors and the class-based effecfive demand constraints faced. At the same time, he indicates how the new sectors of expanded production in each period often depended on appropriate use of state controls over trade, finance, and productive investments (as well as repressed labour forces) and on the extension of need satisfaction to include either additional needs for previously empowered groups, or the partial co-optation of dis-empowered groups into the system of production and effective demand.

In this way, Bond develops a hidden potential for a new system of more democratic development led by basic needs satisfaction, with human development as the primary means and end. This dialectical intuition helps explain Bond's ability to combine a resilient revolutionary optimism with a caustic, razor-edged critique of the yawning gap between the `marxist-leninist'

rhetoric and the comprador, petty bourgeois and bureaucratic rent-seeking reality of many African regimes. At the same time, Bond is not blind to the difficult political roadblocks standing in the way of the full envisionment and implementation of a democratic-socialist development. These barriers basically boil down to the difficulties with building a broad worker-community, urban-rural coalition in the context of uneven development and extreme poverty.

For Bond (1998), uneven development is not just a general slogan referring to the crises and spatial inequalities inherent in capital accumulation. Synthesizing prior work by the late marxian crisis theorist Henryk Grossman and contemporary Marxist economic geographers David Harvey and Neil Smith, Bond rigorously theorizes uneven development in four dimensions: temporal, spatial, sectoral, and scale. He shows how the over accumulation and failing profitability of capital instigates restructurings of capital in each of these four dimensions which are mutually constituted in complex ways. Often, these reconfigurations of capital counteract over accumulation by providing new opportunities for productive investment and/or new markets for capital and consumption goods. However, these 'fixes' or 'counteracting tendencies to crisis', by extending the operation of the class-based contradictions of accumulation in all four dimensions, ultimately accentuate the problem of over accumulation itself (p.17).

Bond places special emphasis on the financial mediation of accumulation fixes, crises, and capital restructurings. Briefly, over accumulated industrial (including agricultural and mining) capital finds its way into financial circuits (for example, banks, real estate and stock market speculation), and this enhances the power of finance over the reconfiguration of the overall system of accumulation during both the temporary 'fixes' stage (often associated with speculative booms in commercial real estate) and the following crisis and restructuring period (during which both financial and industrial capital are normally subjected to massive devaluations). As alluded to above,

speculative inflows and outflows of core-- country financial capital fit naturally into this schema which then becomes capable of handling the interaction of over accumulation cycles in core and periphery - with the dominant impacts of course exerted on the latter by the former. Bond's conception of uneven development thus assigns a key role to the economics and politics of finance domestically and globally. Indeed, one of his central arguments is that 'the operations of financial markets have exacerbated the scope, degree, and socioeconomic costs of uneven development' (p.425).

While recognizing the basis of financial power in the circuits of capital, Bond's analysis of finance and uneven development avoids the extremes of structuralism and economic reductionism. He incorporates the role of worker-community resistance in shaping the social limits to financial accumulation. These historically specific limits are defined not only by struggles over wages and work conditions but also by 'civil society' movements oriented toward basic need satisfaction - by any struggle that contests the reduction of wealth production (and the human, material, and social conditions of production) to a mere precondition of capital accumulation. Bond (1998) also recognizes that less progressive forms of 'personal agency' (for example, those involving racism and corruption) have 'a material effect on the exercise of financial power' (p. 199).

A good example of Bond's synthesis of structure and agency is his analysis of what mainstream economists term `financial repression', that is, the use of state controls over interest rates and credit allocation to promote investments in priority sectors and/or to channel subsidies to politically favored groups. He shows how, in Zimbabwe, the developmental potential of financial controls has been constrained by the limited opportunities for productive accumulation available given the country's racially polarized class structure and its subordinate position in the international division of labor. At the same time, Bond (1998, 2001) ascribes great importance to class and factional struggles over the distribution of financial subsidies, with the distributional outcomes in

turn shaping the patterns of productive and financial accumulation and future financial policy 'choices'. Bond's analysis reveals the utter bankruptcy of mainstream approaches to financial repression and liberalization. With their non-class perspective and their equilibrium biases, the mainstream approaches fail to recognize: (1) the role of financial subsidies in cementing together ruling-class coalitions and thereby providing an essential political backdrop for capital accumulation; (2) the connections between over accumulation, speculation, uneven development, capital restructuring, and opportunities (or lack thereof) for productive investment of money capital; (3) the unequal devaluations of capital built into core-periphery relations, with the lion's share of capital devaluation borne by the periphery - and how this structural inequality limits the possibilities for stable and productive accumulation (and for viable systems of socio-material reproduction) in the periphery relative to the core countries. I will now turn attention to the emerging literature on LED.

2.4 THE MEANING OF LOCAL ECONOMIC DEVELOPMENT

The central feature in locally based economic development is in the emphasis on endogenous development policies using the potential of local human, institutional, and physical resources. There are two distinct approaches to forging the partnerships. Robinson (1989) labels them as (1) the corporate-center approach, which places the emphasis of economic development on urban real estate development and industrial attraction; and (2) the alternative approach, which attempts to steer economic development activities to local disadvantaged residents.

Local economic development is process-oriented. That is, it is a process involving the formation of new institutions, the development of alternative industries, the improvement of the capacity of existing employers to produce better products, the identification of new markets, the transfer of knowledge, and the nurturing of new firms and enterprises.

Peter Eisenger (1988) provides a conceptual basis for government led entrepreneurship in 'The Rise of the Entrepreneurial State.' No matter what form it takes, local economic development has one primary goal; to increase the number and variety of job opportunities available to local people. To perform these activities, local government must take an active role. In essence, local government, using the resources existing communities, must assess the potentials and marshal the necessary resources to design and develop the local economy. This concept should lead local government and community based organizations to take a new and different perspective toward planned, coordinated development initiatives.

According to Blakely (1994), currently there is no theory or set of theories that adequately explains regional or local economic development. There are several partial theories that can help us understand the underlying rationale for local economic development. The sum of these theories may be expressed as:

Local/Regional Development= f (natural resources, labor, capital investment, entrepreneurship, transport, communication, industrial composition, technology, size, export market, international economic situation, local government capacity, national and state government spending and development supports)

All these factors may be important. However, the economic development practitioner is never certain which factor has the greatest weight in any given situation. As stated before, communities are socioeconomic systems. As whole systems, they trade with other communities outside their boundaries. Adherents of economic base theory postulate that the determinants for economic growth are directly related to the demand for goods, services, and products from other areas outside the local economic boundaries of the

community. In essence, the growth of industries that use local resources, including labor and materials for final export elsewhere, will generate both local wealth and jobs. It is argued that export industries have higher job multipliers than local service firms. Thus, every job created in an export firm will generate, depending on the sector, several jobs elsewhere in the economy. The weakness in this model is that it relies on external demand rather than internal need.

According to an old saying of regional economists (see, Blakely, 1994), there are only three important variables in regional growth: location, location and location. This statement holds some truth with respect to industrial site development. Firms tend to minimize their cost by selecting locations that maximize their opportunities to reach the marketplace. Other obvious variables that affect the quality or suitability of location are labor costs, the cost of energy, the availability of suppliers, communications, education and training facilities, local firms require differing mixes of these factors in order to be competitive. All these actions are taken to enhance a location beyond its natural attributes. The contribution of location theory to local economic development is the realistic parameters it places on the development process. Communities need to ascertain the relative value of their location-al attributes in relation to other resources that the area possesses.

2.5 LOCAL ECONOMIC DEVELOPMENT PRACTICE

This theory starts with a premise that the institutional base must form a major component of both finding the problems in the local economy and altering institutional arrangements. Building new institutional relationships is the new substance of economic development. Communities can take control of their destiny when and if they assemble the resource and information necessary to build their own future. This is not a closed political process but an open one

that places local citizens in a position to plan and manage their own economic destiny.

It also states that local economic development, both now and in the near future, will be dependent on the ability of communities to use the resources of higher education and research-related institutions. It suggest that local economic development is a process that emphasizes the full use of existing human and natural resources to build employment and create wealth within a defined locality. The first planning step any organization interested in local economic development must take is to decide on the role it wants to play in the development process. The stance an organization takes will shape the planning process in which it engages and the tools it can ultimately use to initiate economic development.

Organizations have constraints derived from their current or historic roles or set by their charter. It is always difficult for an organization to go beyond its mandate. Therefore, the role definition must precede any attempt to shape the local economic environment. There are basically four courses of action open to organizations in taking economic and employment development initiatives: to act as the entrepreneur, coordinator, facilitator, and/or stimulator of local development initiatives.

In this role, the organization takes on the full responsibility of operating a business enterprise. Local government may decide to operate commercial enterprises themselves. Land or buildings in local government control for conservation or for future development can be made available for economic purposes. Local governments may wish to retain commercial land and buildings in public ownership or turn over these resources to local community groups. It seems apparent that local governments can make greater use of commercial potential of land or buildings under their control. Beaches, road verges, reserves, and civic centers may be used for a variety of activities that

provide jobs. Local governments could take an active approach to identifying and assessing the possible range of commercial opportunities and balancing these against other objectives. Development of specialization or" theme" for particular localities may increase visitor traffic and therefore the potential for commercial operations.

When a local government has as its objective the redevelopment of depressed industrial or commercial areas in order to increase local trade, employment, revenue, and so on, it can take an active role either individually or in partnership with community-based groups or private enterprise. A local government can act as a coordination body to establish policy or propose strategies for an area's development. Because services delivered both by governments and by community and business organizations have a local impact, local councils are increasingly attempting to provide some leadership in the planning and coordination of services within their areas.

An extension of this role of economic development might involve community groups in collecting and evaluating economic information. It might involve working with other government agencies, business, and community interests to evolve economic objectives, plans, and strategies. Such an approach ensures that all sectors focus their approaches and resources on similar goals and that limited resources are used in more effective ways. This approach can also ensure consistency with state economic programs and strategies so that the local economy receives maximum benefit from them.

Some community groups and/ or local government have decided that they can best promote development by improving the attitudinal environment in the community or area. This might involve streamlining the development process and improving planning procedures and zoning regulations. A city or community group may bring together a range of approaches from different functional areas into policy statement on economic development. This need

not involve the commitment of additional resources but rather the provision of a statement of objectives. It would provide a focus for the local government's existing resources and energies and a base for additional programs as and when that course is determined.

Local council members, as elected community representatives, can advocate local concerns and bring economic problems and opportunities to the attention of higher levels of government. Their advocacy role will be strengthened to the extent that local government can demonstrate community and business sector support for this position and put forward realistic and achievable remedies.

Both community groups and city councils can stimulate business creation or expansion by taking specific action that induces firms to enter or remain in the community. Stimulation may range from developing brochures to actually building industrial estates or small manufacturing workshops. In some cases, approaches have even included providing industrial buildings. In at least one estate, small manufacturing workshops have been built and leased to operators at reduced rents for the first few years of operation. This is an option for local government in areas where the provision of suitable premises is a problem. In tourism, for instance, local government may itself promote a particular "theme" or activity in a key venue when private sector action is not forthcoming. Although local development initiatives are not a panacea for local government or the solution to all local problems, they are significant complements to state as well as federal efforts to stimulate economic and employment development.

Institutional approaches or structures for local economic development have received considerable attention in recent years. One reason for this is that more local, regional, and state economic development institutions are being formed. The structure of the economic development program varies according

to whether it is a state, sub state, regional, or local city or countywide organization. In some instances, these organizations merely coordinate activities in the public or private sector and in others the development organization is the de facto project developer. There needs to be a clear distinction between a plan for economic development and a plan for short-term measures, no matter how urgent, to meet immediate community needs.

Planning for economic development intends to bring about a lasting and continuing change in the local economy, so that it will better serve social objectives. Economic development is an institution-building process. As a result, it requires the establishment of planning systems and institutions that can manage the development process over extended periods of time. An institution with specific responsibility to coordinate each step of the local economic development process is essential. The development strategy plan, as well as the process itself, requires fiscal resources, technical expertise, leadership, and imagination. Some type of fully staffed, locally based institution must be available to assist in identifying and mobilizing all these resources in order to carry out strategic planning.

Matt Kane and Peggy Sand (2000) summarize the essential characteristics of an economic development organization with these words:

> People and organizations with vested interests in an area's economic development must be drawn into the formation and policy processes for an economic development organization. Different stakeholders will have different goals that must be made explicit and considered. The city government and private businesses certainly need to play a role. But so, too, do downtown and neighborhood representatives, labor unions, city residents, utility companies, environmentalists, other area governments, and officials from local universities.

The type of organizational form chosen for LED depends on the size of the community and the level of sophistication of its institutions with respect to economic development. The specific form should be based on an analysis of the potential roles various institutions might play in the development strategy decided on by the community. Regardless of what form the development organization takes, the essential point is that it should have sufficient authority and resources to undertake at least the following activities:

- Research – to provide background information on the area's needs
- Information provision – on identified target activities
- Marketing – customized according to specific development strategies
- Coordination of the activities of other groups important to the achievement of the overall development strategy

A well-developed local economic development organization also has strong financial planning controls and a forward-looking financial planning system. The financial system must be able not only to look back and describe what happened in the past- as is necessary in grant reporting- but also to look forward and make predictions so that the organization and its ventures can accommodate and react quickly to changes. The financial system should be structured so that fairly and openly between the various programs.

The local economic development organization should also have strong economic and employment planning component. This will enable the organization to look to the future and place current and short-term community interests and needs in the context of a long-term perspective on community revitalization and independence. The planning component also allows the organization to increase systematically to the capacities of both the community and the organization for economic development activities. Effective targeted marketing programs for development activities are also crucial for success.

A well-developed organization will have a strong connection with the private sector and good relations with all the social groups within the community. This helps ensure that the organization meets the needs and expectations of these groups and enables the organization to make use of the community's resources to create healthy ventures. The support of the private sector is essential for obtaining business advice, financing, and also possible contracts. In addition, the support of the wider community can strengthen the organization's ability to obtain public and other grant funds and can demonstrate that the organization is involving the disadvantaged in the local development process.

The economic crises of the 1970s and the move to a post-industrial society in Many countries in the North overlapped with the rationalization of the state's role and its partial withdrawal from direct economic intervention (see, for instance, Bell,1978; Castells, 1999). As a direct result, local development strategies, including the marketing of the locality and the enhancement of industrial attraction, became vital for coping with de-industrialization and other forms of economic hardship. However, these strategies were also employed to further promote already prosperous localities, such as Silicon Valley. In the countries of the South, economic crises coupled with the effects of structural adjustment obliged communities to look inward at their own unique resources and skills in a quest to ensure 'self-reliance.'

During the 1970s, 'development versus underdevelopment' was a major discussion issue (Nel, 1994). The debate was about processes on a global scale being the driving forces for development on a smaller scale. Local, provincial or regional development was more in exogenous terms rather than in terms of how to achieve the general and sustainable integrated development of a given territory. At that time, concentrated growth and the trickling down of wealth from above was the dominant theoretical paradigm

on which growth strategies were based. This was thought to be possible by the expansion of large companies concentrated in large cities, since technological innovation would make it possible to achieve economies of scale and external economies.

The unprecedented growth witnessed in the era of the ‘new economy’ has brought a greater concern for social welfare to only a very small minority of the world. Unemployment and decreasing incomes are affecting rural and urban areas where a significant part of the population is still neglected by the ‘new’ opportunities. Poverty alleviation remains the challenge in city and towns as well as in rural areas. This so called ‘development gap’ is pressing local authorities, socio-economic actors and ordinary citizens to start building up endogenous initiatives, whether individually or in a group. These are drawing from territorial identity, as a way to compensate failing employment opportunities in the global markets. This phenomenon is often referred, to as the paradox of globalization.

In this scenario, self-employment and entrepreneurship become a priority for citizens, local authorities and decision makers, as a key tool to generate income and jobs. Although there is no universally accepted definition of LED, international experience and literature provide a range of guidelines as to its key components. According to Rogerson (2000) LED refers to 'sub-national action, usually sub-state and sub-regional, taking place within the context of the local labor market'. Nel (1995) builds on that definition in his description of LED, as an applied economic development strategy that seeks to address site-specific needs through locally appropriate solutions. Successful LED depends on the formation of partnerships between key local stakeholders, preferably comprising local authorities, local business, community leaders and non-governmental organizations.

In the case of South Africa, the issue of purpose is linked to the need to transform the economy in order to make it more inclusive of the previously excluded majority and to ensure the provision of basic needs and appropriate social safety nets. This indeed, is the development problem that the government has to grapple with and which, in the eyes of the historically disadvantaged majority is the very reason for government (Mhone, 2003). According to Mhone (2003), developmentalism can be understood to refer to a conscious, strategic stance taken by government to promote accelerated economic growth, structural transformation, social development and repositioning of the economy in the international division of labor by influencing the performance of the market.

Mogale (2003) states that the present post-apartheid democratically elected government in South Africa inherited a bewildering hotchpotch of administrative, financial , economic and political structures emanating from the legacy of decades of apartheid rule. The structures used were not meant to serve the broad population of the country but rather small divided ethnic or racial categories. The apartheid system was not known for upholding participatory norms of decision-making and as a result, different sets of local government administrative structures for different racial groupings were imposed.

In South Africa, LED is a mandatory task of local government. The White Paper on Local Government, defines local government as a developmental local government. The implication thereafter is that; local government must be committed to working with citizens and groups within the community to find sustainable ways to meet their social, economic and material needs and improve the quality of their lives. The White Paper has far reaching implications for the way in which local authorities operate and deliver on their mandates. The South African government has long since acknowledged the importance of local government as the implementing arm of the national

government. The White Paper defines the characteristics of a developmental local government. These include:

- Maximizing social development and economic growth
- Integrating and coordinating
- Democratizing development
- Leading and learning

The powers and functions of local government are such that they have a maximum impact on the social development of communities, in particular meeting the basic needs of the poor and the growth of the local economy. Through its service delivery and regulation, local government exerts a great influence over the social and economic well being of local communities. As indicated earlier, LED is a mandate of local government, however, there is no clear concept and no consistent pattern of implementation of LED (May, 2002) across many of the South African municipalities.

As a development approach, LED is based on the central idea that local mobilization of actors and resources, building a convergence of interest around the competitive advantages of localities and building the capacity for economic actors to take up economic opportunities may arrest the damaging effects, and enable exploitation of the opportunities, created by new market conditions. The idea coincides with a global trend towards decentralization of powers from national to local government (World Bank, 1999). It is also associated with the shift from interventionist to enabling forms of governance to promote development partnerships between local economic actors.

LED strategies were mounted in South Africa from the late 1980s by local business and civil society actors in the context of economic decline and the legitimacy crisis of the apartheid state. From the mid 1990s, the government of national unity took over LED as part of its developmental approach to local government. It linked LED to the Reconstruction and Development

Programme (RDP), emphasizing a community economic development orientation. Somewhat later, under the Growth, Employment and Redistribution Strategy (GEAR), economic development was also pursued through market-oriented strategies that emphasized enterprise development, investment promotion and small business development.

Currently, government is in search of a more coherent approach that connects the divergent LED initiatives of different departments and levels of government. A policy document of the Department of Provincial and Local Government (DPLG) takes a step in this direction by laying out a framework for a holistic approach by local government to LED, with a strong community economic development focus.

The basis for the current LED policy framework was set down in the Constitution and elaborated in the Reconstruction and Development Programme (RDP) and subsequent policy documents and legislation dealing with local government since 1994. The Transitional Local Government Act and the White Paper on Local Government of 1998 redefined the objectives of local government to focus on development, including its social and economic dimensions. This policy framework was consolidated and systematized within the Municipal Structures and Municipal Systems Acts that laid the foundation for the local government system implemented in 2000.

National policy, as set out in the White Paper on Local Government, requires local government to pursue economic development mainly through the re-alignment of its core functions, namely land use planning, service delivery, development and regulation. Its main economic role is to provide an enabling environment, rather than to take direct responsibility for economic growth and job creation. Local authorities were to pursue LED within the framework of integrated development plans (IDPs) formed through participatory processes that would determine municipal budgets.

In addition, national policy gives local government some specific areas of LED competence. These are marketing for investment promotion, support services for small business, assistance to targeted growth sectors and the tailoring of training and labor placement activities to local labor market conditions. The Department of Provincial and Local Government have elaborated a wide range of more detailed functions in a number of policy documents put out.

The Constitution of the Republic of South Africa (Act 108 of 1996) states that a municipality must structure and manage its administration, and budgeting and planning processes to give priority to the basic needs of the community, and to promote the social and economic development of the community; and participate in national and provincial development programmes.

In conclusion, much work needs to be done to make people view development as a transformation of society, not just as an increase in physical and human capital. It is important to note the fact that transformation requires changes both in ways of thinking and in society's institutions. The fact that economic aspects of development must focus primarily on the economic, social and institutional mechanisms needed to bring about rapid and large-scale improvements in levels of living for the masses of poor people in developing countries can never be denied.

2.6 CONCLUSIONS

LED is increasingly being propagated by donor agencies and governments in developing countries. Yet there is only scant evidence that LED has ever been successful anywhere. There are two sets of reasons for the poor performance of LED: inherent reasons and issues related to globalization. Inherent reasons are (a) a strategy- and planning- instead of action-driven approach to LED, (b) a confusion between community development and LED,

(c) an unclear theoretical and conceptual background for LED, and (d) a profound confusion about good practice in terms of governance of LED.

Globalization creates (a) the life-cycle paradox (companies in emerging and growing industries rely mostly on localized factors, but they are the most difficult group to engage in LED), (b) the irony of upgrading in global value chains (the latitude for local collective upgrading efforts tends to diminish as local companies are integrated into chains), and (c) The location and globalization paradox (mobile companies may be interested in high locational quality, but their propensity to get involved in efforts to create such a quality tends to be limited). LED actors can respond by choosing the appropriate approach to LED. Apart from strategic initiatives there are also the options of a generic locational policy and a reflexive locational policy.

CHAPTER 3: RESEARCH SITE AND FINDINGS

Ehlanzeni forms the eastern section of the Lowveld area of the Mpumalanga Province. Ehlanzeni is located approximately 350km east of Gauteng and consists of a wedge of land between the Kruger National Park(north), Mozambique (to the east), Swaziland (to the south) and Mbombela and Umjindi Municipal areas (to the west). The Maputo Corridor traverses the areas of Ehlanzeni and has a significant influence on the growth and development of the area. The Ehlanzeni area has excellent potential derived from its central location within the wider region of Mpumalanga, Swaziland, Northern Kwazulu-Natal, Southern Mozambique and the new Transfrontier KNP. The new spirit of borderlands cooperation and increasing cross-border interaction has given a unique prominence to Ehlanzeni, which was previously extremely marginalized. Prominent towns include Malelane, Kopmatipoort, Hectorspruit, Marloth Park, Kamhlushwa and Kamaqhekeza.

3.1 LAND USE

Ehlanzeni is made up of two with hugely different characteristics in terms of economic and social development. The southern section, being the previous Kamhlushwa district of Kagwane (a former homeland), has a typical rural underdeveloped character where all problems of poverty, massive unemployment and general lack of development catalysts exist. The communities are caught up in a vicious cycle of poverty. This poverty is impossible to eradicate without external aid. It is the purpose of the IDP to provide the stimulus for sustained economic development in this poverty pocket. The northern section, known as the Onderberg, is a highly successful agricultural area with well-developed infrastructure and human skills. It is globally competitive in sugar and citrus products, as well as the processing thereof. The value of crops produced per annum approaches R1 billion of which R400 million is exported.

3.2 PHYSICAL

The climate of Ehlanzeni is generally frost-free, warm but dry and subtropical with summer rainfall. The temperature is temperate in winter and hot and humid in summer. The precipitation is generally between 550 and 700mm annually, but increases to over 1000mm per annum in the higher southwest. The extreme western areas are densely vegetated with undulating hills and relative deep incised valleys. Commercial forests are found in this area. The larger central area has a relatively flat topography with a mean sea level of 180m to 450m.

Towards the extreme east is found mountain areas with the Lebombo mountain forming the border with Mozambique and the Mananga, Madubula and Kuhluhlu mountains in the vicinity of Mbuzini. Two rivers namely Komati to the east and its main subsidiary, the Lomati to the west, intersect the region. Both rivers flow from Swaziland, the first feeding Lake Matsamo and the second the Maguga Dam. The Komati river later confluences with the Crocodile river at Komatipoort to form the Rio Ncomati flowing into Mozambique. The mentioned rivers and dams are the major sources of household and agricultural water supply. Ehlanzeni has huge expanses of natural vegetation of the mixed lowveld-bushveld category. Indigenous tress such as bush willow, monkey orange, marula and acarcia family bound.

3.3 SOCIO-ECONOMIC

The population of Ehlanzeni totals 396 467 and is concentrated primarily in the underdeveloped southern section of Ehlanzeni. Of the total population, 98% are black/African. Ehlanzeni has an estimated population growth rate of 4.8% p.a. It is believed that there is significant presence of foreigners from mostly Mozambique and that the high population growth rate can be ascribed to some extent to the influx of foreigners. The area, especially the underdeveloped southern section, is characterized by a very young

population; i.e.55% of the population is under 19 years old. 39% of the population is 20-64 years old and 6% is over 65 years of age. The population in the northern area, mainly concentrated in the formal towns of Malelane, Komatipoort, Marloth Park, Hectorspruit and surrounding areas has a slightly different age breakdown than the general norm for Ehlanzeni. In the northern area, only 36% of the population is under 19 years with 58% between 20-64 years of age and 6% is 65 years and older. The younger age implies that a population explosion is likely in the near future. This will of course place enormous strain on the already scarce resources to provide the necessary services (e.g. health care and education).

Most of the households in the southern area reside on informal stands on state owned land and under tribal authority. Three distinct settlement patterns characterize the Ehlanzeni area. In the northern area the population is concentrated in formal towns along the Maputo corridor. The majority of the population is however concentrated in informal towns, spread throughout the southern area. Intensively cultivated agricultural land with a low population density forms a natural division between the northern and southern areas.

The unemployment under the economically active population is rated at 50%, with 38% being formally employed and 12% active in the informal sector. The dependency ratio is 6.8 meaning that 6.8 persons are dependent on the income of every one person employed. The male absenteeism rate is 30.7, meaning that 30.7 of all employed persons work outside the area. The labor participation rate indicates the percentage of labor force that is economically active and thus measures the capacity of the local economy to absorb the supply of labor in the area. 35% of the labor force in Ehlanzeni is not educated, 24% attended primary school, 31% attended secondary school and 5% obtained a diploma or certificate at a tertiary institution. Only 0.06% of Ehlanzeni population obtained a university degree. An estimated 24% of the

economically active population is illiterate. Subsistence agriculture plays a paramount role in providing income and supplementing the diet of the people.

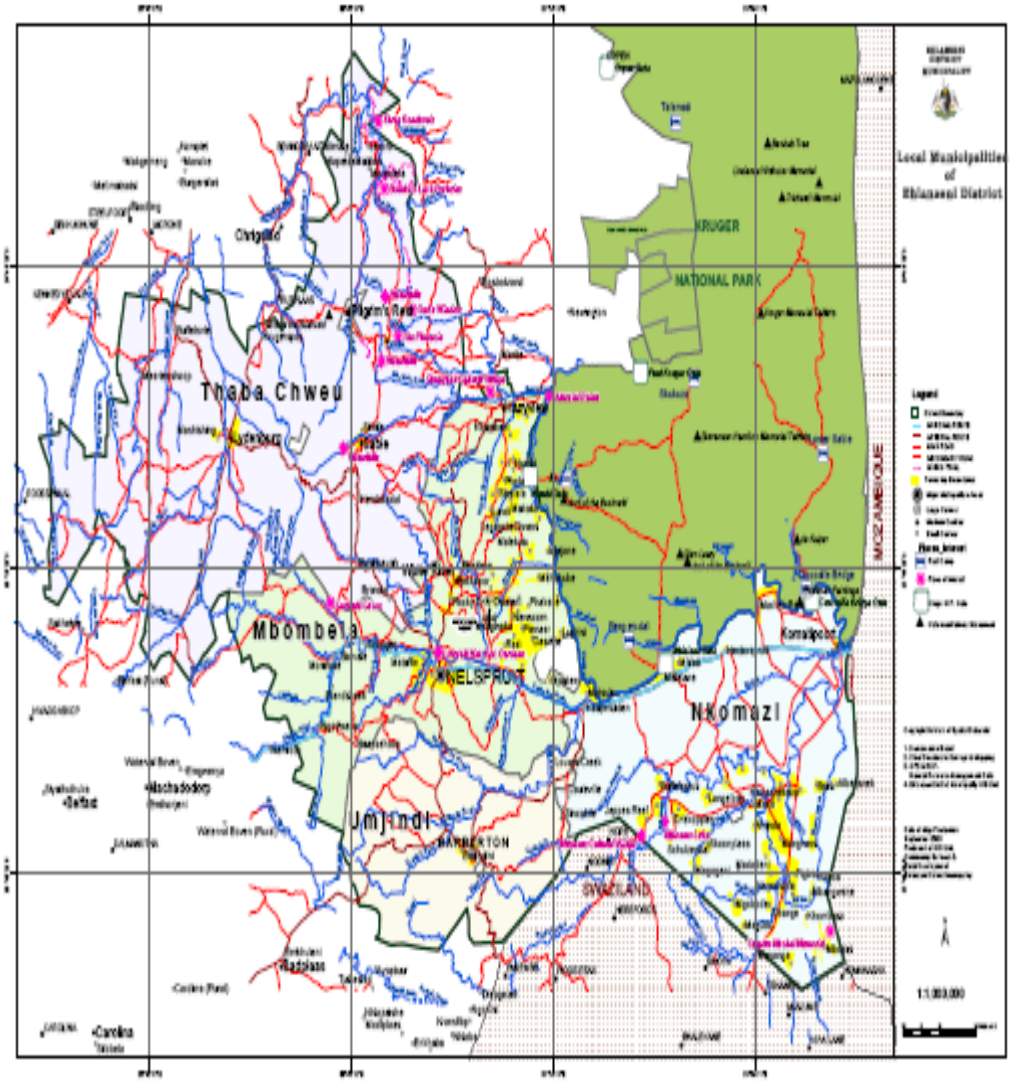


Fig. 1 A map of Ehlanzeni District Municipality (Source: http://www.ledc.co.za/images/Map_Ehlanzeni-Distrct-2003.pdf)



The attendance of 11 community meetings appear to have been reasonably balanced in terms of gender and age.



Figure 3: A rural village

3.4 PRESENTATION OF FINDINGS

This section presents the findings of the research. It aims to show how far the Ehlanzeni District Municipality's Integrated Development Plan (IDP) has been been integrated with the imperatives of Local Economic Development (LED). It is worth pointing out that principles of sustainability heavily influenced EDM's IDP as well the LED implementation. These ideas have been taken through all aspects of the plan, from conceptualization, through strategies, to programmes and projects. The approach adopted is a highly integrated one, with careful consideration of inter-linkages between economic, social and ecological issues, and the various causal aspects of the issues identified. It can thus be considered to be a systemic approach.

The focus of sustainability thinking here is less on the 'green agenda' issues than on questions related to poverty, and the linkages between poverty, environmental considerations and development processes. The satisfaction of basic human needs is central to the plan, and the projects which form part of the action plan. A great part of the budget for the next five years is devoted to new water and sanitation projects. In addition, the plan contains several projects aimed at rural basic infrastructure - a critical deficit in the area (energy, roads, bridges etc) - at health, sustainable livelihoods, housing and land reform (access to rural land). Similarly, it can be argued that the criterion of social justice and equity is also fulfilled.

Much of the focus of the plan is on rural poverty alleviation. In addition to the basic needs emphasis, there is a focus on HIV/AIDS programmes, on support to previously disadvantaged small scale farmers, the improvement of rural infrastructure including rural roads (seen as a major concern in rural areas), and on skills development. Programmes for street traders, and a place of safety for the abused are also included. In the workshops conducted, councilors and officials in both local and district municipalities said that they felt that the plan met local needs and priorities, and addressed poverty and

basic needs. The NGOs, however, while appreciating the emphasis on water and basic services, expressed some concern over the extent to which economic programmes would really reach the poor, and whether sufficient emphasis had been placed on welfare oriented programmes.

The IDP document recognizes that agriculture remains a critical part of the local economy. While the NGOs raise important concerns, one needs to acknowledge that welfare is a new arena for local government and that it retains major responsibility for basic infrastructure. Further, it faces a difficult task in balancing the needs for transformation while maintaining an existing economic base. The plan targets several levels of the local economy:

- The very poor through sustainable livelihoods and informal sector projects;
- Potential and existing small business through support of small farmers, training and skills
- Development, land reform, marketing, links between large and small farmers, and
- Agro-industrial hives;
- Maintenance and improvement of infrastructure, which is seen as key by both large and small organized business.

The economic strategies and proposed projects build on regional strengths, on local skills and talents, and seek to achieve economic viability. They work towards retaining and strengthening the existing economic base, and extending it to include both smaller producers (especially farmers) and rural areas. Links between established commercial farmers and emergent farmers in certain areas are being explored. New rural economic opportunities are promoted, and existing activities, such as market centers, are strengthened to contain leakages.

As an established practice within EDM, public works and other projects give preference to firms using local labor, and to joint ventures which build small business capacity. The plan does not represent a radical regionalization /localization of the economy as suggested by some sustainability authors, nor does it go far in transforming the currently skewed structure of ownership, income and benefit from the local economy. This is not a concern that was raised by respondents, although, some respondents were worried that some proposed projects would not reach the very poor.

Local business is generally supportive of EDM's plan - their major concern is around maintaining and improving infrastructure, training and skills development, and improving conditions for all groups in the area. Many respondents indicated high levels of support for the plan. EDM's approach can be seen as a pragmatic one - initiating a number of small, innovative projects, often on a pilot basis, while maintaining support for, and building on the existing local economy. This is probably realistic given local government's capacity limits (see below), but further iterations of IDP’s or economic strategies could go further for example in looking at local procurement practices, at improved links between the formal and informal sectors, and at the linkages and benefits associated with particular interventions.

There is a considerable emphasis on training and capacity building in the economic projects, building the skills and capacity of small and micro business. In addition, an education and skills development programme includes several skills development projects. A number of respondents from the private sector were of the opinion that the Services Sector Education and Training Authority is keen to develop training programmes and to link into the IDP in this way. There are also several proposed popular education programmes associated with environmental aspects of the plan, HIV/Aids awareness and the need to engage with local perceptions around issues such

as burials and resource use. Education programmes around legislation and rights in certain spheres are included.

Several of the existing community projects contain a training component, but in an interview conducted with one of the district's community projects team for this research, it was suggested that the form of training was not sufficient - that instead of once off training, what was required was a long - term training and capacity building programme and monitoring. It is thus important to consider what forms of training and capacity building are effective for particular purposes.

The plan recognizes the importance of conservation of biodiversity and maintenance of ecological integrity. These issues are taken up in the analysis chapter. In addition, poverty driven over-use of natural resources (forests, muthi plants, marine resources, overgrazing) along with the need to respond to environmentally harmful burial, waste disposal and sanitation practices are recognized. All of these aspects are addressed in the strategies for the plan, and in several projects.

A big chunk of the budget is allocated for the sustainability framework. This includes, inter alia, pilot projects for sustainable livelihoods programmes which develop small scale commercial alternatives to natural resource use; grazing management programmes; an environmental audit; and the development of a land use management framework and forum for the district. In addition, other aspects of the plan address ecological sustainability in the waste management, energy, cemeteries and burial programmes.

The significant advances made by the plan in terms of incorporating and emphasizing environmental dimensions were acknowledged by a number of respondents. However they questioned the feasibility of some of the projects arguing that the sustainable livelihoods projects and small commercial

production of plants such as muthi would not easily replace free use of resources, given the poverty of communities, and that such projects would only succeed once indigenous resources were depleted. Similarly, electrification and alternative energy use might not be an alternative to the use of forest resources. Although these may be valid criticism, most of the livelihoods and resource projects are seen as pilot projects, and do, to an extent, follow market trends. They at least take on the problem.

Local authority land use management practices will be critical with regard to the management of the ecological impacts of formal development. Many of EDM's own proposed projects will be subject to environmental management plans or environmental impact assessment processes. Further, the plan calls for the development of a new land use management system to replace the existing out-dated town planning schemes, many of which were developed decades ago, without regard to environmental concerns. EDM's role in this regard is one of co-ordination - direct land use management falls under the local municipalities, although its IDP must be considered in legal land use decision-making.

In future, it will be critical to ensure that construction, infrastructure development, and community projects are implemented with sensitivity to natural processes. This is not always the case at present (e.g. EIAs are not always done, some roads built in ways that result in erosion). The plan recognizes and responds to this problem, and needs to ensure that these principles are carried through in practice. Another debate that arose focused on the question of how environmental sustainability would be addressed in rural areas given that it requires altering daily practices, and addressing cultural matters. In response to these issues, the municipal manager reiterated that the plan does consider environmental matters, that several projects addressed these concerns. He argued that the local councils need to address these matters on the ground, and that through community

participation, an awareness of environmental concerns would emerge, leading to local level action. He said that the tribal authorities had participated in the IDP process, and they hoped to draw them in further. This will be critical to the progress of the plan in future.

EDM's IDP certainly demonstrates a concern for future generations in its localized sustainability guidelines, which focus on protecting local rare bird populations; protecting and harnessing potential medicinal plants; sustainable poverty alleviation strategies; proposals for alternative livelihood strategies, and conserving forests, grasslands, endangered vegetation, mammals and landscapes for sustainable tourism. As noted above, there is recognition of the underlying causal factors leading to environmental degradation, and an attempt to address them. No explicit attention is given to the linkage between local and global dimensions; however, the plan does consider some of the global environmental issues of concern such as deforestation, but not issues such as the impact of climatic change, or the ecological footprint of the area and its development strategy.

A conservation and rehabilitation programme is also proposed involving, inter alia, soil erosion management, control of sandwinning, and a State of Environment Report to develop a district-wide open space system linked to catchment management that incorporates catchments, ecologically sensitive areas, and some wetlands areas. All EDM's projects involve the participation of individual communities in activities and decisions affecting them. The standard practice for project development is that project managers interact with communities, and an interim steering committee is set up. This committee then informs the rest of the community, and a more permanent committee is set up to engage with the technical staff, and to take ownership of the project.

The participatory process around the IDP has been described earlier. Direct participation by communities in the IDP occurred around identification of needs, priorities, and preliminary visions in both local and district participatory processes. Innovative visual methods were used to promote communities' understanding of the issues. Joint local/district report back occurred on the plan. Apart from this, participation occurred via the involvement of councilors in the planning process.

In terms of accountability, it is not clear how good reporting back by and mandating of councilors is in rural areas. Some respondents stated that they do not feel that they can approach councilors, and that 'speaking out' is difficult. There is also a move to establish ward-level committees in more areas. The whole area of communication and information dissemination is seen as a problem in the district, particularly in rural areas where distances are large, infrastructure is lacking, and road conditions and transport are poor. Internal communication within the municipality is also problematic.

These concerns have given rise to the recent mounting of a project on the development of a community participation and communication strategy for the district. The IDP process, particularly at district level, presents peculiar difficulties for participation: it requires relating to a very large population over an enormous area, and through a long, complex, and somewhat abstract process, in a limited time frame. The district must rely to a large extent on local municipal participatory processes which feed into its own processes, although EDM also had its own community workshops. It is not surprising that the model of participation proposed in the IDP Guide Packs is one of consultation, rather than deeper forms of participation, and that it draws heavily on stakeholder participation.

The IDP needs to be seen as a process, and deeper participation should develop over time if effort is put into it. It requires the creation of a whole set of networks and putting in place robust structures and institutional arrangements which facilitate two way communications, provide a forum for information exchange, and so on. The IDP Representative Forum does not seem to have provided this structure in its own right, and the question of structures for - participation needs to be reconsidered.

Despite attempts to be highly inclusive, stakeholder participation was rather erratic. Participation by government departments and parastatals was uneven, and in part relied on personal contact. The simultaneous production of all IDPs at once made it impossible for these agencies to participate in all the forums. The participation of NGOs was somewhat partial. Not all heard about the initiative, and only some participated - and then often in some, but not all meetings. NGOs are thin on the ground, highly stretched in terms of time and capacity, and are increasingly feeling the burden of the social fall out of HIV/AIDS and rising national unemployment. Participation in the IDP therefore presented real time costs.

Stronger links were forged with business, who appear to be satisfied with the outcome of the process, which they see as consistent with their own interests in maintaining infrastructure, in an expanding market, and a more skilled population. These links, however, were largely created outside of the formal process (but business did attend some of the IDP forums and workshops), and built on existing links with the mayor, and EDM's established willingness to allow stakeholder participation in portfolio committees. It is clear that for all these organizations, the standard form of stakeholder participation advocated in the IDP Guide Packs, and adopted in some form in EDM, was less than ideal, and was supplemented by additional engagement. While business was happy with the outcome,

NGOs were more critical, and were also less aware of the final decisions. In the large councilor/government/local government/parastatal workshop, most parties expressed satisfaction with the outcome and content of the plan, although there was some concern about implementation. The formation of partnerships will be critical to the implementation of the plan, and this is recognised by EDM. Some partnerships have developed with provincial and national departments around the funding of programmes, such as the long-standing link with Department of Water Affairs over water and sanitation programmes, CMIP, the Department of Public Works, and the more recent ISRDP.

With regard to transport, there is now an attempt to link the transport forums, and the transportation planning process with the IDP priorities. Similarly, the IDP ideas have been fed into the Department of Health's own vision and strategy. Despite participation in the IDP, there is still no guarantee of funding by national and provincial departments of local projects in several sectors. This disjuncture is a classic problem for IDPs, and has been recognized at national level. It is however possible that the provincial finance department, which is supportive of IDPs, will require departments to linktheir budgets to IDPs.

District-local partnerships will also be critical, particularly given the fluid division of functions between levels. Links between EDM and the poorly capacitated rural municipalities are strong. Some good partnerships are developing, for instance around the release of land, and support of small growers. This initiative has brought together EDM with the Department of Land Affairs, the Small Cane Growers Association, SASA, commercial farmers and the Department of Agriculture. Traditional authorities have been brought on board in the process. Apart from these instances, partnerships with business and NGOs, have still to emerge, although some initiatives are starting to occur around HIV/AIDS. A form of partnership with communities

already occurs in the projects implemented at Community level through the public works and other programmes. Existing economic projects have had varying levels of success, and it is difficult to make them economically and financially sustainable, although they are certainly used.

Problems include the difficulty of competing with established producers, poor organization of some projects, and insufficient follow up of the problems and needs of the projects. As noted above, while training is done, it is not sufficient to establish the skills required, and management can be an ongoing problem. Some respondents felt that there is too much emphasis on delivery in the infrastructural projects, and that an engineering approach has dominated at the expense of social development. Gate keeping or control of a project by a small group was a problem noted by NGOs. EDM departments are responding to problems within projects, but there is room to consider how community projects are implemented in a more systematic way. Monitoring and evaluation procedures are being introduced, but as noted in the previous section, they still have to be more fully developed.

3.5 KEY CHALLENGES AND CONSTRAINTS

Respondents from across the divide indicated finance and capacity limits as the major challenges. The proposed action plan calls for funds that are well beyond EDM's own resources. EDM, however, is well placed to bring in at least part of the required budget, and officials are mandated to pursue and explore partnerships and all funding sources. There is also a concern about the sustainability of providing free basic water. Capacity is another limitation. For instance, there are only one or two people dealing with economic development in the larger municipalities, yet relatively ambitious programmes are being mounted. Capacity limits also affect the participatory process, and the ability of NGOs to engage with local government.

There are clearly tremendous challenges in terms of basic infrastructural backlogs, and these needs override the focus on environmental issues. The linking of sustainability concerns to basic needs of the poor is an important way of introducing these issues in a way that is meaningful locally. A key challenge will be to incorporate sustainability principles in infrastructure development and service delivery, and to generate awareness among beneficiaries of their importance. Although these might add to the immediate costs of the projects, the failure to incorporate these principles can result in long-term financial, social, ecological and even health costs. The tension between short and long term costs will need to be addressed.

There are also significant challenges in terms of establishing long-lasting representative structures. While the IDP Representative Forum is to continue, and provides a space for participation of a diverse set of stakeholders, it has not been a very effective mechanism for representation. Other ways of relating to stakeholders need to be developed. In addition, more permanent structures at community level need to be established that can link into the planning process. Establishing these will not be easy. The whole process of developing partnerships is also a fledgling one that will be a challenge to take forward.

While EDM has produced an excellent plan in terms of sustainability principles, the most important challenge is to carry through these principles in the design and implementation of projects at a detailed level. In addition, the challenge of setting in place better representative structures and the formation of long lasting partnerships is a significant one.

3.6 POSITIVE OUTCOMES AND OPPORTUNITIES

There is a strong acceptance of the plan and the planning process by the Municipal Manager, the top officials and the senior councilors, and a growing agreement to make decisions on this basis. The IDP process has focused the energies of the council around a common vision, and there is a strong sense of commitment to achieving its objectives. In addition, there is strong support by business, and the potential to forge closer links with NGOs. Information from respondents suggest a willingness of the part of business to form a larger business forum, and to work with EDM in this way. NGOs were also open to the idea of exploring municipal-NGO interrelationships in a systematic way.

The potentials to work around a common vision and to develop stronger institutional networks are seen as key to the development of 'institutional thickness', and to sustainable governance. The IDP has promoted an integrated approach to development, moving beyond the fragmented and piecemeal approach which leads to the construction of inappropriate and poorly used facilities in the past. There is a focus on what are generally agreed to be key issues. A parallel process of change management has led to the strengthening of the municipal manager's office.

The municipal manager intends to continue maintaining strong strategic leadership with top management (heads of departments), and better links between local and district municipalities are being set up. In addition, a programme to improve the performance and service culture of the administration has been put in place. The IDP has managed to incorporate potentially conflicting parties, such as traditional authorities, and competing political parties, and to bring them together towards a common end.

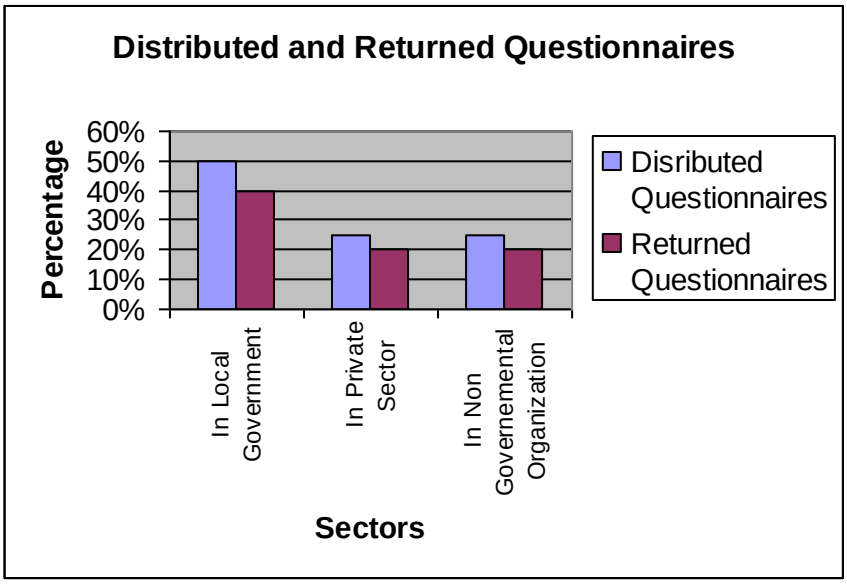
3.7 GRAPHICAL PRESENTATION OF RESULTS

This section presents an analysis of data that was collected quantitatively as opposed to the qualitative data that has been analyzed in the previous chapter. The respondents sample was broken down as follows:

- 50%: local government (both District and local municipalities within Ehlanzeni)
- 25%: Non-government Organization
- 25%: Private Sector

The data gathered will be grouped together and presented as a summary. The response rate to the survey questionnaires was extremely encouraging as shown in the graph below.

Graph 1



3.7.1 PERCEPTIONS OF LOCAL ECONOMIC DEVELOPMENT

Information to be derived from responses:

- The understanding of the LED concept by officials, politicians, private sector and NGOs.
- The potential misunderstanding of the concept.
- Interpretations of LED by the municipal officials, politicians, private sector and NGOs.

Summary of responses:

Local Government	Private Sector	NGOs
100% of the 40% returned questionnaires understand LED	100% of the 20% returned questionnaires understand LED	100% of the 20% returned questionnaires understand LED

Responses to this question indicate that the majority of people from the local government, private sector and NGOs understand the meaning of local economic development. However, their definition of LED focuses exclusively on rural development and community development. The “E” for economic in LED, is marginalized. As a result of this confusion, LED units that are set-up as programme-level institutions are supposed to implement projects without being endowed with the necessary authority and the needed resources. Another negative result is that organized private business pursues its own policies without consultative actions. In other words, various stakeholders pursue various strategies in their own silos.

From the various definitions of LED as a concept, it is clear that various stakeholders interpret the concept differently. From the interpretation it is not

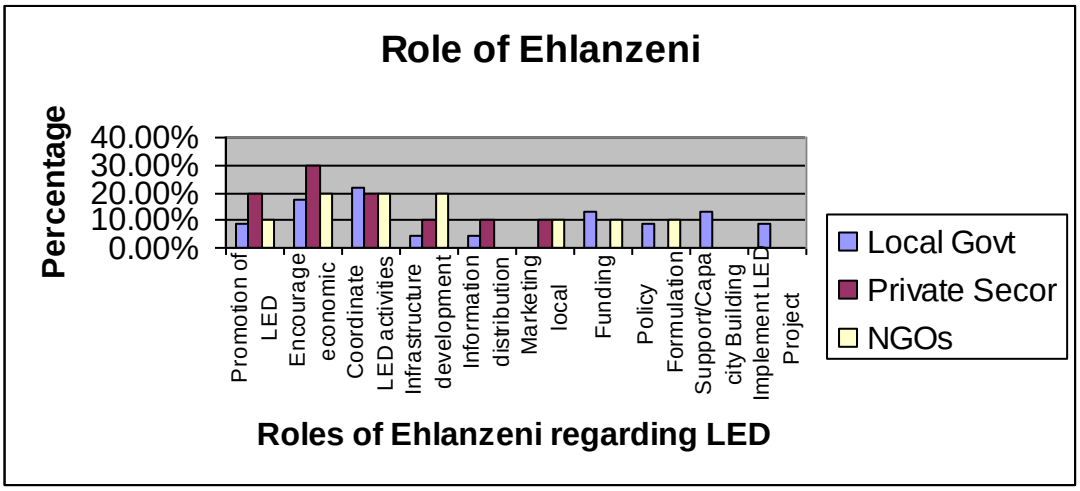
clear who should play which role especially when it comes to the division of labor between local business community, local government and non-governmental organizations.

3.7.2 THE ROLE OF EHLANZENI DISTRICT MUNICIPALITY

Information to be derived from responses:

- The legal requirement and functions
- Institutional framework
- General understanding of the mandate by officials and politicians.

Graph 2



The different spheres (local government, private sector and NGOs) define the role of Ehlanzeni regarding LED differently. The local government and private sector see the role of Ehlanzeni as stimulating and coordinating of LED activities and capacity building of local municipalities, whereas the NGOs include even infrastructure development as a key role of EDM. The interpretation of this could be that; the role of Ehlanzeni is not clearly defined and communicated to its stakeholders.

3.7.3 OFFICIALS AND POLITICIANS ROLE IN PROMOTING LED

Information to be derived from responses:

- Departments currently involved in LED coordination and implementation
- Departments budgeting for LED
- Individuals involved in LED and the roles they play
- The participation of politicians.

Summary of responses:

Roles of officials	**Roles of politicians**	**Local Government**	**Private Sector**	**NGOs**
Policy implementation	Policy formulation	26,7%	10%	8,3%
Promote LED	Promote LED in wards	13,3%	10%	8.3%
Implementing LED activities		26,7%		16,7%
	Supporting role	6,7%		8,3%
Improve LED processes and procedures		6,7%	20%	16,7%
Roles of officials	Roles of politicians	Local Government	Private Sector	NGOs
	Watchdogs	6,7%	10%	8,3%

Roles of officials	Roles of politicians	Local Government	Private Sector	NGOs
Communicate with communities	Communicate with communities	6,7%	20%	8,3%
	Champions			8,3%
	Advice officials			8,3%
Plan, coordinate and manage resources for LED activities		6,7%	30%	8,3%

The private sector sees the role of officials and politicians as involving the improvement of LED processes and procedures, plan, coordinate and manage resources for LED activities and not as implementation of LED activities. The NGOs think that officials and politicians should play a role at all stages. Local government sees the role of officials and politicians as policy formulators and also implementers of LED activities. There is clear conflict between local government and private sector players regarding the primary responsibilities for the implementation of LED projects.

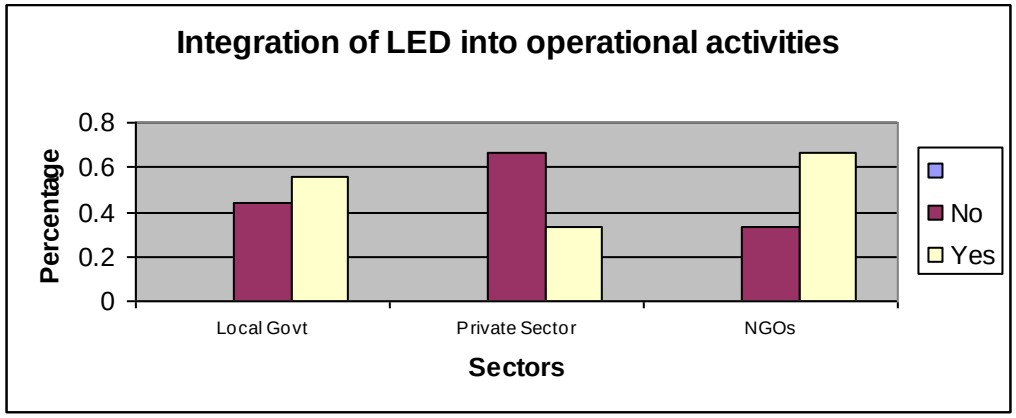
3.7.4 INTEGRATION OF LED INTO MUNICIPAL ACTIVITIES

Information to be derived from responses:

- Processing of stakeholders requests submitted to the municipality
- Means of identifying LED support required by beneficiaries
- Intention of LED support
- Bottlenecks or bureaucracy.

Summary of responses:

Graph 3



The majority in local government and NGOs believe that it is integrated but private sector believes that it is not integrated. The implication could be that Ehlanzeni is not visible to the private sector or maybe there is no proper communication. Another issue could be that there are different perceptions in private sector.

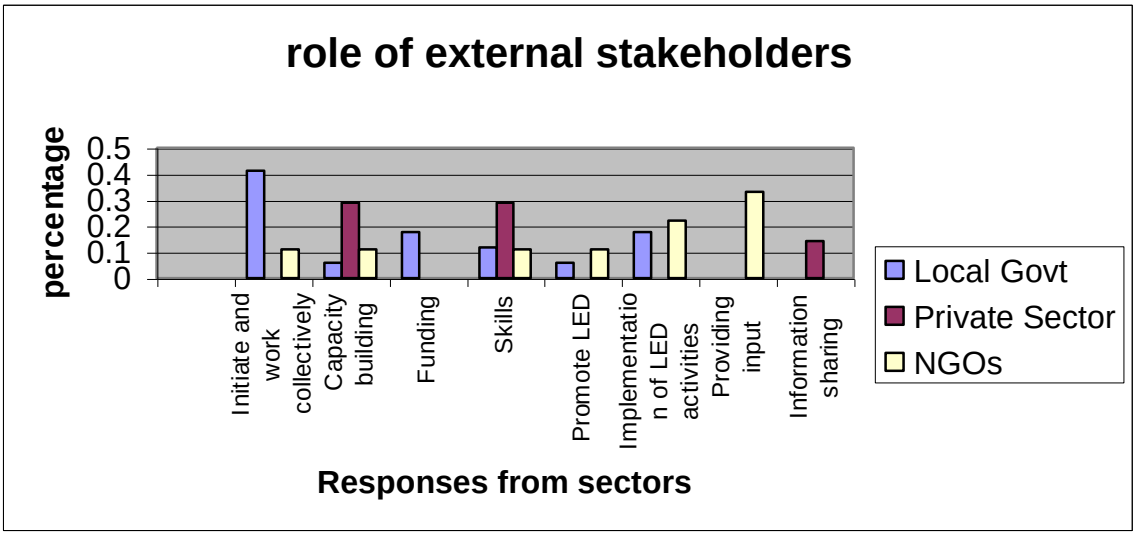
3.7.5 ROLE OF EXTERNAL STAKEHOLDERS IN LED

Information to be derived from responses:

- Their perception about the role of Ehlanzeni regarding LED
- The kind of assistance and benefits from Ehlanzeni
- Information dissemination
- Their contribution in decision making processes.

Summary of responses:

Graph 4



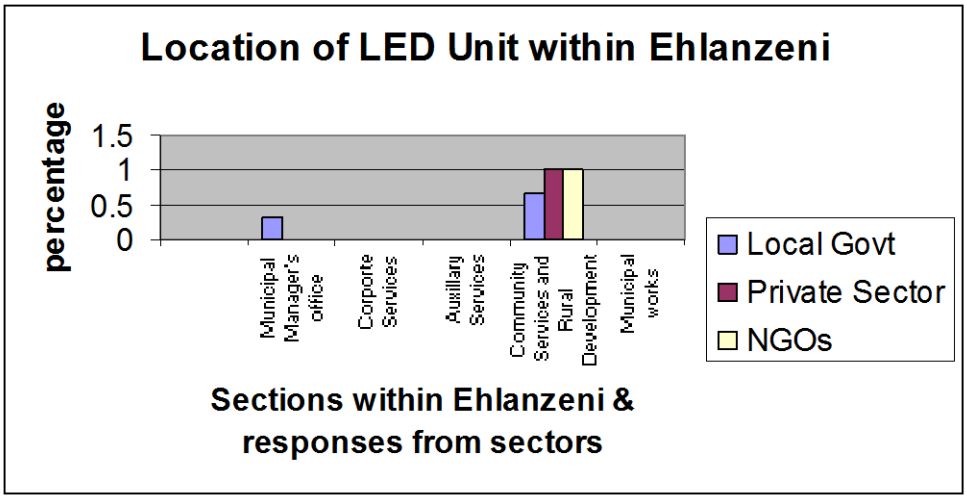
The majority believes that private sector and NGOs should work cooperatively with local government. This means that there is a need for local government to involve the other stakeholders especially private sector and NGOs on issues of local economic development.

3.7.6 LOCATION OF LED WITHIN THE MUNICIPALITY

This question was meant to determine where the majority of respondents felt LED functions should be located within the municipal structure. It was presented as a multiple choice question. From the results, the majority in local government, private sector and NGOs believe that the department of community services and rural development within Ehlanzeni is best suitable to drive LED. This would seem to suggest that the the current setup is acceptable to a majority of stakeholders.

Summary of responses:

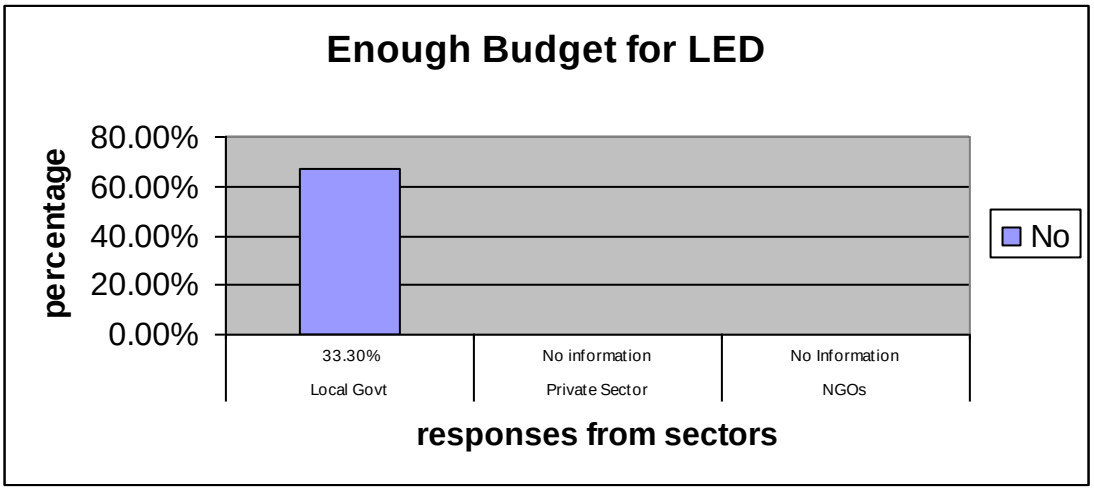
Graph 5



3.7.7 BUDGETARY CONSTRAINTS

Summary of responses

Graph 6



Nearly every respondent felt that the programme is under funded. A large majority from local government said the budget is not enough. The private sector and NGOs said they do not have information regarding the budget. Many implications could be drawn from these responses. However, I chose to

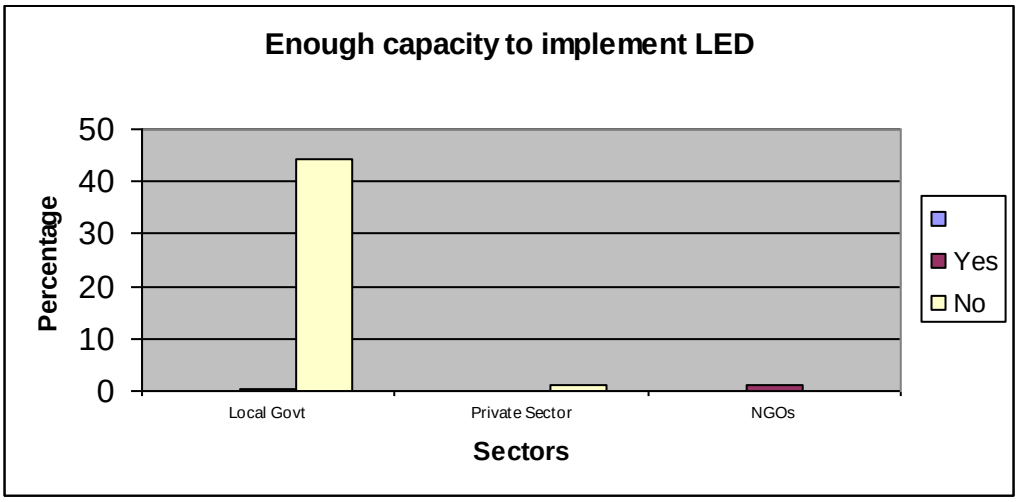
focus only on associations that may be of immediate to the research question. This set of responses could mean either that:

- EDM does not communicate information to other stakeholders like private sector and NGOs or
- The budget is not enough as indicated by the majority within Ehlanzeni.

3.7.8 INSTITUTIONAL CAPACITY TO IMPLEMENT LED

Summary of Responses

Graph 7



Private sector does not believe that local government (EDM) has enough capacity to implement LED activities. The majority from local government and NGOs believe that Ehalnzeni has capacity to implement LED activities but there is still some doubts within Ehlanzeni (44%). There are different perceptions within local government about the capacity needed by the municipality to implement LED activities. Private sector believes that business skills are necessary to implement LED activities effectively. This capability is available within the private sector but is not adequate within the ranks of government.

3.8 CONCLUSIONS

It is encouraging to note that there is significant progress in co-operation and partnership working between local economic development providers. However, intensified partnership working alone is unlikely to deliver a level of rationalization of services, cost-effectiveness and consumer focus that is desirable. Local economic development services should be re-structured to achieve this. A new structure should be introduced for local economic development in EDM. The structure should have a number of components.

Municipal bureaucrats should take the lead in guaranteeing that a simpler, more cohesive structure exists in EDM for the delivery of local economic development services. The Executive should initiate a process of eliminating duplication in service provision at local level and be prepared to penalize publicly-funded bodies who do not co-operate in this process. The Executive should withdraw from operational programmes and concentrate on strategic guidance, setting targets and measurable outcomes, ensuring value for money in service provision, promoting good practice, reporting and evaluation.

CHAPTER 4: DISCUSSION AND ANALYSIS

Based both on my research I would argue that LED initiatives in the municipality suffer from four typical inherent problems:

- A technocratic approach driven either by local authorities, whose capacities are already overstretched, or by consultants unfamiliar with local politics.
- Confusion between community development and LED. Any successful LED initiative is based on the involvement of the local community. But LED is about creating favorable conditions for business and alleviating local market failure, whereas community development is about health, housing, education, crime and support for the disadvantaged.
- An unclear theoretical and conceptual background for LED, and confusion between business and LED. LED initiatives ought to enable private business. They must not substitute for it.
- A profound confusion about good practice in terms of governance of LED as well as leadership competencies.

My research shows that bottom-up, action-driven participatory approaches are more promising than approaches which presuppose lots of institution- and capacity-building before anything practical happens, and that action oriented approaches are more promising than approaches which put huge resources in terms of time and money into analysis before any implementation happens.

4.1 EFFECTIVE LED STRATEGY

My field findings show the following:

- LED projects in the district are largely driven by the local government. For, the municipality, planning LED activities fits into the IDP.
- Many LED practitioners have an urban planning background. For them, implementing work in terms of planning comes naturally.

- It also became obvious to me that LED discussions has to some extent been shaped by earlier concepts of strategic development planning, integrated regional rural development planning, strategic industrial policy and so on.

One key problem is the tendency by officials to spend a lot of time formulating strategies and plans, as opposed to implementing practical LED activities. There is a two-fold problem with a planning- and strategy-driven approach to LED (see, for instance, Blakely and Bradshaw, 2002; Webster and Muller, 2000). First, it requires very substantial resources in terms of manpower, skills and money. Second, even if a local government can make those resources available, it is difficult to strategize and plan something which is hard to imagine.

Planning LED, and in particular planning a multi-year LED strategy, is usually based on a profound analysis of the local economy. Preparing such an analysis is something which requires at least several person-months, if not person-years. As it is unusual that a local government has personnel which is adequately skilled and available, it will usual contract external expertise, typically from the academia or a consultancy firm.

On top of that, there is the effort – both in terms of external specialists, who are costly, and of local stakeholders, who have to commit a lot of unpaid time – to turn the diagnosis into an action plan. And in those cases where a plan is formulated, it often involves numerous, not prioritized proposals for action to be taken by local government, which more likely than not is already stretching its resources very thinly.

A local community with many years of experience with LED may find it feasible, and in fact very useful, to engage in an effort to formulate an LED strategy. But since LED is a relatively new topic in most developing countries,

local stakeholders will normally not have a very clear idea of what they are talking about and what they are supposed to do; and that is even more so if some local stakeholders refer to experiences from a variety of far-away countries with a completely different history of LED efforts and very different local economic structures and capabilities.

Moreover, there is usually nothing that prepares officials in local government for tasks such as preparing adequate terms of reference for external experts, educating local stakeholders about the issue of LED or moderating and facilitating a stakeholder dialogue. And on top of everything else, local government is already quite busy with all sorts of other activities, such as building and maintaining roads and other infrastructure, as well as providing education, health, housing etc., and in case of doubt LED will get entangled with all those other activities, so that in the end it is about roads, education, health and housing, but not about the local environment for business. This leads us directly to the second problem, the confusion between LED and community development.

4.2 LED AND COMMUNITY DEVELOPMENT

The confusion between local economic development and community development is not a unique problem of developing countries. This type of confusion has also created huge problems in industrialized countries, in particular the U.S. Michael Porter (1995) has formulated one of the most scathing critiques of the confused approach to redevelop the decaying inner cities in the U.S., where government was creating all sorts of regulatory and bureaucratic obstacles for business, “while at the same time many programs train people for nonexistent jobs in industries with no projected growth” (Porter 1995, 66). In his view, one of the most important aspects of a promising approach to inner city development in the U.S. is a clear distinction

between LED and community development – not only in terms of policies but also in terms of organizations that are in charge of each of the two activities.

Despite the fact that the U.S. experience is well documented and might be highly instructive for policy makers in other countries, the confusion between LED and community development is an issue that comes up in every place where local stakeholders start to do something about LED. A draft document by the Department of Provincial and Local Government states the following in the executive summary:

> From central government's perspective, the most important objectives for municipal LED are job creation, sustainable urban and rural development, and explicitly pro-poor approaches within a holistic LED strategy. The LED approach promoted in this policy paper is innovative, creative and redistributive. LED is to be broadened and deepened to meeting, first and foremost, the needs of the poor, women, children, disabled and people living with HIV/Aids. Within newly-demarcated districts, small towns should be given higher priority (DPLG, 2002 p. 1).

In other words, in the perspective of this Department, LED means bringing together employment policy, urban development policy, rural development policy, social policy, family policy and health policy. The E in LED, i.e. Local *Economic* Development, is marginalized.

The problem resulting from this confusion tends to be gridlock that is a constellation where neither economic nor social objectives are met. LED activities tend to have no clear business focus, and as a result they often rely on subsidies, which effectively mean that they are not sustainable. A constructive way of dealing with this confusion is to distinguish between community development and community involvement. There cannot be any doubt that community involvement in the LED process is most desirable, and indeed necessary – not just involvement of the local business community but also other segments of the local society, as the education and academic

community and non-governmental organizations must be involved in the overall LED effort. In fact, the more effectively these communities are organized, the better are the pre-conditions for a successful LED process – provided that they understand the distinction between local economic development and other fields of local development.

In other words, LED cannot be separated from the community. But community involvement and community mobilization are distinct from community development. Community development is effectively part and parcel of social policy. Its objective, target groups and incentives are quite different from those of LED. Community development is about supporting and empowering the weak and disadvantaged, whereas LED is about business and competitiveness.

Apart from this, it is crucial to understand that LED is part of a larger venture, namely local development. One way of conceptualizing local development is by distinguishing three core activities, namely economic development, social development and development of the physical infrastructure. What makes the particular distinction between economic and social development so difficult is the fact that it is not as easy to allocate activities to one of the two fields as one might expect.

4.3 THE IDEAL LED PROJECT

In many instances, LED practitioners would point at the successful acquisition of an external investor, or at the informal meetings for local business start-ups which are organized at regular intervals, or at a major real estate development where a substantial amount of public investment has leveraged an even more substantial amount of private investment as an ideal LED project. In other places, LED practitioners would point at a group of vegetable producers, made up of formerly unemployed, unskilled persons, or at a small

local bakery which has been set up with government money and is employing persons who would not stand a chance in the formal labor market as the ideal LED project.

From a purely economics perspective, LED is only justified to the extent that it remedies market failure. From this angle, there are usually numerous opportunities. A typical problem is the lack of visibility of new businesses, which is basically a scale problem – if the business wasn't new and small, it would be able to afford costly advertising, but as long as it is small, its resources are limited, and thus there is the risk of a vicious circle. Another typical problem is the lack of access to capital – a start-up business with no track record and little collateral hardly qualifies for credit from commercial banks. In many instances, LED targeted such problems – by organizing informal get-togethers, formal events or fairs to stimulate business contacts and networking.

4.4 THE ROLE OF PUBLIC AND PRIVATE SECTOR IN LED

Regarding the governance of LED, there does not seem to be a first-best model. Since the institutional structure at the local level is little developed, the newly-created LED agency tends to be overwhelmed by the variety of tasks it is expected to fulfill. Also, a number of different structures pursue LED activities in an uncoordinated way, which tends to perceive an LED agency as a competitor rather than a welcome coordinator. In any case, setting up an LED agency before starting to do LED clearly violates the form-follows-function principle.

As Pietrobelli and Rabelloti (2002) demonstrate, another problem with the technocratic approach is the fact that it demands a lot of capacity. It completely neglects the fact that LED not only involves polity and policy, but also politics. There is not only the problem of petty politics, which, as every

practitioner can tell, is often one of the most important obstacles to successful LED activities. There is also the problem of finding a governance structure for LED that is both effective and legitimate.

The body of literature on LED mostly neglects the politics of local development efforts. It has a strong bias towards the executive branch and a rational, systematic process of policy formulation and implementation; it thus reflects the view of many practitioners who tend to perceive the legislative branch, i.e. local politicians, as a nuisance. This view, however, neglects one of the main reasons why LED exists in the first place: local politicians have to deliver economic development to create jobs and income for their constituency. For this reason, local politicians are key actors in any LED effort. Their aspirations and activities do not necessarily make an LED initiative easier.

When it comes to defining overall objectives for an LED initiative, democratically elected local politicians play a key role. Persuading them not only to try to channel resources to their clientele but also to look at the bigger picture is one of the major tasks of other actors, including LED officers in the executive branch. But it should be quite obvious that LED cannot be left to the executive branch alone. However, in the remote districts of our country, business associations are often little more than clubs of businesspeople, with little in terms of professional capabilities and services for member companies (Moore & Hamalai 1993, Müller-Glodde 1993, Doner & Schneider 1999). Such chambers and other business associations are hardly reliable, competent partners in LED initiatives: they have little to offer in terms of resources, and their representatives cannot rely on their members to comply with the commitments they agree upon.

Some parts of the local community will usually be part of an LED initiative, for instance education institutions. However, things get tricky the moment higher

levels of government earmark financial resources for LED, since from that moment on each and every group has a strong incentive to label its demands as LED proposals. This usually leads to a complete loss of focus for LED and an ineffectiveness of an LED initiative. There is a substantial body of literature which argues that LED ought to involve public-private partnership (PPP) (Birnstiel 1995, Blakely & Bradshaw 2002).

It is important to keep in mind however, that PPPs require that both the public and the private sector meet certain requirements. The public sector must have an interest in economic development, a basic idea of business principles and a non-paternalist view of private businesses. Meeting these criteria is not easy. More often than not, government officials have no own business experience.

4.5 CONCLUSIONS

In the business management discussion, it has already been argued a long time ago that having a strategy does not necessarily mean having a written strategy document (Mintzberg 1987, 1994, Porter 1996). The Ehlanzeni District Municipality LED initiative introduces the idea as a strategy- and planning-driven activity, as opposed to something which is opportunity- and action-driven. Strategy still tends to be linked with an exercise involving numerous consultants and researchers, a large number of stakeholder workshops and a huge printed volume.

The reason why businesses often prefer not to have a very elaborate written strategy is that they have to survive in competitive markets and this normally requires flexibility and quick adjustment to changing challenges and opportunities. Government, on the other hand, does not have to compete (or at least thinks that it does not have to, until it recognizes that investment and jobs are going elsewhere), and unlike business it is not opportunity- but

problem-, lobby- and pressure-driven. But LED is supposed to be about *economic* development.

From my field findings, it would seem that the crucial point is to do LED, typically by implementing small, practical projects which immediately improve the environment and opportunities for business. From this perspective, strategy- and planning-driven LED is mostly focusing the micro- and meso-level. It is about selecting business sectors to be preferentially promoted, and about targeting specific sectors through the creation of dedicated structures. It is important to create a consensus among local actors that there should be some type of LED, but it is not necessarily important to create consensus about the *how* of doing LED – in fact, it is preferable not to try to create that kind of consensus.

At the early stages, LED as such is a radical innovation – something local stakeholders have never done before. But then it is not rare to observe that LED initiatives try to launch early on project proposals which are very inventive, but also difficult to understand and to implement; in particular this applies to LED projects which are driven by external consultants. Given the fact that most people find it difficult to cope with any kind of radical innovation, it is not wise to suggest too much radical innovation at once – this reduces the chances of success.

CHAPTER 5: RECOMMENDATIONS AND CONCLUSION

In the light of the issues raised in the study by the different stakeholders regarding local economic development within Ehlanzeni District Municipality, it is recommended first and foremost that EDM clearly define its role and communicate it to the relevant stakeholders and the public in general. This recommendation is supported by Blakely(1994). He contends that the first step any organization interested in local economic development must take is to decide on the role it wants to play in the development process. The stance an organization takes will shape the planning process in which it engages and tools it can ultimately use to initiate economic development. Therefore, the role definition must precede any attempt to shape local economic development. There are basically four courses of action open to organizations in taking economic development initiatives: to act as the entrepreneur, coordinator, facilitator, and/or stimulator of development initiatives.

Because of the nature of the LED programme, EDM is required to integrate various sectors and therefore communicate its role to various sectors. Even if there can be many players in LED in Ehlanzeni District, EDM remains a key agent of LED because it addresses a wide range of economic development needs. Besides providing physical and other infrastructure, it also facilitates business development, attraction, education and training and small business development. It also provides leadership by organizing LED Task Team meeting where exchange of information and opportunities for collaboration is taking place. EDM performs different tasks in support of local economic development, which must all be communicated properly.

Secondly, I would urge that the different roles and responsibilities of the other role players be defined and that an LED policy/strategy of Ehlanzeni be developed as soon as is practicable. Good practice dictates that local economic development should always begin with the formulation of a

strategy. An LED strategy is a critical component of any community's planning process. Ideally an LED strategy should form a component of a broader community-wide strategic plan for development, with LED providing a focus on strengthening the local economy.

Good practice also indicates that cross-disciplinary, interdepartmental teams make for successful strategy making. This group should include people from across the various sectors that are likely to have professional, technical, political or financial responsibility for matters affected by the LED strategy. There should be terms of reference and a formal reporting system for the group. Finally, EDM must continually and assiduously improve communication with its clients. It also goes without saying that LED projects will benefit greatly in terms of efficacy and effectiveness if implement in conjunction with the members of the public, the private sector and NGOs.

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APPENDICES

RESEARCH QUESTIONNAIRE
(A Guide to Structured Interview Sessions)

1. Do you understand what Local Economic Development (LED) entails?

   - ❑ Yes
   - ❑ No

   If yes, please state what is your understanding:
   _____
   _____
   _____
   _____

2. What do you think would be the role of Ehlanzeni District Municipality regarding LED?

   _____
   _____
   _____
   _____

3. What do you think would be the roles and responsibilities of officials and politicians regarding LED?

   _____
   _____
   _____
   _____

4. Do you think LED has been integrated into the operational activities of the municipality?

   - ❑ Yes
   - ❑ No

   If yes, can you please elaborate further
   _____
   _____
   _____
   _____
   If no, how best can the municipality do that?
   _____
   _____

_____
_____

5. What would be the role of external stakeholders in LED?

_____
_____
_____
_____

6. Which department in Ehlanzeni's administration can best drive LED or is supposed to in charge of LED? Please choose from the following:

- Municipal Manager's Office
- Corporate Services
- Auxiliary Services
- Community Services and Rural Development
- Finance
- Municipal Works

7. Do you think the municipality has the financial resources to implement LED initiatives?

- Yes
- No

8. Do you think the municipality has enough capacity to implement LED?

- Yes
- No

If no, what would be your suggestion?

_____
_____
_____
_____

Name:

Organization: