

**THE ROLE OF LOCAL ECONOMIC DEVELOPMENT IN
POVERTY ALLEVIATION: THE CASE OF SICELO, MIDVAAL
LOCAL MUNICIPALITY**

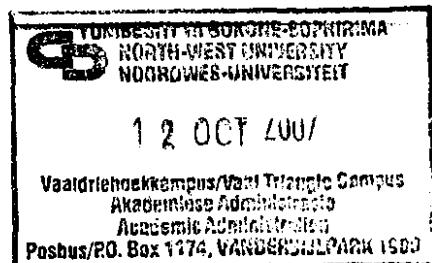
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ABSTRACT

The role of Local Economic Development (LED) in poverty alleviation has been a point of debate over the last decade or so. Half of the households in South Africa survive on less than R20 per day. Up to 60% of these households live in rural areas. Poverty alleviation and LED are interlinked concepts and are relatively new in South Africa. Limited success has been achieved through various projects but no real impact has been made to uplift or improve the poverty issues.

Sicelo is an informal settlement within the Midvaal Local Municipal area. Extreme poverty also exists in this township of approximately 1998 households. During the empirical part (Chapter 4) of this study a survey was done within Sicelo to determine where the problem areas and shortcomings exist. Certain socio-economic indicators and statistics were gathered. The literature part of this study focuses on background information, Strategies and policies regarding LED and poverty alleviation. Certain municipalities were investigated and case studies were reviewed.

Lastly, and most importantly the results from the Sicelo survey was used to compile a strategy and best practice to uplift the Sicelo community and pull them out of the grip of poverty.

Some of the recommendations in this study include focusing on better management and planning when it comes to LED projects. LED strategies and projects should be outcome based and should focus on its main aims of job creation, poverty alleviation, economic growth and skills development. Because poverty varies from area to area it is important to remember that LED projects must also be linked to the magnitude of poverty. Thus, the success of any LED project depends on the correct allocation of resources such as skills training, funding and management.

OPSOMMING

Die rol van Plaaslike Ekonomiese Ontwikkeling aangaande armoede-verligting is 'n belangrike aspek vir besprekeing oor die laaste dekade. Die helfte van Suid Afrika se huishoudings leef op minder as R20 per dag. Ongeveer 60% van hierdie huishoudings leef in informele plattelandse areas. Armoede-verligting en Plaaslike Ekonomiese Ontwikkeling is konsepte wat hand aan hand loop en relatief nuut is in Suid Afrika. Minimale sukses is al bereik deur verskeie projekte, en geen ware impak is in die verlede gemaak om die armoede kwessie te verbeter nie.

Sicelo is 'n informele woongebied in die Midvaal Plaaslike Munisipaliteit gebied. Hoë vlakke van armoede bestaan in hierdie woongebied van ongeveer 1998 huisgesinne. Gedurende die empiriese gedeelte van hierdie studie stuk was 'n ondersoek gedoen om die tekortkominge en probleme in die area te identifiseer. Sekere sosio-ekonomiese indekse en statistieke is ingesamel en ontleed. Die literatuur deel van hierdie studiestuk fokus meer op die agtergrond, strategie en beleide rakende Plaaslike Ekonomiese Ontwikkeling en armoede-verligting. Sekere munisipaliteite se strategie en planne is ook ontleed.

Laastens en seker mees belangrikste, is die resultate van die Sicelo ondersoek verwerk om nuwe strategiese planne van aksie en probleem oplossings te vind om die gemeenskap van Sicelo te verbeter.

Sommige van die aanbevelings wat uit die studie saamgestel is, sluit in beter bestuur en beplanning van Plaaslike Ekonomiese Ontwikkelings projekte. Plaaslike Ekonomiese Ontwikkeling strategieë en projekte behoort uitkoms gefokus te wees en moet op eind resultate te fokus naamlik ekonomiese groei, werkskepping, armoede-verligting en beroepsontwikkeling. Armoede verskil van area tot area en daarom is dit belangrik om Plaaslike Ekonomiese Ontwikkeling se erns in spesifieke areas te bepaal. Dus sal die sukses van projekte afhang van die optimale gebruik van beperkte hulpbronne soos finansies, ondervinding en bestuur.

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DEFINITIONS AND TERMS

The following relevant definitions and terms have been listed as background to the subjects of underdevelopment and poverty in order to clarify confusing issues.

- *Absolute Poverty:* The number of people who are unable to command sufficient resources to satisfy basic needs. They are counted as the total number of people living below a specific minimum level of real income. Indicated people's ability to provide for their own basic needs to survive. The United Nations indicate the poverty line of \$370 per year. Absolute poverty has increased in Africa over the last few decades. The poverty gap is defined as the amount needed to increase the income of all people below the poverty line up to the level of the line (Todaro, 2003: 787).
- *Basic Needs:* To describe the basic goods and services (food shelter, clothing, sanitation, education) necessary for a minimum standard of living (Todaro, 2003:788).
- *Brain Drain:* The emigration of highly educated and skilled professional and technical manpower from the developing to developed countries (Todaro, 2003:791).
- *Business Incubator:* Is an economic development tool primarily designed to help create and grow new business in a community, within a specific building or location. Business incubators help emerging businesses by providing various support services such as assistance with: developing business and marketing plans, building management skills, obtaining capital and access to more specialized services. They also provide flexible space to rent, shared equipment and administrative services in managed workspace (World Bank, 2001:1)
- *Business Retention Strategies:* Are systematic efforts designed to keep local companies content at their present locations within the city areas. Strategies include

helping companies cope with changing economic conditions, addressing new markets and even assisting with internal company problems. (World Bank, 2001:1)

- *Dependence:* A situation in which the Less Developed Countries (LDC's) have to rely on developed countries for domestic and international economic policy to stimulate their own economic growth (Todaro, 2003:791).
- *Developing Countries:* Countries of Asia, Africa, Middle East, Latin America, East Europe and former Soviet Union, characterized by low levels of living, high rates of population growth, low levels of income per capita and general dependence on developed countries (Todaro, 2003:792).
- *Development:* The process of improving the quality of all human lives. Raising peoples living levels, creating conditions conducive to the growth of people's self-esteem, increasing people's freedom by enlarging the range of choice (Todaro, 2003:792).
- *Development Economics:* Concerned with the efficient allocation of existing scarce resources. Development economics deals with economic, social, political and institutional mechanisms, both public and private, necessary to bring about rapid and large-scale improvements in levels of living for the masses of poverty-stricken people in the less developed countries (Todaro, 2003:9).
- *Economic Development:* The sustained improvement, in the long term, of the material and spiritual welfare of people through the sustainable alleviation of poverty and inequality, and the creation of adequate and suitable job opportunities for all (van Wyk, 2004:15).
- *Gross Domestic Product (GDP):* The total value of goods and services produced in a country in a year. GDP per capita is a good indicator of level of development of a country (van Wyk, 2004: 35).

- *Human Development Index (HDI)*: Is a composite standard of life expectancy, literacy and income. It serves as an indicator of the quality of life of people (van Wyk, 2004:83).
OR
- *Human Development Index (HDI)*: An index measuring national socio-economic development, based on measures of life expectancy at birth, education, literacy and adjusted real per capita increase (Todaro, 2003:797).

Developing Countries have common characteristics which include: High levels of people in poverty, inequality, unemployment, lack of education, health, housing and food, lack of social and economic opportunities, environmental decay and low income levels (Todaro, 2003:37).

The HDI attempts to rank all Countries on a scale of 0 (lowest) to 1 (highest) based on three goals of development namely: Longevity as measured by life expectancy at birth, knowledge as measured by a weighted average of adult literacy and standard of living as measured by real per capita increase (Todaro, 2003: 62).

- *Income Group*: The gap between the income accruing to the bottom (poor) and the top (rich) sectors of a country's population. The greater the gap, the greater the income inequality in the income distribution (Todaro, 2003:798).
- *Informal Sector*: The part of the urban economy of LDC's characterized by small competitive individuals. It often provides a major source of urban employment and economic activity (Todaro, 2003:806).
- *Local Government*: A locally elected democratic statutory organization below the level of the state, providing public sector services to the population within the area of jurisdiction (Bailey, 1999:3).
- *Local Economic Development (LED)*: The development of the economic basis of a community, or simply to the promotion of the competitiveness of enterprises. A

process in which local government and community based groups manage their existing resources and enter into partnerships arrangements with private sector, or with each other to create new jobs and stimulate economic activity in an area (van Wyk, 2004:110).

- *One-stop Business Service Centre:* Are facilities where business persons can go to obtain advice and support to help them establish and expand their business. Sometimes these centers also issue licenses and permits needed by businesses to start-up, operate or expand. These centers improve the local business environment by reducing the number of separate agencies and offices a business may need to approach for advice or to apply for various licenses and permits. They save public and private time and improve efficiency as a result (World Bank, 2001:2).
- *Poverty Gap:* The sum of the difference between the poverty line and actual income levels of all people living below that line (Todaro, 2003:806).
- *Poverty Line:* The level of income or expenditure in Rand terms, in respect of which a person or household can be classified as absolutely poor (Todaro, 2003:285).
- *Relative Poverty:* Refers to the distribution of income and wealth between people and countries (van Wyk, 2004:43).
- *Self-sustaining Growth:* Economic growth that continues over the long run based on saving, investment, and complementary private and public activities (Todaro, 2003:809).
- *Small Medium Macro Enterprises (SMME):* Is the acronym for 'small and medium sized enterprises'. There is no definitive delineation between a small and medium sized business. As a general reference, small is often from 5 to 20 employees, medium from 20 up to 200. Businesses with fewer than 5 employees are usually called micro-enterprises. This is a guide only (World Bank, 2001: 2)

- *Underdevelopment:* An economic situation in which there are persistent low levels of living in conjunction with poverty, low income levels, low economic growth, low consumption levels, poor health, high death rates, high birth rates, dependence on foreign countries and limited freedom of choice (Todaro, 2003:813).
- *Vicious Cycle:* A self-reinforcing situation in which factors tend to perpetuate a certain undesirable phenomenon (Todaro, 2003:814).

LIST OF ABBREVIATIONS

ANC	:	AFRICAN NATIONAL CONGRESS
ASGISA	:	NATIONAL ACCELERATED SHARED GROWTH INITIATIVE OF SOUTH AFRICA
CBD	:	CENTRAL BUSINESS DISTRICT
CDF	:	COMMUNITY DEVELOPMENT FORUM
CDT	:	COMMUNITY DEVELOPMENT TRUST
DBSA	:	DEVELOPMENT BANK OF SOUTH AFRICA
DPLG	:	DEPARTMENT OF PROVINCIAL AND LOCAL GOVERNMENT
EBT	:	ECONOMIC BASED THEORY
ECD	:	EARLY CHILDHOOD DEVELOPMENT
EPWP	:	EXPANDED PUBLIC WORKS PROGRAMME
GDP	:	GROSS DOMESTIC PRODUCT
GDS	:	GROWTH AND DEVELOPMENT STRATEGIES
GEDA	:	GAUTENG ECONOMIC DEVELOPMENT AGENCY
GINI	:	GROSS NATIONAL INCOME
GNP	:	GROSS NATIONAL PRODUCT
HDI	:	HUMAN DEVELOPMENT INDEX
HPI	:	HUMAN POVERTY INDEX
IDI	:	INTEGRATED DEVELOPMENT INITIATIVE
IDP	:	INTEGRATED DEVELOPMENT PLAN
IMF	:	INTERNATIONAL MONETARY FUND
JDF	:	JOINT DEVELOPMENT FORUM

LDC	:	LESS DEVELOPED COUNTRY
LDO	:	LAND DEVELOPMENT OBJECTIVE
LED	:	LOCAL ECONOMIC DEVELOPMENT
MIG	:	MUNICIPAL INFRASTRUCTURE GRANT
NGO	:	NON GOVERNMENT ORGANIZATION
NSDP	:	NATIONAL SPATIAL DEVELOPMENT PLAN
NSV	:	NATIONAL STRATEGIC VISION
PHP	:	PEOPLES HOUSING PROJECT
PPP	:	PRIVATE PUBLIC PARTNERSHIP
RSC	:	RURAL SERVICE CENTRES
RDP	:	REDISTRIBUTION AND DEVELOPMENT PROJECT
SAB	:	SOUTH AFRICAN BREWERIES
SDF	:	SPATIAL DEVELOPMENT FRAMEWORK
SDI	:	SPATIAL DEVELOPMENT INITIATIVES
SMME	:	SMALL MEDIUM MACRO ENTERPRISES
UN	:	UNITED NATIONS

CHAPTER 1: PROBLEM STATEMENT, AIMS AND METHOD OF STUDY

1.1 INTRODUCTION

The role of Local Economic Development (LED) in poverty alleviation has been a point of debate over the last decade or so. This study attempts to review the wide range of view points and to evaluate prevailing principles, guidelines, strategies and projects regarding LED. The situation in the Midvaal Local Municipality area with specific reference to Sicelo is the focus of the study. Best practice models are also formulated as part of the study.

In this Chapter the design and layout of the investigation and research are described. The problem statement, importance of study, research questions and objectives are formulated. The research methodology and chapter layout are also provided.

1.2 KEYWORDS

Best practice, development planning, LED, poverty alleviation, local government, sustainable development, Gauteng Economic Development Strategy, Sedibeng Economic Development Strategy, Midvaal Economic Development Strategy.

1.3 ORIENTATION AND PROBLEM STATEMENT

Half of the households in South Africa survive on less than R20 per day. Up to 60% of 5,2 million households who live on R20 per day are located in rural areas (Mokopanele, 2006:4). The profile of income levels in South Africa is as in Table 1 below.

TABLE 1.1: Income per day in South Africa

Income Level Per Day	% of Population
R 0 - R 20	49%
R 20 – R 139	41%
R 140 – R 279	7%
R 280 or more	3%

SOURCE: Mokopanele, 2006:4

Underdevelopment and poverty are terms that are especially relevant to the African continent, but also to other less developed countries (LDC) of the world. South Africa, with its dual economy (with its developed and large underdeveloped portions of the economy) and high levels of inequality, could be described as a developing country. Poverty with its associated problems such as unemployment, low levels of education and skills are also evident in South Africa. Three hundred years of colonialism created the deeply engraved dualism. Although poverty alleviation and Local Economic Development (LED) are seen as separate concepts, the two are in most cases confused with each other. Poverty alleviation is a broader term relating to socio-economic issues and not only economic issues. LED is only related to economic issues on a local level, with its focus on SMME development and the informal sector. In South Africa poverty alleviation is in most cases addressed through LED projects and programmes. Funding for these projects are however limited and linked to other projects such as infrastructural projects. Funding for isolated and separate LED projects are however not available to Municipalities. LED is basically an unfunded mandate from central government (van Wyk, 2004:73).

Poverty alleviation and LED are interlinked concepts and are relatively new in South Africa. Limited success has been achieved through various projects, but no real impact has been achieved to break the iron grip of poverty in South Africa and elsewhere in the

world. New innovative ideas regarding this issue are required in order to effect a drastic change.

According to van Zyl (1994:4), the process of economic development of an area can be seen to include the following:

- A sustained improvement of the quality of life of people;
- Sustained reduction of poverty levels;
- Structural transformation of the society in terms of politics, culture and economy which leads to greater productivity, income and choices for people;
- Modernization of the economy.

If the basic needs of people are provided for, people will be more productive and economic growth will be stimulated. The basic needs could be listed as follows:

- Nutrition (Intake of kilojoules);
- Education and literacy (level of literacy);
- Health (life expectancy);
- Provision of water;
- Housing (Lewis, 1995:18).

Rosten (Black, 2003:97) in 1971 explained how government expenditure tends to increase when an economy develops from a subsistence or traditional economy to an industrialized economy. In stage one it is important to get investment going. In this stage the private sector is small and government must participate actively by providing basic services (infrastructure) to create the correct environment. During the middle stages government must still provide investment goods, while private investment will also take off. When government expenditure slows down, the economy reaches the final stages. Even with a developed economy, certain areas will remain underdeveloped with high levels of poverty, such is the case in South Africa.

Absolute poverty differs from region to region and various key indicators of poverty exist in South Africa including household income, minimum kilojoule intake per day, minimum

life levels and household subsistence levels. Local Government is important as part of LED on a local level in terms of locality, legality, autonomy, power and public participation (Reddy, 1998:8).

The main pillars for poverty alleviation strategies, according to Mokate (2005:16) should include the following:

- Meeting basic needs of people;
- Sustainable economic growth, development and job creation;
- Development of human resources;
- Ensure safety and security;
- Transformation of a people orientated democratic state.

Local Economic Development (LED) is a strategy to fight the plight of the poor and unemployment directly, but also has other indirect benefits for human development on a local level. Municipalities need to introduce sustainable poverty alleviation programmes. LED must lead to jobs and higher incomes as well as spending in an area. An LED strategy need to include at least the creation of jobs by attracting new business, achieve local economic stability and a diverse economic as well as complying unit base. A municipality is however only one of the role players in LED. Other role players include local business, investors, politicians, provincial departments, Union members and the community in general. The economic based theory could be described as the level to which a local area develops economically and depends on the demand for goods, services and products from other areas, outside the specific local area. An area with huge volumes of exports to other areas will have a strong economic base. LED strategies should focus on stimulating business that uses local resources for exporting of final products elsewhere (van Wyk, 2004:121).

The current weaknesses of municipalities could be overcome with explicitly pro-poor strategies. This policy places the establishment of strategies for job creation, sustainable rural and urban development and the central place of poor and vulnerable people as the focus of LED. Poverty alleviation must be the highest priority in a LED

strategy and it must be accepted that the poor need a "safety net". LED projects must also lead to long term meaningful employment (Mc Ilrath, 2004:74).

In 2004 the Department of Provincial and Local Government (DPLG) formulated a new LED policy and the main components thereof include the following:

- Projects must be sustainable;
- Project innovation is important;
- People are the biggest resource for LED;
- Strong leadership on a local level is necessary;
- Local assets such as land and infrastructure;
- The natural environment;
- The creation of partnerships (DPLG, 2004:7).

In terms of Section 152 of the *Constitution of South Africa*, municipalities are tasked with development responsibilities including LED projects and in addition to the Constitution other pieces of legislation such as the *Municipal Systems Act (Act 32 of 2000)* also relate to the roles and functions of municipalities.

The functions of local government concerning LED are as follows:

- Job creation through infrastructure development;
- Policy formulation;
- Co-ordination and integration;
- Support to SMME's;
- Creation of a positive economic climate;
- Facilitate sustainable LED projects;
- LED strategies;
- Provision of information (McIlrath, 2004:91).

It should be kept in mind that local government is closer to the people and should implement LED and poverty alleviation projects. National government should provide the broad policy and principles as well as funding for such projects.

LED and poverty alleviation must be integrated effectively, in order to achieve this, the following is required:

- Ensure effective alignment between the macro and local-level policies;
- Identify the vulnerable groups of the population;
- Formulate an early warning system;
- Monitoring and evaluation process (Mokate, 2001:5)

It should be stated that integrating poverty alleviation and LED is a very difficult task. This could be overcome if a macro policy exists for a local government to work from, with a people centered approach.

Projects are implemented with limited success due to lack of capacity, legal constraints and financial weakness. The following four key pre-requisites for poverty alleviation and LED are required:

- National government must support local government in order to ensure success on a policy and financial sense;
- Local government must assume implementation of projects;
- Municipal capacity must be increased;
- Private/Public Partnerships (PPP's) are of key importance.

Sicelo, an informal settlement situated to the west of Meyerton formed the focus area for this investigation. The area is characterized as poor within the Midvaal Local Municipal area. In 2004 Sicelo had a population of approximately 6400 people with a total number of households of 1778. The area has extremely low levels of education and only 12,8% of the population has a grade 12 and higher education, compared to the national figure of 29,9%. Unemployment is listed as 48,9% relating to 0,9 persons per family of 3,6 persons as unemployed. A poverty index of 0,50 existed in Sicelo in 2004 indicating that 50% of all households live in poverty. The poverty gap index related to 0,37 indicating that those households in poverty lack 37% more income to retain an income line equal to the poverty line (Slabbert, 2005:34).

The Sicelo area is an example of an area affected by large scale poverty and it needs to be addressed through LED best practice projects. Current LED projects in Sicelo include food gardens, a multi-purpose centre and construction projects including a housing construction project.

1.4 HYPOTHESIS

The chronic state of underdevelopment and poverty in Sicelo requires accelerated development through programmes of LED as best practice for rural development.

1.5 RESEARCH QUESTIONS

- What is meant by Development Planning, LED and Poverty Alleviation?
- What is the extent of underdevelopment and poverty in the Sicelo community?
- What LED strategies are being implemented in Sicelo to address poverty and unemployment?
- What constraints hinder successful LED project implementation in Sicelo by Midvaal Local Municipality?
- What recommendations can be formulated to ensure successful LED projects and eventually poverty alleviation in Sicelo, Midvaal Local Municipality?

1.6 RESEARCH OBJECTIVES

The following research objectives are pursued by this study:

- To give a theoretical exposition of what Development Planning, LED and Poverty Alleviation entail.
- To analyze the extent of underdevelopment and poverty in the Sicelo Community within Midvaal.
- A review of how LED and poverty alleviation are implemented at local government level and an examination into LED best practice in Sicelo.
- To analyze the constraints hindering successful LED project implementation by Midvaal Local Municipality.

- To offer recommendations to provide successful LED projects and poverty alleviation in Sicelo, by Midvaal Local Municipality.

1.7 RESEARCH METHODS (METHODOLOGY)

A variety of sources were used to obtain and ensure a very broad theoretical basis of this study. These sources include a literature study, theoretical analysis, interviews, surveys by means of questionnaires and observations.

1.7.1 Literature Study

A diversity of literature namely books, journals, thesis and dissertations, articles, internet sources, policies and legislation were consulted to serve as a theoretical foundation of the analysis of best practice LED projects to ensure poverty alleviation.

1.7.2 Empirical Study

1.7.2.1 Survey

In addition to existing research available, primary research was conducted in the form of questionnaires. The surveys were conducted in Sicelo regarding LED and poverty alleviation. A total of 120 questionnaires were completed in Sicelo.

1.7.2.2 Interviews

Person to person interviews were conducted with specialists regarding LED and poverty alleviation in the private sector, tertiary institutions and at local government level. Specific interviews were conducted with Prof. C Rodgerson (telephonic) at Wits University and Prof. T Slabbert at the North West University. The LED Officer at Midvaal Local Municipality was interviewed regarding LED projects. Managers at large companies such as Samancor and Everite were interviewed to obtain insight into their perspectives on LED projects and to obtain relevant information. A poverty tracking system was introduced in Sicelo whereby five families which live in poverty, were followed for approximately a week and their way of life was analysed.

1.7.2.3 Participant Observation

The researcher is involved in a local municipality and has been involved in policy formulation and implementation in this field. The participant observation technique was utilized to inspect and analyze specific best practice projects in South Africa.

1.8 PRELIMINARY CHAPTERS

Chapter 1 provides an introduction to the study and includes aspects such as orientation, the hypothesis, research questions and objectives, methodology and a chapter layout.

Chapter 2 envelopes LED and poverty alleviation from a theoretical point of view. Aspects to be addressed include underdevelopment, LED and poverty levels, LED strategy planning, the LED process, measurement of LED and integration of LED with poverty alleviation.

Chapter 3 offers an overview of LED and poverty alleviation systems in South Africa with specific focus on Midvaal Local Municipality. The focus is on the role of local government. Various case studies have been listed. Sources of funding are also listed.

Chapter 4 is an analysis of the poverty and socio-economy situation in Sicelo, Midvaal Local Municipality. This Chapter also include a LED plan for Sicelo and a tracking system regarding five local families.

Lastly **Chapter 5** contains best practice and lessons learnt, it also reflects on the realization of the research objectives and hypothesis. Final findings and recommendations are also provided.

CHAPTER 2: A THEORETICAL ANALYSIS OF LED AND POVERTY ALLEVIATION

2.1 INTRODUCTION

This Chapter looks at theoretical aspects such as development planning, LED, poverty alleviation and underdevelopment. It also aims to analyse the causes and nature of underdevelopment, as well as the extent of poverty in Africa and specifically South Africa. The effect and impacts of poverty have been investigated including the theories behind the concepts. The face of underdevelopment and the status quo regarding poverty has also been identified and listed.

The focus of this Chapter is on all the aspects of LED including strategy planning, the planning process, measurement and poverty alleviation. Other aspects such as poverty levels, development economics, the role of local government in LED and institutional arrangements for LED.

2.2 UNDERDEVELOPMENT AND LED

Underdevelopment and poverty are terms that are especially related to the African continent, but also to other less developed countries of the world. South Africa, with its dual economy and high levels of inequality, could be described as a developing country. Poverty, with its associated problems such as unemployment, low levels of education and skills are also evident in South Africa. Although poverty alleviation and Local Economic Development are seen as separate concepts, the two are in most cases confused with each other. Poverty Alleviation is however a broader term relating to socio-economic issues and not only economic issues. LED is only related to economic issues on a local level, with its focus on the SMME development and the informal sector.

In South Africa, poverty alleviation is in most cases addressed through LED projects and programmes. Funding for these projects are however limited and linked to other projects such as infrastructural projects. Funding for isolated and stand alone LED

projects are however not readily available to municipalities from national and provincial government. LED is to a large extent an unfunded mandate from central government.

Poverty alleviation and LED are interlinked concepts and are relatively new in South Africa. Limited success has been achieved through various projects, but no real impact has been achieved to break the iron grip of poverty in South Africa and in most poor areas in the world. New innovative ideas and best practice projects regarding this issue are required in order to effect a drastic change.

2.2.1 Background to LED

The concept of LED was conceived in the mid 1980's by the World Bank. LED was at that stage the tool to alleviate poverty in poor countries. Promoting LED as a concept in a local area was taken to a new level with the launch of the Chicago Development Plan in 1984. This plan included aspects such as social, and economic factors. In 1986, Prof. E.J. Blakely, a Professor of Urban Planning at the Milano Graduate School, New York, took the concept further with his book titled "Taking Development Initiatives: Local Government's Role in Economic Development". In 1989 he published "Planning Local Economic Development: Theory and Practice". This book focused on the linkages between local, regional and national development and it further provided concrete examples of how LED could be fostered. He also analysed the impact of human resource development, high-tech methods, economic and physical infrastructure. In 1993 Mier published "Social justice and local development policy", described as the most aggressive model up to that point taking into account aspects such as economics, geography, urban planning, sociology, political science and public administration. From 1990 onwards, European cities also started to use LED to stimulate development. The main best practice principle coming from Europe was that economic regeneration had to underpin urban regeneration. In the 1990's the World Bank started to focus on LED support to world cities (Morgewood, 2006:9).

The World Bank stated that the purpose of LED is to build up the local 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-government sector partners work

collectively to create better conditions for economic growth and employment generation. It focuses on enhancing competitiveness, sustained growth and ensure inclusive growth. LED includes physical planning, economics and marketing, and also environmental planning, business development, infrastructure provision, real estate development and finance. Three basic elements must be included in a LED strategy namely, the involvement of a broad spectrum of parties, sustainable and inclusive economic growth as well as a multi disciplinary approach. LED should not be planned in isolation but taking into account all aspects of local government. LED at local government strives to benefit local communities and to improve economic competitiveness. LED in World Bank terms means communities continually improving their investment climate and business enabling environment to enhance competitiveness, retain jobs and improve income. Further responses include:

- Ensuring that the local investment climate is functional for local businesses;
- Supporting small and medium-sized enterprises;
- Encouraging the formation of new enterprises and attracting external investment (nationally and internationally);
- Investing in physical (hard) infrastructure;
- Investing in soft infrastructure (educational and workforce development, institutional support systems and regulatory issues);
- Supporting the growth of particular clusters of businesses;
- Targeting particular parts of the city for regeneration or growth (areas-based initiatives);
- Supporting informal and newly emerging businesses;
- Targeting certain disadvantaged groups (Morgewood, 2006:11)

2.2.2 LED and Poverty Levels

The majority of the earth's residents are affected by poverty. Close to 85% of the world population earn about 22% of the world's total income. The 20:80 principle is applicable. In 1994, of the 177 countries which forms part of the international trade system, 133 could be classified as less-developed (low income countries) with a per

capita incomes of less than \$450 per year. The most important features of less-developed countries are:

- High poverty levels. In SA for example more than 40% of the population lives in poverty;
- Low income levels;
- Income inequality. Urban dwellers earn more than rural people and men earn more than women;
- Non-democratic politics and instability;
- Control by a small grouping of elite;
- Corruption and nepotism;
- The local economy is dominated by agriculture. (Subsistence Agriculture);
- Lack of technology and capital;
- Low levels of productivity;
- Low level of savings;
- Limited level of exports. Only primary products are exported and no value added products;
- High population growth of more than 2% per annum;
- Low levels of literacy and education opportunities;
- Low standard of living;
- Poor health conditions;
- Limited access to information;
- Degraded environment, imbalanced spatial development and lack of infrastructure development;
- Poor administrative and institutional abilities in the government (van Wyk, 2004:10).

Poverty alleviation will eventually lead to the improved provision of basic needs. If the basic needs of people are provided for, people will be more productive and economic growth will be stimulated. The basic needs could be listed as follows:

- Food (Intake of kilojoules);
- Education and literacy (level of literacy);

- Health (life expectancy);
- Provision of water;
- Housing (Todaro, 2005:52).

Basic needs satisfaction and economic growth is related to each other in a direct ratio which is known as the S-curve (Lewis, 1955:18).

Todaro (2003:20) identified three core values of development and this includes firstly sustenance relating to the ability to meet basic needs, secondly self-esteem and lastly freedom of choice. He also listed three objectives of development namely to increase the availability and widen the distribution of basic life-sustaining goods, to raise levels of living standards and to expand the range of economic and social choices.

In order to classify countries as less developed or developed the following criteria are utilized:

- The size of the country (population, income);
- The history of the country;
- Physical and human resources;
- Ethnic and cultural composition;
- Public and private sectors;
- The industrial and commercial structure;
- The degree of dependence on external political and economic forces;
- Distribution of power (Todaro, 2003:37).

If the above criteria is applied, countries could be classified in categories and most African countries could be classified as less developed countries. The most common characteristics of developing countries, including a portion of African countries, involve low levels of living standards, low levels of productivity, high rates of population growth, high levels of dependency, high dependence on agricultural production, prevalence of imperfect markets and limited information and dominance, dependence and vulnerability in international relations. The world population is distributed in such a way that 80% of

the world's income is produced in the economically developed regions and 15% of the world's population. This relates to 85% of the world's population living on only one-fifth of total world income. The gap between the rich and poor countries is growing. In 1997, Switzerland had 403 times the per capita income of one of the world's poorest country's namely Ethiopia. Per capita Gross National Product (GNP) figures also indicate the huge disparities between the rich and poor countries. This is shown in table 2.1 (Todaro, 2003:52).

TABLE 2.1: Comparative Per Capita GNP Figures

COUNTRY	PER CAPITA GNP
Switzerland	44 320
USA	28 740
UK	20 710
Brazil	4 720
Pakistan	490
Nigeria	260
Ethiopia	110

SOURCE: Todaro, 2003:53

Most African countries have equal or similar per capita GNP as indicated above. The extent of poverty in any country depends on two factors namely the average level of national income and the degree of inequality in its distribution. The more unequal the distribution, the greater the incidence of poverty. High poverty levels leads to ill health and life expectancy levels in 1998 in less developed countries averaged at 48 years and developed countries relate to 75 years average. Malnutrition is also a huge problem. In poor countries 766 million people are without access to health services and 1 billion people do not have access to safe drinking water. A poverty measure that is often utilized is the percentage of children who are underweight. In 1990, 42% of children in South Africa were underweight, 38% in Ethiopia and 36% in Nigeria (Todaro, 2003:54).

The low levels of quality of living in LDC relating to low income, skewed patterns of distribution (Top 20% of the population receive 10 times as much income as the bottom 40%), absolute poverty is the order of the day, ill health and malnutrition exists and low levels of education. If these factors are combined, then poverty becomes a huge problem (Todaro, 2003:57).

The table below gives an indication of the dependence on Agriculture for developed versus underdeveloped countries.

TABLE 2.2: Agricultural Comparison (1995 – 1997)

REGION	POPULATION (000 000)	URBAN (%)	RURAL (%)	LABOUR FORCE (%)	AGRI SHARE OF GNP (%)
North America	298	75	25	3	2
Europe	729	72	28	7	5
Africa	743	31	69	68	20
Latin America	940	72	28	25	10

SOURCE: Todaro, 2003:70

LDC's have shown a steady decline in terms of the total world merchandise trade. In 1950 the LDC's share was 33%. The current share is 25%. The phenomenon of underdevelopment must be viewed in both a national and international context. Problems of poverty, low productivity, high population growth, unemployment and export dependence have both local and external origins and potential solutions. Successful economic and social development will require suitable strategies, but also a change in the international economic order to allow poor countries to be part of the world economy (Todaro, 2003:71).

In order to be part of the world economy and be competitive, LDC's need to focus on their main assets. Moser (1998:15) stated that four broad categories of assets have been identified namely:

- Human capital (Labour, education, health);
- Social and institutional assets;
- Natural resources (land, water, property);
- Man-made assets (Housing, infrastructure).

LDC's need to maximize the potential of each of the assets as listed above.

2.2.3 Absolute Poverty Levels

Absolute poverty differs from region to region and various key indicators of poverty exist in South Africa. These indicators are: household income, minimum kilojoule intake per day, minimum life level and household subsistence levels. A difference also exists between urban and rural households. Local government is important as part of LED on the local level in terms of locality, legality, autonomy, power and public participation (Reddy, 1999:8).

The majority of the poor is located in the rural areas and are involved in agricultural related activities such as subsistence farming. In Africa and Asia about 80% of the poverty target groups are located in rural areas. It should be noted that the majority of spending by LDC Governments are in urban areas and not rural areas. Women are more affected by poverty in general. Children are subsequently also affected by the women in poverty. The poorest households in the Third World are headed by women. In rural Kenya, women are head of house holds in up to 40% of all households. In general men still earn more than women. Women are therefore more likely to be poor. Women have less education, lower income and high fertility (Todaro,2003:232).

Various measurement tools are available regarding the measurement of inequality. The tools are listed below.

- Measuring inequality: meaning Income received by households as depicted in the "Lorentz Curve";
- The "Gini Coefficient";

- Functional distributions which attempts to explain the share of total national income that each of the factors of production (land, labour and capital) receives (Todaro, 2003:204).

Rural-urban migration was once viewed favorably in the economic development literature. Internal migration was thought to be a natural process in which surplus labour was gradually withdrawn from the rural sector to provide needed manpower for urban industrial growth. But recent LDC studies have shown that the rates of rural-urban migration in most cases exceed the rate of creation of job opportunities in urban areas. Migration results in urban surplus labour, relating to unemployment and social problems. Policies should attempt to retain the rural economy by formulating policies such as land tenure, pricing plans, credit allocation, taxation, export promotion, provision of social services, population and family programmes (Todaro, 2003: 336).

Rural-urban migration seems inevitable over the long term. Todaro has identified seven key elements regarding rural-urban migration:

- Create an acceptable balance;
- Expansion of small-scale, labour intensive industries (Rural and urban areas);
- Elimination of factor-price distortions;
- Apply appropriate labour-intensive technologies of production;
- Optimize the direct linkage between education and employment;
- Reducing of population growth;
- Decentralizing authorities to cities and neighborhoods (Todaro,2003: 547).

2.2.4 Measuring Poverty Levels

The main pillars for poverty alleviation strategies according to Mokate (2005:15) should include the following:

- Meeting basic needs of people;
- Sustainable economic growth, development and job creation;
- Development of human resources;

- Ensure safety and security;
- Transformation of a people orientated democratic state.

Any strategy to combat underdevelopment and poverty must focus on fighting unemployment, alleviating poverty and improve income inequality. The National Strategic Vision (NSV) is based on six pillars which include economic growth, infrastructure development, development of community services, human resource development, safety and security and solid local administration.

In Brazil in 2000, over 15 million people lived on less than \$ 1 per day. The richest 1% owned 44% of the available land, while more than 50% of the farmers must work on less than 3% of the land. This huge inequality has created conflict as well as social and political problems. The extent of poverty in a country depends on two factors: the average level of national income and the degree of inequality in its distribution. Absolute poverty is defined as the minimum level of income needed to satisfy the basic needs for survival. An attempt was made to establish an international poverty line (Todaro, 2003:53).

The total number of people living below a specified minimum level of real income relates to absolute poverty for a specific area. Absolute poverty is measured by the number (headcount) of those whose income falls below the absolute poverty line. When the headcount is taken as a fraction of the total population from this information, a poverty gap is calculated which relates to the total amount of income necessary to raise everyone below the poverty line to a level above the accepted poverty line (Todaro, 2003:207).

The final measure of poverty is known as the Human Poverty Index (HPI). The HPI values indicates the proportion of the population which is adversely affected by the three key deprivations namely survival, knowledge and economic provisions (Todaro, 2003:209).

Literature on poverty invariably divides the foundations of the definitions of poverty into two approaches, namely, the absolute and the relative approach. The absolute approach to poverty looks at poverty from the viewpoint of deprivation or the lack of sufficient income to satisfy basic needs. Unsatisfied needs, especially of a physiological nature, are seen as absolute poverty. Holman (1978:2) refers to such poverty as subsistence poverty or poverty below the subsistence level. He refers to the poor as those who have regular, though minimal income. The very poor are people whose income, for whatever reason, falls far below the subsistence level. The operative word in this approach is 'income'. Income that consistently falls short of providing the basic necessities of life is viewed as causing poverty.

The World Bank (1980:1) refers to absolute poverty as the condition of life so characterized by malnutrition, illiteracy and diseases as to be beneath any reasonable definition of human decency. In this definition, income is not necessarily given as the cause of such poverty. In fact, the definition is open-ended regarding the cause. In their view, absolute poverty means more than having a low.

The 'absolute approach' definitions of poverty have been widely criticized as insufficient and lacking in clarity. They are based on the notion of subsistence. What comprises subsistence is questionable because it depends on the place and society that is evaluated (Alcock, 1993:60). Such problems led to the development of the relative concept of poverty.

The relative approach to poverty is based on the idea that people are poor in relation to the community or society in which they live. This means that their income is consistently below the level that would allow them to attain a specific average standard of living. This is judged against the standard of living of the society to which they belong (Wratten, 1995:12).

Alcock (1993:59) sees the relative approach as more subjective (normative) than the absolute approach. He further explains that the relative definition of poverty is based upon a comparison between the standard of living of the poor and the standard of living

of other members of society who are not poor. This usually involves some measure of the average living standard of the whole society in which the level of poverty is being studied. Relative definitions of poverty implies inequality in wealth and income distribution that leads to a lopsided social stratification and classes. This, in turn, leads to suggestions of redistribution of wealth as one of the policies to combat poverty.

Relative definitions also imply other issues, as pointed out by Holman (1978:14-20). According to him, such an approach includes four main elements as listed below:

- Comparisons with other persons – the lowest incomes are too far removed from those of the rest of the community;
- the contemporary environment – this takes the dynamic nature of society into account and the prevailing standard of living is used as a measure;
- inequality;
- the value judgement that refers to the standard that society sees as 'acceptable' or the prototype standard that people pursue. People habitually judge themselves against a 'reference group'. The poor do the same, having a standard they would like to attain, failing which, they see themselves as poor. Researchers are also prone to give moral judgement to the concept of poverty and in the interpretation of statistics.

The most obvious measure of living standards is an individual's or household's real income or expenditure (with an allowance made for output produced for own consumption). However, as this measure does not capture dimensions of wealth such as health, life expectancy, literacy and access to public goods, consumption-based poverty measures of living standards based on income. Therefore it may need to be supplemented by other measures that include non-income measures (Thirlwall, 1994:11).

In theory, a consumption-based poverty line can be thought of as comprising two elements. Firstly, an objective measure of expenditure is necessary to determine a minimum level of nutrition, and secondly, there is a subjective additional amount

reflecting the cost of individuals participating in everyday life. What is regarded as an acceptable standard of living in Sweden will be different from what is regarded as acceptable in South Africa. In practice, however, for the measurement of poverty the World Bank uses just two figures for per capita income; one to classify the total poor, the other to measure the extremely poor. A poverty line shows the income level needed to provide a minimum subsistence level. Once the poverty line has been calculated, the simplest way to measure poverty is by using the headcount index that simply adds up the number of people who fall below the poverty line (sometimes expressed as a proportion of the population) (Thirlwall, 1994:11).

Most of the quantitative measurements of poverty are based on income levels as listed below:

- Salaries, wages, overtime and commissions prior to the deductions of pensions and taxes;
- Net profit from business, farming or professional practice;
- Estimates cash value of fringe benefits such as a company car and housing subsidy, food, clothing and accommodation provided by employers; and
- Any other regular income (pensions, interest, dividend, rent from boarders / lodgers, help from the family) (Slabbert, 2001:46).

Slabbert (1997:47) formulated the headcount index and poverty gap as follows: the headcount index is defined as the fraction of the population below the poverty line. The purpose of the headcount index is to quantify the number of those individuals or households that fall below the poverty line. If the distribution of incomes is represented by y and the poverty line by z , a poverty measure may be expressed by the function $P = (y; z)$. Suppose that in a population of N households with incomes y_i ($i = 1 \dots N$) ranked in ascending order by subscript, M units have incomes equal to or less than the poverty line z , then the headcount ration (H) may be defined as follows:

Headcount index:

$$H(y;z) = M/N$$

The headcount index is concerned with the number of poor people or households whose income falls below a given poverty line as a ratio of the whole population.

Example: if there are 500 households in the survey and 250 of them have income below the poverty line z , then $H(y;z) = 250/500 = 0.5$. The poverty rate is 50 percent, meaning that 50 percent of the households are below the poverty line. However, one weakness of the headcount index is that it ignores the extent to which the poor fall below the poverty line. According to Slabbert (1997:48), in order to overcome this weakness the concept of the poverty gap may be used. The poverty gap measures the transfer of income required to bring the income of every poor person up to the poverty line (Thirlwall, 1994:12). The poverty gap index is concerned with the depth of poverty (its magnitude) and therefore measures the extent of the shortfall of incomes below the poverty line (Slabbert, 2000:49). Slabbert (1997:48) defines the poverty gap ratio (R) the following equation.

$$R(y;z) = \frac{M}{\sum_{i=1}^M (z-y_i)/z}$$

where:

R = the average income shortfall of the poor expressed as a proportion of the poverty line;

Z = the poverty line;

Y = the income of a household; and

M = the number of households with incomes below or equal to the poverty line (z).

Example:

The poverty line (z) is determined at R800.

The household's income (Y_i) is R500.

The poverty gap is then $(z - Y_i) = R300$,

The individual poverty gap ratio of the household is then:

$$(z - Y_i) / z = R300 / 800 = 0.375.$$

The average of all the poverty gap ratios of the sample of households will give R .

Kaufman (1994:700) points out that the problem of poverty weighs disproportionately on certain groups in the population, although no group is immune from poverty. Among those groups most at risk are the following:

- Female-headed households – families headed by women (with no husbands present) have a one-third chance of being poor. The burden of poverty is spread unevenly. Women in general are disadvantaged and in poor households they often shoulder more of the workload than men, are less educated, and have less access to remunerative activities;
- Age – children under the age of 15 years have the highest incidence of poverty of any age group. One reason for this is that children increase a family's needs, but contribute little, if any, income;
- Education – the poverty rate declines rapidly with additional years of schooling. Among families headed by high school dropouts, the poverty rate is higher than those families with a household head who had even one year of tertiary education; and
- Work experience – persons in families with a household head who worked at a year-round job (50 – 52 weeks) were much more likely to have incomes above the poverty line. Not unexpectedly, people who work only part-time or not at all have a significantly greater chance of living in poverty.

2.3 DEVELOPMENT ECONOMICS

The term economy has changed over the centuries and decades. Traditional economics is concerned with efficient allocation of scarce production resources and with the optimal growth of these resources over time as to produce an ever expanding range of goods and services. Development economics has a wider scope than traditional economics. In addition to the above traditional definition of economics, development economics must also deal with the economic, social, political and institutional mechanisms, including both public and private, necessary to bring about rapid and large-scale improvement in levels of living for the masses of poverty-stricken people of the less developed countries. (LDC's). In most LDC's, markets are highly imperfect, limited information is available and structural changes are taking place in the economy and society. Development economics must be utilized as an effective strategy for breaking people out of the poverty gap. A larger government role is found within this form of economics (Todaro, 2003:9).

The traditional economic method of measuring development related to the increase in GNP at a specific percentage. Other methods for measurement include growth of income per capita. Economic development could also take into account non-economic or social factors such as improvement in literacy, education, health and housing. The Human Development Index was formulated by the United Nations (UN). Since 1970 other issues for measurement of development were accepted such as reduction of poverty, inequality and unemployment (Todaro, 2003:16).

Underdevelopment is a reality for more than 3 billion people in the world today. Underdevelopment is characterized by low income levels, poor housing, premature mortality and low levels of employment. Chronic high levels of poverty are also one of the main problems. The goal of development must be the general improvement of quality of life. Quality of life could be improved if education is improved, higher standards of health and nutrition is monitored, less poverty, a cleaner environment, more opportunities, greater individual freedom and a richer cultural life. A person is

more satisfied if he learns a new skill, is healthy and has social interaction (Todaro, 2003:17).

According to Todaro (2003:20) there are three basic core values of development namely:

- **Sustenance** or the ability to meet basic needs. Basic needs include food, shelter, health and protection. Economic development is therefore a necessary condition for the improvement in the quality of life that is development;
- **Self-Esteem Development**: A person must have a sense of worth and self-respect;
- **The Luxury of Choice**: Human freedom of choice is the third value of development.

Development has three main objectives namely:

- To increase the availability of basic life-sustaining goods such as food, shelter, health and protection;
- To raise levels of living including higher income, more jobs, better education, attention to cultural and human values;
- To expand the range of economic and social choices (Todaro, 2003:23).

Economic growth is defined as a long term rise in capacity to supply increasingly diverse economic goods to its population, based on advancing technology, and institutional and structural changes. Therefore sustained rise in national output and availability of a wide range of goods is needed. Technology development is a basic requirement for economic development and growth. For sustained growth the following factors are required:

- Growth of per capita output;
- Growth in productivity;

- Fast change in structural transformation;
- Social and ideological transformation (Todaro, 2003:85).

The reduction and fighting of poverty does not necessarily mean a slower growth rate. The following reasons motivate the above statement. Poverty creates a situation where large numbers of people have no access to credit or education and have children as a source of old age financial security. These factors cause per capita income growth to be less. Poor or low levels of living by the poor, which relates to poor health, nutrition and education, can lower the economic productivity and a slow down in economy. Raising of the income levels of the poor will stimulate an overall increase in the demand for locally produced products such as food and clothing. The rich spend more on luxury goods. It could therefore be concluded that promoting fast economic growth and reduction of poverty are not conflicting objectives (Todaro, 2003:227).

2.4 LOCAL ECONOMIC DEVELOPMENT

The World Bank's five-step LED planning process consists of the following: organizing the effort; conducting a local economic assessment; developing the strategy; implementing the strategy and reviewing the strategy (Morgewood, 2006:11).

The process of LED is described as consisting of the following:

- Job creation efforts;
- Formation of new institutions (units);
- Development of alternative industries;
- Improvement of quality of local products and services;
- Identify new markets;
- Transfer of knowledge and technical expertise;
- The nurturing of new firms and entrepreneurs (Morgewood, 2006:12).

Job creation is the main aim of LED, but secondary objectives have been identified and include:

- Economic growth;
- Competitiveness of firms;
- Reduction of poverty;
- Increase in income;
- Improvement of infrastructure;
- Growth in local tax base (van Wyk, 2004:112).

A five stage strategic planning process is necessary for LED:

- Stage 1 is effort organizing. The creation of shared values between the stakeholders. This also refers to the identification of who should be involved;
- Stage 2 is local economic assessment. The context of local economy including the identification of strength, weaknesses, opportunities and threats. The purpose is to establish baseline understanding of the local economy;
- Stage 3 is the creation of LED strategy. Creating vision, goals, objectives, programmes as well as projects and action plans is important;
- Stage 4 is the implementation of LED strategy. This implementation depends on the skilled human resources to follow procedures, in ensuring institutional capacity such as budgeting; and
- Stage 5 is the reviewing of LED strategy, which refers to the establishment of monitoring and evaluation measures. These measures assist in quantifying impacts of local economic development towards the community in particular (Phago, 2005:27).

The following LED strategies were defined by Phago (2005:28):

- SMME development;
- Industrial and Service Sector development;
- Trade and Export;
- Investment and development facilitation;
- Research, policy and info provision;
- Economic empowerment;

- Economic input of aids.

LED is an outcome based local initiative and driven by local stakeholders. It involves identifying and using local resources, ideas and skills to stimulate growth and development. The aim of LED is to create job opportunities, relief poverty and create opportunities for local residents. LED is an ongoing process, rather than a single project. There is no single approach to LED and every local area is different with its own set of problems and opportunities and comparative advantages (DPLG, 2004: 1).

Local Economic Development (LED) is a strategy to fight the plight of the poor and unemployment directly, but also has other indirect benefits for human development on a local level. Municipalities need to introduce sustainable poverty alleviation programmes. LED must lead to jobs and higher incomes as well as spending in an area. A LED strategy need to include at least the creation of jobs by attracting new business, achieve local economic stability and a diverse economy as well as complying unit base. A municipality is however only one of the role players in LED. Other role players include local business, investors, politicians, provincial departments, union members and the community in general. The Economic Based Theory (EBT) could be described as the level to which a local area develops economically and depends on the demand for goods, services and products from other areas, outside the specific local area. An area with huge volumes of exports to other areas, has a strong economic base. LED strategies should focus on stimulating business that uses local resources for exporting of final products elsewhere (van Wyk, 2004:121).

The Synthetic Theory of LED was formulated by Blakeby in 1989. This theory provided an integrated approach from which suitable LED strategies could be derived. The goal of this approach to LED is to enhance the value of people and places. Job creation strategies have been moved from demand to the supply side. Local communities must be involved by building relationships with local government. Innovation and product development have become important driving forces in the process (van Wyk, 2004:128).

Because of the rural nature of certain areas, agricultural development is of key importance for economic growth. Special attention should be given to raising the productivity of an existing agricultural economy. The various phases for agricultural development include:

- Develop pre-conditions;
- Expansion of agricultural production based on improved techniques (Innovation);
- New types of inputs (fertilizers);
- Education and Training (Johnson, 1961:566).

Rural welfare and overall economic growth demands a transformation of a country's economic structure. Land reform is one of the cornerstones of an agricultural policy in less developed countries. Such a project is based on three objectives namely:

- Turning over of ownership and management of land;
- Division of large portions in smaller portions;
- Co-operative farming.

The above should only be implemented if productive agriculture is possible and a sense of security is created. Political management and control is required (Long, 1961:113).

"It is in the agricultural sector that the battle for long term economic development will be won or lost" (Gunnar Myrdal). In Africa about three-quarters of the total population are rural dwellers. Two thirds of the world's poorest people are located in rural areas and are engaged primarily in subsistence agriculture. Survival is the basic concern. Agriculture's primary role was to provide sufficient low-priced food and manpower to the expanding industrial economy. Lewis, in his two-sector model also confirms this statement. Recently economists have realized the role of agriculture has changed and must play an indispensable part in any overall strategy of economic development, especially in LDC. Such a strategy must include three basic elements:

- Accelerated output growth through technological, institutional and price incentive changes designed to raise the productivity of small farmers;

- Rising domestic demand for agriculture output;
- Diversified, non-agricultural, labour sensitive rural development activities (Todaro, 2003: 419).

Diversified or mixed farming represents a logical intermediate step in the transition from subsistence to specialized production. The success or failure of such efforts to transform traditional agricultural will depend not only on the farmers ability and skill, but also on the social, commercial and institutional conditions under which he must perform. Lack of innovation in agriculture, as we have seen, is usually due not to poor motivation or fear of change but to inadequate or unprofitable opportunities (Todaro, 2003: 449).

In order for rural agriculture to develop to higher levels the following is required:

- Innovation;
- Technological development (Modernization);
- Government economics policies;
- Development of social activities;
- Support systems;
- Land reform initiatives (Todaro, 2003: 450).

Rural development, depend primarily on small scale farming. Rural development means much more. It includes the following:

- Raise income through job creation;
- Rural industrialization;
- Provision of education, health and nutrition, housing;
- Decrease inequality (Todaro, 2003: 454).

The World Bank (2002) listed the following common programmes for LED:

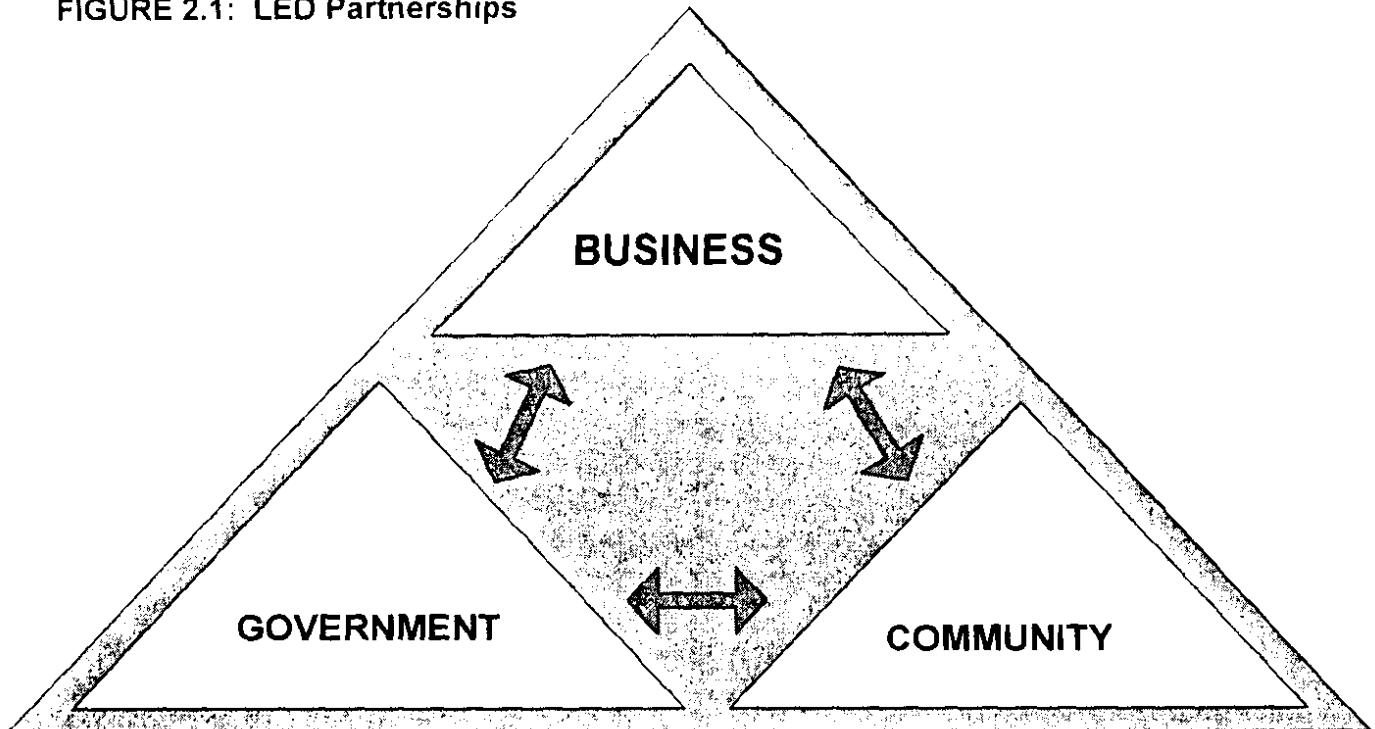
- Encourage local business growth;
- Support new enterprises;
- Local investment climate;
- Promotion of investment;
- Provision of infrastructure;
- Target unique areas for intervention;
- Poverty reduction.

DPLG listed six LED strategies namely:

- Community based development;
- Develop linkages;
- Human capital development;
- Infrastructure and service delivery;
- Retain spending in the local economy;
- Expansion of the local economy (DPLG, 2004:15).

LED is about local people working together to achieve sustainable economic growth that brings economic benefits and quality of life improvements for all in the community.

LED offers local government, the private sector, the not- for- profit sectors and the local community the opportunity to work together to improve their economy. It often focuses on both enhancing competitiveness, and thus increasing growth; and also on redistributing that growth through the creation of SMME's, and through focusing on job creation. LED encompasses many different disciplines, such as planning, economics, infrastructure provision, real estate and finance. The practice of LED can be undertaken on many different scales. A local government often pursues LED strategies for the benefit of their entire area. However individual communities and thus individual areas within a local government jurisdiction can also pursue LED strategies to uplift their own communities. These are most successful if pursued jointly.

FIGURE 2.1: LED Partnerships

SOURCE: WORLD BANK; 2001:30

In essence, LED is about communities continually upgrading their business environments to improve their competitiveness, retain jobs and improve incomes. Local communities respond to their LED needs in many ways. There are a wide variety of LED initiatives including:

- Ensuring the local business environment is conducive to major businesses and sectors in the area;
- Supporting small and medium sized businesses (SMEs);
- Encouraging new enterprise;
- Attracting investment from elsewhere (within the country and internationally);
- Investing in physical (hard) infrastructure;
- Investing in soft infrastructure (including human resource development, institutional support systems and regulatory issues);
- Supporting the growth of particular clusters of businesses;
- Targeting particular parts of the city for regeneration or growth (spatial targeting);
- Survivalist (often informal) businesses;

- Targeting certain disadvantaged groups (DPLG, 2004:52).

Since the 1960's, LED has passed through three broad stages of development. In the literature they are referred to as the three 'waves' of LED. In each of these waves we have developed a better understanding of what works and what doesn't. Today LED is in its 'third wave'.

Although LED has moved through each of these waves, elements of each wave are still practiced today. The following tables summarize the three waves of LED:

TABLE 2.3: Waves of LED

Three Waves of Local Economic Development		
Wave	Focus	Tools
First: 1960s to early 1980s	<p>During the first wave the focus was on the attraction of:</p> <ul style="list-style-type: none"> • Mobile manufacturing investment attracting outside investment, especially the attraction of foreign direct investment • Making hard infrastructure investments 	<p>To achieve this cities used:</p> <ul style="list-style-type: none"> • Massive grants • Subsidized loans usually aimed at inward investing manufacturers • Tax breaks • Subsidized hard infrastructure investment • Expensive "low road" industrial recruitment techniques

Three Waves of Local Economic Development

Wave	Focus	Tools
Second: 1980s to mid 1990's	<p>During the second wave the focus moved towards:</p> <ul style="list-style-type: none"> • The retention and growing of existing local businesses • Still with an emphasis on inward investment attraction, but usually this was becoming more targeted to specific sectors or from certain geographic areas <p>Making hard infrastructure investments</p>	<p>To achieve this cities provided:</p> <ul style="list-style-type: none"> • Direct payments to individual businesses • Business incubators / workspace • Advice and training for small and medium sized firms • Technical support • Business start-up support • Some hard and soft infrastructure investment
Third: Late 1990s onwards	<p>The focus then shifted from individual direct firm financial transfers to making the entire business environment more conducive to business.</p> <p>During this third (and current) wave of LED, more focus is placed on:</p>	<p>To achieve this cities are:</p> <ul style="list-style-type: none"> • Developing a holistic strategy aimed at growing local firms • Providing a competitive local business environment • Supporting and encouraging networking and collaboration • Encouraging the development of business

Three Waves of Local Economic Development		
Wave	Focus	Tools
	<ul style="list-style-type: none"> • Soft infrastructure investments • Public / private partnerships • Networking and the leveraging of private sector investments for the public good • Highly targeted inward investment attraction to add to the competitive advantages of local areas 	<ul style="list-style-type: none"> clusters • Encouraging workforce development and education • Closely targeting inward investment to support cluster growth • Developing an attractive business environment • Supporting quality of life improvements

SOURCE: World Bank, 2001:28

Local government plans that should influence, and be influenced by the LED agenda potentially include:

- City strategic plan (Growth & Development Strategy);
- Planning, zoning, resource management and land use development strategies;
- Transportation strategies;
- Leisure and recreation strategies;
- Housing strategies;
- Anti-poverty strategies;
- Education and training strategies;
- Crime and public safety strategies;
- Environment strategies and Agenda 21;
- Waste disposal and pollution control strategies (World Bank, 2001:34).

Nel & Humphrys (1999:277) define LED as the process or strategy in which locally based individuals or organizations use resources to modify or expand local economic activity to the benefit of the majority in the local community. Local initiatives may be either self-generated by community members or stimulated by external agencies such as a higher-level government.

LED is an "outcome", based on local initiative and driven by local stakeholders. It involves identifying and using primarily local resources, ideas and skills, to stimulate economic growth and development. The aim of LED is to create employment opportunities to the benefit of all local residents. LED is an ongoing process and encompasses all stakeholders in a local community involved in a number of different initiatives, aimed at addressing a variety of socio-economic needs in that community (DPLG, 2004:1).

Nel & Humphrys (1999:277) state that the commitment of the new government of South Africa after 1994 to promote LED as the solution for its most disadvantaged areas, has occurred in the "post-Fordist" era, when thinking about development is in a state of flux. During the middle third of the twentieth century, when a "Fordist regime of accumulation" was dominant, policies and strategies for the economic development of disadvantaged areas became much clearer.

Keynesian demand management and welfare policies which helped to redistribute wealth, were part of the "Fordist regime of accumulation". "Top-down" government intervention was accepted as the required route to achieve better spatial distribution of economic growth and development within nations. The move to "post-Fordism" became apparent in the 1970s when global economic crises and falling profits led to the adoption of cost-cutting strategies. Wealth redistribution through state welfare programmes came under pressure. Development took on a mosaic pattern, with characteristics fiddling from place to place, the opposite of the "Fordist" conformity which had previously prevailed (Nel & Humphrys, 1999:278).

Such changes have impacted profoundly on local areas, their growth potential and, by implication, on LED. Such growth potential can focus either on localized or endogenous development, or its increasingly common association with the notion of local areas

seeking to enhance their growth potential through participation in the global economy. Such trends parallel the recognition that LED, in recent years, is increasingly focusing on issues such as regional specialization and niche markets. Shifts in society and the strengthening of the desire by those better off to retain and increase their advantages, were identified at the beginning of the 1990s. Governments began to look at the encouragement of and support for "bottom-up" development and local initiatives towards achieving a better distribution of economic development. This view was all the more attractive, since it was a relatively cheap action and seemed to facilitate a reduction in public expenditure. The potential of LED has other attractions. Development based on self-help, can achieve a number of economic and social objectives. The use of spare economic capacity in available labour or under-utilized resources, creates additional wealth, which expands the local economy to the benefit of the whole nation. At the same time, the individuals involved, receive a boost to their standards of living and quality of life while gaining in self-esteem and personal development. Multiplier effects ensure that at least some of the additional wealth created, spreads through the local economy. In South Africa, previous governments had little interest in promoting LED in favour of the disenfranchised section of the population. The ANC government formulated such LED policies for the first time in the late 1990s (Nel & Humphrys, 1999:277-279).

Richards & Stetten (2000:11) state that after 1994, and to be more specific, by 1998, the South African government had in terms of LED done little more than constitutionally mandate local government to promote economic and social development. It is only more recently that various local authorities, community groups and Non Government Organizations (NGOs) are pursuing LED. A range of new government policies support LED. In addition, NGOs are playing a key role as development agencies promoting LED in various towns and regions.

According to the IRI & NBI (1998:2&3) it is especially important for local governments in South Africa to promote LED, for the following reasons:

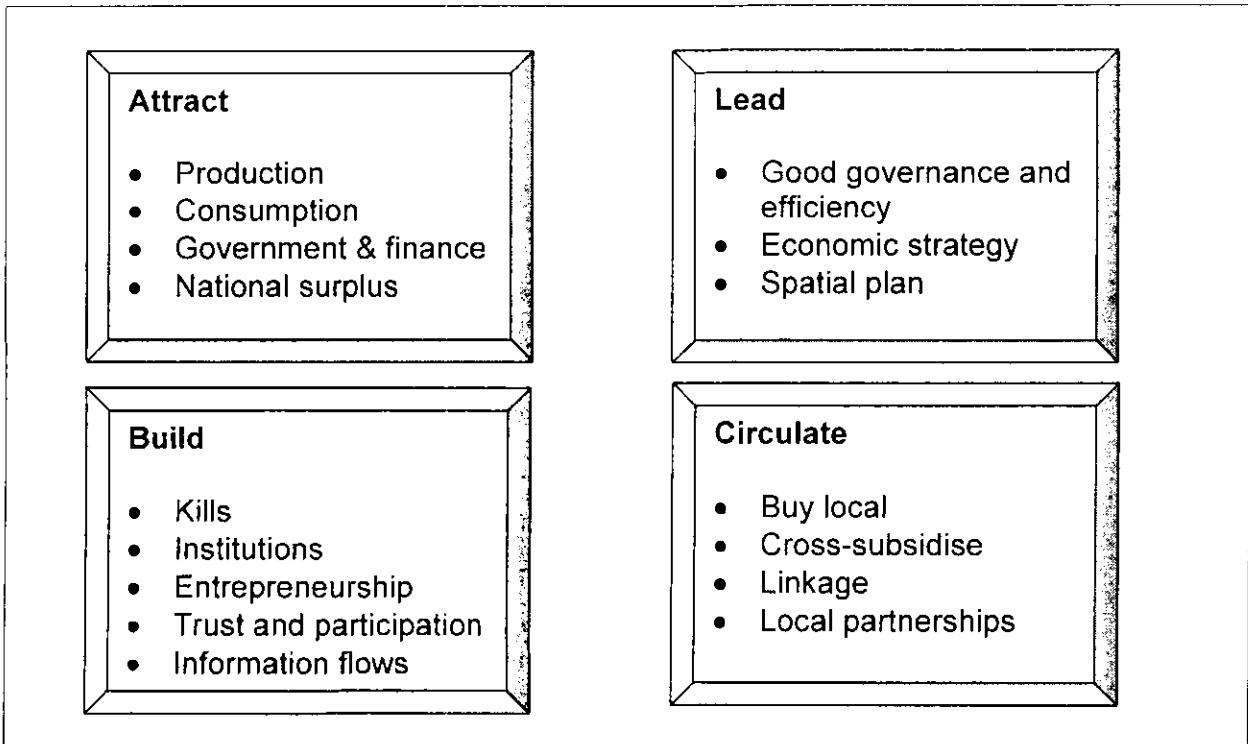
- Is one of the logic ways in which to address the "apartheid" legacy – to help address socio-economic inequalities, promote urban integration, job creation and service provision;

- can contribute to local employment, empowerment and wealth generation;
- can directly, or indirectly, promote economic development and empowerment of community groupings;
- increases income levels and enables people to pay for services. It broadens the tax and revenue base of a local authority;
- enables the local authority to provide more and better services and facilities to the local citizens;
- builds new institutions for sustainable economic development and promotes linkages between developed and under-developed areas;
- can be a key component of, and a supplement to, a broader process of regional and national development and it can assist with the attainment of macro-economic policy objectives; and
- can be a “grass roots” complement to “top-down” national development.

The Department of Constitutional Development (1998:8) stated that urban efficiency is another LED approach where local authorities should raise urban productivity, in part by lowering the costs of living and doing business in the locality. This is best achieved by cutting taxes and service charges and by privatizing services if and where possible. Human resource development is also identified as a key focus for LED strategies. The argument is that low skill levels, especially amongst the poor, influence investment negatively. Local authorities must support the establishment of local training bodies and require that firms provide a minimum amount of training to their employees. Community-based strategies emphasize the importance of working directly with low income communities and their organizations. Community Development Trusts (CDTs) and worker- or community-controlled enterprises, such as local credit unions or development corporations, are key features of this approach. Progressive approaches explicitly aim to link profitable growth and redistributive development. An example of a progressive approach, is a requirement that financial institutions opening a branch in an area, must invest a certain percentage of their turnover in local small businesses. It is

important in practice to achieve the right balance between these LED approaches based on every community's unique circumstances. Figure 2.1 shows four conceptual building blocks for LED which might be used together (Department of Constitutional Development, 1998b:9).

FIGURE 2.2: Building blocks for LED



SOURCE: Department of Constitutional Development, 1998b:9

2.5 LED STRATEGY PLANNING

2.5.1 Introduction

In this section, the strategic planning component of LED will be analysed and a model will be formulated. Issues to be investigated include formulation of a vision, principles, objectives and strategies.

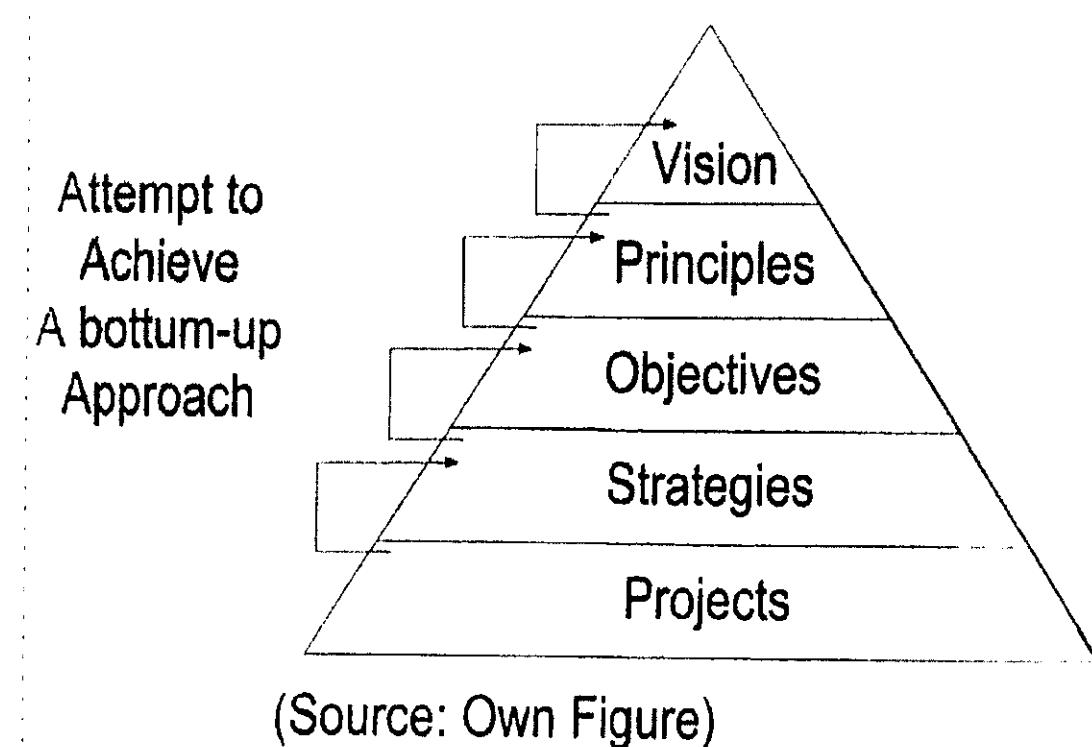
The main pillars of a LED strategic framework include:

- address poverty in a holistic manner;
- Break the growing trend of inequality;
- Uplift rural communities regarding quality of life;

- SMME development;
- Job creation and income generation (ALOGOSUL, 2006:24).

The systems approach is followed in formulation of the eventual strategy and projects for implementation. The vision is the broad ideal goal of the economic direction for the area, while principles spells out the guidelines along which lines the vision could be achieved. Objectives are also broad statements which attempts to reach the broad vision. Strategies are more detailed statements which have the intention to achieve the objectives. Projects and programmes are formulated in order to implement strategies. Figure 2.3 is an illustration of the above.

FIGURE 2.3. The LED Systems Approach



2.5.2 The Vision

The vision is a broad description of the ideal situation that is envisioned for LED in the local area. An example of a vision is listed below:

"The Midvaal area must achieve reduction in poverty, more equality, higher quality of life for all, reduction in unemployment and sustained economic growth" (ALOGOSUL, 2006:150).

2.5.3 Principles

The principles which back up the vision could be listed as follows:

- The LED process must be people centred and high level of community participation is a requirement. A bottom-up approach is best practice (Davids, 2004:9);
- LED must be a holistic approach in that it must address both the economic and social challenges faced by the people of the area, especially the poor. All stakeholders bring innovative ideas and this could close skills and resources gaps (Davids, 2004:10);
- Sustainability of projects are of great importance in terms of economic feasibility and environmental impact as well as social impact (Davids, 2006:10);
- It must be ensured that micro and macro linkages in the economy are achieved (Davids, 2004:10);
- The bulk of resources must be prioritized towards those projects which best supports the areas primary vision (ALOGOSUL, 2006:150);
- LED projects need to make business sense. Red tape procedures need to be limited and economic base data need to be available before investors will invest in the local economy (ALOGOSUL, 2006:150);
- "You cannot manage what you can not measure". Base data need to be available in order to assess success of strategies and projects (ALOGOSUL, 2006:150);

- "United we stand, divided we fall". The local municipality can not achieve LED success on its own and need to form partnership for success;
- Government does not create jobs but provides an environment in which business and entrepreneurs can flourish. They can do this by identifying potential growth sectors and competitive advantages;
- Choose an economic path which is sustainable with long term value added potential and link rural development with urban regeneration. This will ensure that the poor is the centre of LED;
- Reward and publicize success stories and best practice achievements regarding LED. This will inspire other people to greater efforts (ALOGOSUL, 2006:151);
- LED is based on local initiatives where local communities are encouraged to help themselves within a support framework of government and its partners;
- LED cannot succeed without equal investment in social upliftment, environmental protection, good governance and a commitment from all stakeholders (ALOGOSUL, 2006:16).

2.5.4 LED Objectives

Objectives are the building blocks towards the achievement of the local LED vision:

- Strong local leadership is required which will ensure implementation and good communication;
- The development of a regional, seamless LED focus is needed. In this case provincial, district and local municipal LED strategies must be integrated in support with each other;
- Broad regional co-operation holds the key to LED success. A broad coalition of stakeholders and partnerships are required;
- Shared view, visions and values build and hold communities together, including the poorest of the poor and the super rich;
- Shared ideas and robust, open discussion builds trust and commitment. The establishment of a local community development forum is of vital importance;
- Development for the people by the people;

- Stakeholder participation ensures continuous skills transfer and sustainability;
- Local LED objectives must be relevant to local socio-economic conditions. Issues such as opportunities for income generation projects for rural women, labour intensive projects, household food security, human capital building programmes, provision of social and community facilities, and youth development projects;
- LED objectives should seek to leverage, integrate and co-ordinate resources for maximum impact and avoid duplication between government organizations; Development of technology and human capacity are key requirements;
- Access to funding and finance is needed;
- Access and market opportunities must be available to enter the local economy, for example areas and infrastructure for informal traders;
- Conducive public policy and legislative framework is vital for LED success, including spatial policies, budgeting, procurement policies etc;
- LED process must be focused, continuous and measurable. This include the setting of objectives, performance targets, expected success criteria, feedback and appraisal mechanisms;
- LED must be sustainable at all levels;
- Alleviation of poverty and inequality, upliftment of rural, disadvantaged communities and SMME development (ALOGOSUL, 2006:16 – 54);
- Create a clear understanding of the asset base of the poor. Based on what people have, identify possible livelihoods opportunities to expand their assets;
- Understand poor peoples vulnerability context. Identify the risks the poor face on how the risks impact on their assets;
- Understand and investigate the institutional framework that prevents the poor to enter local economic markets (Davids, 2004:5).

2.5.5 LED Strategies

LED strategies are the building blocks in reaching and achieving the objectives as formulated on paragraph 2.5.4. Strategies are achieved by the implementation of projects and programmes.

The following components should be included in a LED strategy for an area:

- A balanced set of hard and soft infrastructure programs, i.e. meeting needs for transport, energy, water, waste management and telecommunications networks (hard) as well as social needs for educations, training, business support and healthy lifestyles (soft);
- A summary table highlighting priority initiatives and sectors earmarked for investment with budgets and plans to attract investors;
- A schedule of LED projects consisting of a breakdown of costs and budgetary expenditures, together with projected and specific program targets, which include land area, jobs created and/or safeguarded, new small and medium sized enterprises, learning opportunities and businesses assisted;
- An outline of processes for monitoring, review and evaluation;
- A project implementation table that clearly identifies individual projects with appropriate goals, sources of funding, implementing agency, start date and project duration;
- Clear statements of the nature and requirements of each project, along with expected outputs and outcomes. These can be used as a benchmarking mechanism for monitoring the progress and output of project as it is implemented;
- A table that clearly identifies LED project partners, funding sources, project duration, target groups and commencement and expected completion dates;
- The plans should document the conceptual links from vision to projects. This will keep the logic consistent and will help in reviewing progress in realizing the vision;
- Plans should reflect the resources that partners bring to LED projects and further resources required to achieve goals; and
- Projects should identify the risks that could hinder progress and consider methods to contain or manage these (World Bank, 2006: 53 to 54).

Ideally, the development of a LED strategy should be an integral part of the broader strategic planning process for a region, city, town or rural area. Sound strategic planning ensures that priority issues are addressed and scarce resources are well targeted. The five step planning process detailed should be tailored to correspond with other local planning processes. The process is not prescriptive and should be adapted to meet the needs of each individual community (World Bank, 2006:55).

The following is a step-by-step description of the LED strategy formulation process:

Step 1: Organizing the effort

A community begins the LED strategy planning process by first identifying the people, public institutions, businesses, community organizations and other groups with vested interests in the local economy. This is often led by the local government, usually the Mayor or the CEO. The skills and resources that each of these stakeholders bring to the strategy process provide a critical foundation for success. The identification of these individuals and organization assumes some basic knowledge of how the economy of the city works. Secondly, working groups and steering committees should be established to ensure formal structures are in place to support strategy development and implementation. More actions are listed below:

- Establish a home for LED;
- Management of stakeholders;
- Establishment of a steering committee;
- Establishment of a group within the local authority to oversee the LED process (World Bank, 2001:8).

Step 2: Conducting the competitive assessment

Each community has a unique set of local attributes that advance or hinder local economic development. This includes its economic make-up, and human resource capacity to carry out economic development, as well as how "friendly" the local

government's business environment is for economic activities. The aim of the competitive assessment is to identify the community's strengths and weaknesses, including its human resource capacity and the local governments "friendliness" to all types of business from Corporates to informal survivalists' and identify the opportunities and threats to the local economy. The goal of the assessment is to create an economic profile of the community that highlights its economic development capacity. Also important in the competitive assessment process is the development of comparative information on the competitive position of neighboring communities and other regional, national or supernatural competitors. More actions include the following:

- Compile LED information such economic information, demographic information, municipal hard infrastructure information, municipal soft infrastructure and regional and national information;
- Analysis of the information (World Bank, 2001:12).

Step 3: Developing the LED strategy

The LED strategy includes development of a shared economic vision for the community and determination of goals, objectives, programs, projects and action plans. This process ensures all stakeholders are aware of what is to be achieved, how it is to be achieved, who will be responsible and the time frames associated with the implementation of the strategy. Most importantly, the LED strategy and action plans must be finely assessed against the human resource capacity to carry them out, as well as the budgetary constraints. Ultimately the strategy's action plans should be incorporated into the work and budgetary program of the local authority. The aim is to leverage strengths, overcome weaknesses, exploit opportunities and deal with threats.

More actions include the following:

- Create a vision;
- Development of goals;
- Develop specific objectives;
- Developing programmes and projects to achieve the objective;

- Documentation of the strategy (World Bank, 2001:13).

Step 4: Implementing the LED strategy

Strategy implementation is driven by the action plans. Ongoing monitoring is provided through the formal structures and evaluation of specific project outcomes ensures that the strategy continues to lead to the achievement of the LED vision, goals and objectives.

Most broad-based comprehensive LED strategies are delivered through public/private sector partnerships that are strongly driven or led by the local authority. The private sector is often keen to manage initiatives aimed at improving the vitality and viability of town centers or to be involved with business development initiatives. Community groups may seek to lead initiatives to improve the health or housing conditions of a target group of disadvantaged individuals.

Strategy implementation is never as clear-cut as the strategy development itself. It often takes longer than expected, and involves a consistently changing environment. Within each project and program that is being implemented, strategic thought will occur at every step of the way. This will often focus on how to best advance the project in an often rapidly changing environment (World Bank, 2006:3).

Step 5: Reviewing the LED strategy

Good monitoring and evaluation techniques help to quantify outcomes, justify expenditures, determine enhancements and adjustment and develop good practices. This information also feeds into the review of the total strategy. The LED strategy should be reviewed at least annually to ensure that the overall strategy itself is still relevant. It may be that conditions have changed or that the initial assessment was incorrect to the local conditions. The LED strategy should evolve continuously to respond to the ever changing competitive environment (World Bank, 2001: 14).

Step 6: Funding a LED strategy

Funding a LED strategy is often very difficult. One of the reasons for this is that local authorities often do not have a statutory responsibility to delivery LED services. When it comes to budget time LED is competing for scarce resources with departments such as housing, health and education. Sometimes, it is difficult for elected officials to justify spending scarce resources on LED efforts because short time horizon responses (such as improving access to piped water) are often perceived as more important than the LED initiatives that often have longer time horizon, and whose benefits may not be immediately apparent.

The LED strategy should have a budget. In selecting particular programs and projects, care needs to be taken to ensure that funds are available for the entire length of each project as projects are likely to span several financial years. Forward or exit strategies should also be developed.

Sources of funding of LED initiatives include:

- local authority revenue raised from the usual sources including property taxes and user fees;
- sale or renting of local authority owned industrial or commercial buildings and land;
- national and state government intergovernmental transfers;
- international donor grants and loans;
- private sector funding such as corporate donations;
- foundations, especially for environmental improvements, human resource initiatives and poverty alleviation (World Bank, 2001:14)

Typical LED strategies could include the following as listed in Table 2.4:

TABLE 2.4: Examples of pro-poor interventions that can be applied

INTERVENTIONS	EXAMPLES OF PRO-POOR APPLICATIONS
Economic Development Strategy	<ul style="list-style-type: none"> - Can incorporate the elements in the table below - Should include interventions across the whole spectrum of municipal operations, not just in an economic development unit
Improving the local business climate	<ul style="list-style-type: none"> - Creation of zones where combined residential and small business use are permitted. - Review of procurement procedures to permit informal businesses to access municipal contracts.
Grants/rebates to attract inward investment	<ul style="list-style-type: none"> - Subsidized training and skills development of disadvantaged employees of investors.
Non-financial support for inward investment	<ul style="list-style-type: none"> - Provision of land, planning rights if employ certain numbers of disadvantaged employees of investors. - Support to investors to use their corporate social investment fund in ways relevant to disadvantaged people/informal economy.
Investment in infrastructure and infrastructure-related services	<ul style="list-style-type: none"> - Provision of incubators. - Provision of market stands for informal traders. - Creation of produce markets - Creation of input supply depots for farmers - Construction of access roads - Contracts for community-based or SMME construction and maintenance - Support for specific infrastructure to support projects,

INTERVENTIONS	EXAMPLES OF PRO-POOR APPLICATIONS
	<p>eg. The railway station in Creighton.</p> <ul style="list-style-type: none"> - Planning suitable infrastructure for service delivery in rural area, eg cellphone payment of electricity bills - Indigent policy to support access of poor people to services.
Investment in industrial/commercial sites	<ul style="list-style-type: none"> - Provision of incubators.
Skills development	<ul style="list-style-type: none"> - Support for adult and functional literacy programmes - Skills training - Training in entrepreneurship and marketing.
Procurement support for SMMEs/informal sector	<ul style="list-style-type: none"> - Preferential procurement for SMMEs and for BEE companies - Promotion of procurement opportunities for informal businesses - Encouraging large business to source locally including from SMMEs and informal sector.
SMME/Informal sector support	<ul style="list-style-type: none"> - Provision of incubators. - Subsidised support for market research, tenders, export - Support for SMMEs (BEE or not), requiring progress to BEE standards, at least for employment and skills development. - Support for collective organizations of informal traders to interact with authorities. - Support for agriculture and land reform processes including commonages.

INTERVENTIONS	EXAMPLES OF PRO-POOR APPLICATIONS
	<ul style="list-style-type: none"> - Support for cooperative, as well as credit unions - Promotion of accessible and fair microfinance schemes
Livelihoods support	<p>Improving access to cash transfers such as social grants</p> <ul style="list-style-type: none"> - Support for agriculture for food security and incomes in both rural and urban areas. - Promotion of periodic markets - Promotion of community-based service mechanisms, eg for waste, home-based care etc. - Assessing which municipal services could be delivered or supported using community-based or SMME mechanisms - Capacity-building support for CBOs.
Sectoral development	<ul style="list-style-type: none"> - Promotion of sectors based on local knowledge, skills and environment eg agriculture, agri-processing, culture and tourism
Special employment schemes	<ul style="list-style-type: none"> - Subsidies for specific groups, eg disabled, youth to be employed or on learnerships.
Special development zones	<ul style="list-style-type: none"> - Particular incentives in development zones for labour-based industries, for employment or training.

INTERVENTIONS	EXAMPLES OF PRO-POOR APPLICATIONS
Research and information supply	<ul style="list-style-type: none"> - Analysing informal sector - Assessing livelihoods – baseline and regular evaluations - Undertaking participatory planning processes to obtain view of disadvantaged people on priorities and strategies - Assessing potential economic opportunities in disadvantaged areas, eg using PACA methodology.

SOURCE: World Bank, 2006:10

Other strategies could include:

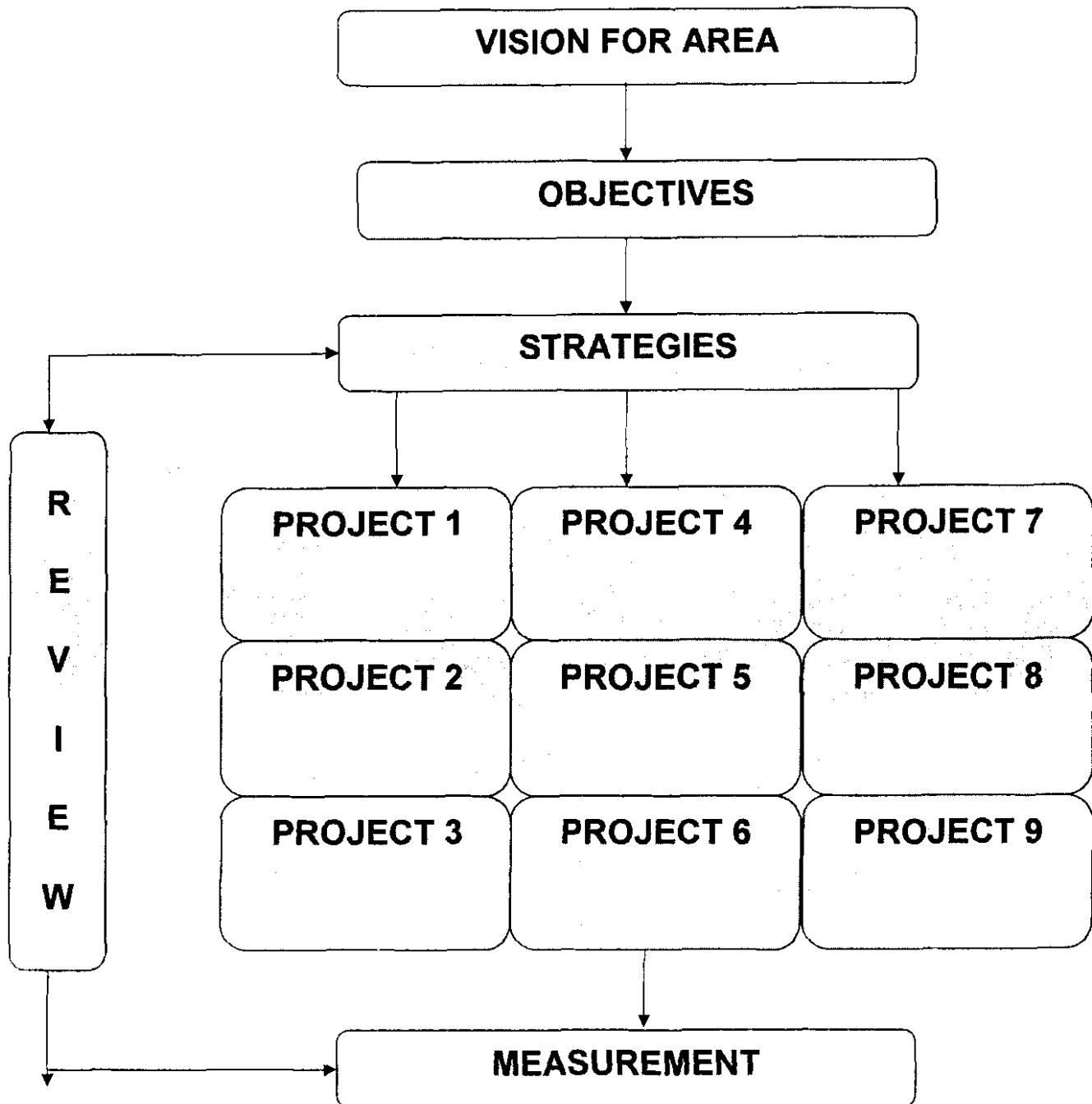
- Improving the local business climate;
- Grants/rebates to attract inward investment;
- Non-financial support for inward investment;
- Investment in infrastructure;
- Investment in industrial/commercial sites;
- Procurement support for SMMEs;
- SMME support;
- Sectoral development;
- Informal sector support;
- Special employment schemes;
- Special development zones;
- Research and information supply;
- Area marketing (World Bank, 2006:70).

2.6 THE LED PLANNING PROCESS

The figure below is a visual explanation of the LED process. The systems approach is followed whereby objectives support the vision, and strategies support objectives.

Projects are identified in order to achieve strategies. Ongoing measurement and review is necessary.

FIGURE 2.4: LED Planning Process



SOURCE: DPLG, 2004:103

2.7. IMPLEMENTATION OF LED PROJECTS

2.7.1 Introduction

This section of this Chapter relates to specific procedures how to implement LED projects. The systems approach continues from the formulation of a vision right through to project implementation.

2.7.2 Composition of a LED Project

Specific details on project components including a hierarchy of tasks, responsible parties, a realistic delivery timetable, human resource and financial needs, sources of funding, expected impacts, results, performance measures and systems for evaluating progress must be formulated for each project.

Projects that can be implemented in the short term and that result in "early wins" play an important role in building momentum and stakeholder confidence. Other projects will have a medium to long-term timeframe. In each case, projects should be "championed" by individuals or a group of stakeholders according to interests, resources, commitment and expertise. Components for each LED project include:

- **Project Objectives:** Each project should have clear objectives that meet program goals;
- **Project Inputs:** The necessary resources needed to implement the project, e.g. capital and revenue costs, human resource inputs and capabilities, other inputs such as land and buildings;
- **List of Actions:** A summary of the main actions to be undertaken in each project;
- **Project Outputs:** The direct result from the project, i.e., the construction of a business incubator;
- **Project Outcomes:** These are direct results from the outputs, e.g. an outcome of the building of a business incubator could be that four new businesses be established there;

- **Project Impacts:** Impacts are associated with a strategy's goals, and the broader effect of a project over time, even after the project is completed, e.g., the development of a specific industry cluster based on the innovation centre;
- **Project Management:** Who will take financial and management responsibility for the project (internal to the municipality or external)? Legitimate institutional mechanisms need to be in place or envisaged as part of the plan (World Bank, 2001:72).

2.7.3 LED Project Implementation

Firstly, a few types of projects or programmes that do not work are listed from previous experience:

- Expensive untargeted foreign direct investment marketing campaigns;
- Supply-led training programs;
- Excessive reliance on grant-led investment;
- Over-generous financial inducements for inward investors (not only can this be an inefficient use of taxpayers money, it can breed considerable resentment amongst local businesses that may not be entitled to the same benefit);
- Business retention subsidies (where firms are paid to stay in the area despite the fact that financial viability of the plant is at risk);
- Reliance on "low-road" techniques, e.g., cheap labor and subsidized capital;
- Government-conceived, -controlled, and -directed strategies (World Bank, 2001:15)

Secondly the approaches to LED implementation will be analysed below.

- **Encouraging local business growth:**

Provision of support advise and resources to existing local business for them to grow. Some of the projects and programmes include business retention visits and surveys, technical assistance to business, financial advise to businesses, buy local campaigns,

public procurement policies, streamlining government procedures and provision of sites and premises (World Bank, 2001:16)

- **Promoting foreign direct and domestic inward investment:**

For such investment attraction to be successful the following key components are required namely it must form a part of the LED strategy, the required hard or soft infrastructure are available and opportunities for local small business are optimized (World Bank, 2001:19)

- **Investment in Hard Infrastructure**

This includes investment in the built environment in order to make it more attractive for business retention, expansion and recruitment. Such projects and programmes include construction of key access routes, improvement of local transport nodes, development of industrial areas, new or old areas, increase the availability of services such as water, sewer and electricity, improvement of telecommunication systems, environmental enhancements and lastly crime prevention installation (World Bank, 2001:20).

- **Investment in Soft Infrastructure**

Projects and programmes include skills training projects which are demand led, increased business focused education, ongoing research and development, provision of business advisory services, provision of and assistance to access to capital and finance, support the establishment of business chambers, improved delivery of local government services to businesses and crime prevention measures (World Bank, 2001:21).

- **Sector Development**

Projects and programmes include network agencies, supporting joint research, development of cluster-focused public procurement and local purchasing agreements, cluster specific research and information, develop cluster specific marketing efforts and develop demand-led skills and education training programs (World Bank, 2001: 22).

- **Area Targeting:**

Specific projects and programmes could include town centre improvement projects upgrading of old industrial areas or sites, development of new industrial areas, encourage investment into growth nodes, encourage investment into corridors and provision of facilities to informal markets (World Bank, 2001: 23).

- **Development of the Informal Economy**

Provision of facilities for the informal sector such as infrastructure for street vendors, provision of access to transport, access to finance and banking, provision of skills and business training, ease or relax "red tape" regulations, and improvement of linkages between formal and informal sectors, provision of industrial incubators to SMME's, market resources and information provision to the informal sector (World Bank, 2001:26).

- **Targeting the disadvantaged groups**

Projects include adults education and literacy training, skills training and job placement programmes, enterprise training, assist women to access employment and self-employment programs, develop mentor programs, health awareness programs and development of community resource centres (World Bank, 2001:29).

2.7.4 Specific Projects for Implementation

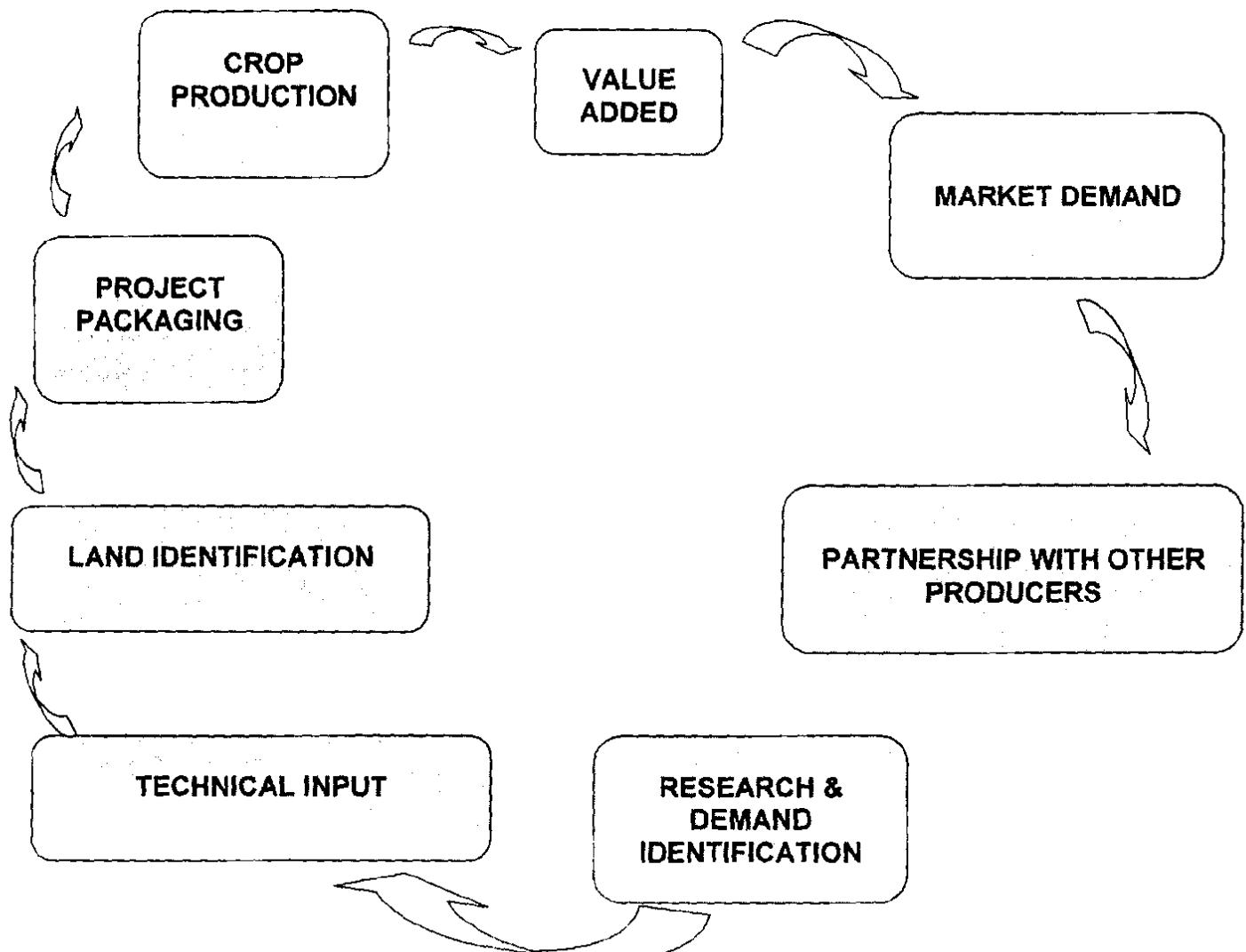
Specific projects have been implemented successfully in parts of South Africa. Some of the projects are listed below:

- Set up of Tourism Associations;
- Urban agricultural projects;
- Business and manufacturing advice and support centres;
- Tender advice centres;
- Technology hives;
- Entrepreneurial training projects;
- Life skills training;

- Affirmative procurement policies;
- Specific demand led training programs for example in tourism and agriculture (ALOGOSUL, 2006:35).

The process for an agricultural project is listed in figure 2.5.

FIGURE 2.5: The Agricultural Project Process

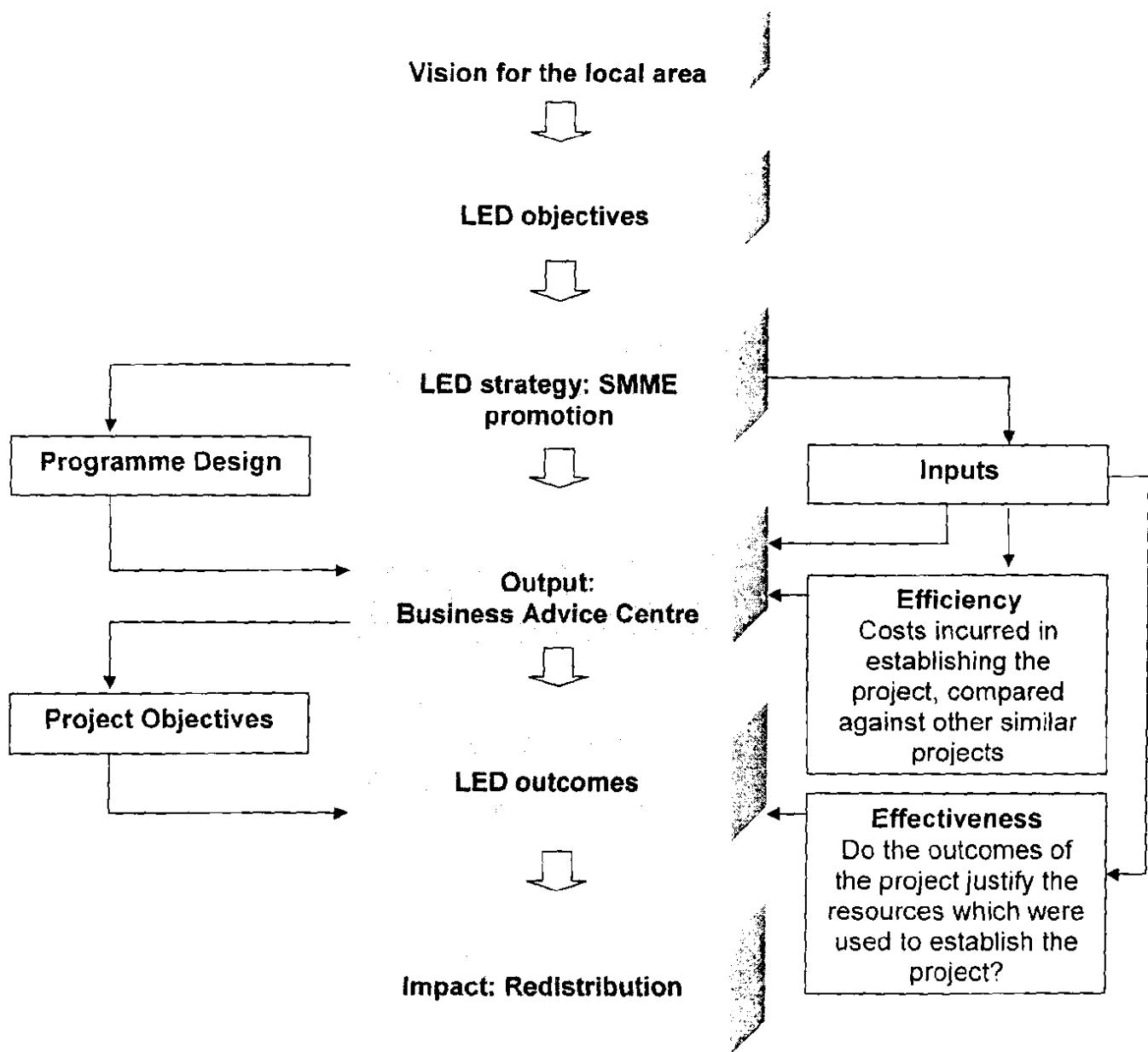


SOURCE: Alogosul, 2006:86

2.7.5 Monitoring and Assessment

- LED impacts or outcomes in terms of job creation, income generation are high level and take some time to impact from typical municipal actions on the enabling environment (eg. Provision of infrastructure, suitable planning regime). It is easier to track outputs (number of businesses supported, numbers of people trained); Linked to this is that LED is still relatively new and impacts are not clearly understood;
- In most municipalities proper monitoring and evaluation systems have not been set up to track these types of indicators at this stage, which may well require undertaking of household surveys to ascertain what is happening as census data is not focused enough to reveal localized LED impacts. Some of the larger metros are collecting such data (eg Cape Town), others have considered but not implemented (eg Manguang) and smaller municipalities would not have the resources to do this;
- Pressure to spend budgets, complete projects and move on to the next task , staff shortages and pressure form councilors to continually delivery and so insufficient time or priority on M&E;
- Staff are often new and have focused primarily upon issues of policy and implementation rather than assessment;
- The lack of tracking of impact has significant impacts on policy and practice as it can lead to fuzzy thinking where decisions are not being taken based on evidence of impacts on jobs and incomes but rather other criteria (Davids, 2004:95).

Figure 2.6 provides a layout of the effectiveness of LED process

FIGURE 2.6: LED and Efficiency / Effectiveness.

Source: DLPG, 2003:111

2.8 INTEGRATION OF LED WITH POVERTY ALLEVIATION

Both internationally and in South Africa, there have been vigorous debates on how best to promote local and regional economies as a way to fight poverty. Frequently, the discussions are characterized by the real or perceived conflict between a focus on poverty alleviation within poor communities and a focus on the competitive advantage of the local economy as a whole. The National Accelerated Shared Growth Initiative (ASGISA) has renewed interest in this debate. The tension between poverty alleviation and growth strategies is more often perceived than real. The most important strategy to reduce poverty is economic growth. Evidence of the close correlation of economic growth and poverty is overwhelming. Over decades South-East Asian transition countries and China have shown, that high growth leads to increased employment, increased real wages and consequently reduced poverty.

However, the extent of the benefits of economic growth for the poor depends on the degree of involvement of the poor in the economy and the prevailing income gap. Where the income gap between the rich and the poor is high, and the involvement of the poor in the economy, and their purchasing power, is low, the benefits of growth for the poor are correspondingly reduced. Thus, economic growth contributes to significant poverty reduction only when an increasing number of the poor is actively involved in the economy and purchasing power is generated. This again is dependent on the existing social structures, the educational status of the poor, the patterns of equality and inequality in society and a number of other factors. The challenge of LED is to support growth patterns that produce clear benefits for the poor via direct and indirect impact on their living conditions. Existing patterns of poverty have to influence the strategy or path chosen in LED processes in order to adequately address the issue of poverty by promoting broad-based growth. The nature of poverty is multi-dimensional. While income is at its centre, there are other factors related to lack of income and job opportunities, such as assets, housing, access to educational and health services, the nutritional and health status of people, or people's ability to deal with shocks and insecurity. Many of these aspects can be indirectly influenced by economic growth. For

instance, additional resources generated by households as well as governments would be channeled into housing or educational and health services. However, despite many links and synergies, social development and economic development are based on different principles. While the social development of an area provides many business opportunities and the health status and competencies of its people are an important input factor into LED, social development as such follows a different logic: it is based on solidarity, welfare and support for the weak and disadvantaged rather than the logic of competition and building markets, which drives successful economic development processes. LED, by its nature, has to focus on the latter. LED processes can also directly influence the factors that characterize poverty. When setting the priorities for action in an LED process, one can either ignore or consider the impact on jobs or the labour intensity of certain sectors of the economy, or whether one can unlock certain value chains and markets to particularly benefit the poor by offering them lasting opportunities (Trah, 2007:26)

Markets are at the centre of poor people's lives. The poor, like everybody else, exist in and area affected by markets, as producers of goods and services, as employed or unemployed labour and as consumers. Poor people participate in economic activities through markets. And the development of markets can be influenced significantly by conscious decisions and actions. Awareness and understanding of the markets of a locality or region provides the basis for the energy and innovation required for change. These changes can be triggered by facilitating the identification of economic opportunities, capacity building and learning, providing incentives and support structures, access to finance and other business development services, linkages, new infrastructure, emerging technology and many more.

To what extent the path of economic development directly or indirectly addresses poverty and the distribution of income, however, remains a question of priorities and the specific opportunities and resources available in a given area. Usually, a lack of sufficient resources in the form of know-how and funds forces the actors in LED to make choices. And frequently there is no blue print for deciding which choice is the better one and offers more opportunities for pro-poor growth. The resulting tensions between

different views and expectations are part of an ongoing debate and negotiating process in a healthy local democracy (Trah, 2007:26).

LED practitioners are struggling to find concrete ways to integrate their LED initiatives with explicit anti-poverty strategies. The problem is twofold; on the one hand conventional LED approaches simply assume that economic growth in itself is good and will automatically benefit the poor through increased economic opportunities and jobs. This assumption is false, and across the world there is evidence that dynamic economic growth can occur without creating any new jobs. Instead of reduced inequality, jobs are shed and the nature of work changes from guaranteed employment to piecemeal contractual relations. A second problem is a lack of information and experience to formulate coherent local anti-poverty strategies from the perspective and capacities of local government. Given these factors it is not surprising that the South African case studies demonstrate a pattern of LED interventions devoid of systematic approaches that aims to erode structural poverty in the given locality. Although there has been no long-term attention to the anti-poverty dimension of LED, the concept of LED has been part of the local government debate for a good 6-8 years at least, and formally part of local government's responsibility since the Local Government Transition Act, 1994. In the first Urban Development Strategy of 1995, President Mandela asserted in the foreword that successful development depend on residents and citizens building local authorities to promote local economic development. The Redistribution and Development Project (RDP) Office (which was dissolved and re-allocated to different departments in 1996) also produced a set of guidelines for LED in 1995 (Pieterse, 2006:1).

LED is a new notion to most local authorities and it needs to be promoted as a legitimate part of what local development means in practice. LED, in other words, is not separate to the 'core business' of local government. As a result the first five years of public debate on LED has been a rather uncritical promotion of 'new' activities that local government should be thinking about and doing if it is going to succeed in enabling a growing local economy. The message of the opportunities afforded by LED is legitimate, and there is still substantial scope for raising awareness about the general

importance of promoting LED and the pivotal role of local government in supporting this economic activity. However, from the perspective of a government wishing to promote poverty alleviation, there are significant limitations to a monolithic conception of LED (Pieterse, 2006:2)

LED activity in itself is not necessarily an adequate strategy for reducing poverty. Often in workshop discussions or popularizing booklets it is assumed that LED is necessarily positive and it will inevitably have a good impact on the locality. On the contrary, unless one is able to disaggregate what the LED initiative is for, what it seeks to achieve and who will benefit, it is unlikely to benefit the poor at all. The case studies suggest that we need to become much clearer about how we assess the quality and impact of LED strategies. LED is fundamentally about generating economic growth that is sustainable and rooted in the local economy. This is of course desirable for most localities and very few groups would contest this objective. However, economic growth does not equate to poverty alleviation, and in fact strong economic growth can be accompanied with increasing inequality and poverty if it is focused in a few sectors and involves technologies that benefit small groups of people. It is for this reason that it is needed to explore in greater detail whether LED can be geared to become part of an anti-poverty programme, and if so, how a municipality could potentially go about doing it. Drawing on a long-standing but parallel debate on poverty eradication strategies, the following is a proposed appropriate framework to address this gap in the LED discussion. The starting point is that LED can fulfill an anti-poverty role. The conditions are:

- A clear understanding of the impact of the LED strategy on sections of the community that are poor; and
- This has to be based on a clearly defined conception of when the poverty problem is being reduced (Pieterse, 2006:3).

The approach suggests that this is only possible if the LED strategy is linked into the anti-poverty framework of the municipality. The process and consideration of developing a municipal anti-poverty framework has been crystallized into the eight steps as listed below:

- Define the causes and levels of poverty within the area of jurisdiction through a 'poverty audit' that combines quantitative and qualitative methods;
- Build a consensus between the municipality and its partners in the private sector and civil society on the process and finalization of the poverty audit;
- Translate the findings of the poverty audit about variable levels and categories of poverty into appropriate strategies that are geared for measurement and can be translated into clear targets;
- Prioritize the strategies on the basis of the development vision and strategy of the municipality as defined through the Integrated Development Initiative (IDI) and Integrated Development Plan (IDP) processes;
- Cost the different strategies and ensure that they are reflected in the integrated development plan and the budget;
- Develop (measurable) indicators and/or criteria to ensure that the strategies are monitored and impact can be assessed at given intervals and at the end of the intervention;
- Compare the strategies to national and provincial policy frameworks and adjoining municipalities to ensure complementarity;
- Establish dedicated institutional mechanisms and processes to drive and monitor the implementation and incorporation of the anti-poverty strategy into all aspects of the municipality's operation (Pieterse, 2006:3-10).

LED is essentially a process in which local government and/or CBO groups manage their existing resources and enter into new partnership arrangements with the private sector, or with each other, to create new jobs and stimulate economic activity in a (well-defined) economic area. The central characteristic of locally based economic development has its emphasis on 'endogenous development'.

Working from this standard definition, LED strategies attuned to anti-poverty objectives will require municipalities and their partners to ask the following questions:

- What types of LED strategies are most appropriate for their locality in balancing the needs for sustained and redistributive economic growth, and poverty eradication?
- How can the poor and their livelihoods be enhanced through everything that is done by the municipality, ranging from customer service through to employment policies that underpin service extension programmes?
- How can partnerships be developed that go beyond the narrow interests of local-lites who often seek to 'capture' LED initiatives to ensure that existing interests are primarily served through 'place-marketing' and increased inward investment?
- How can every LED intervention be reformulated to demonstrate how it will impact on poverty in direct or indirect ways? (Pieterse, 2006:11).

LED policy themes can be summarized as follows:

- Developing a coherent framework that sustains the complementarity and contradiction between economic development and poverty eradication;
- Bringing together the gulf between policies that address the formal and informal sectors respectively, i.e. understanding the structural linkages between economic development and the reproduction of poverty;
- Clarifying a framework to allow stakeholders to debate the varied ways of defining who the poor of the municipality are, what the variable states of 'being poor' involve, and understanding how issues of difference and diversity amongst the poor will impact on policy;
- How to ensure that the voices of the poor are heard when the official procedures, including those stipulated in the IDP frameworks, tend to privilege articulate and well resourced interest groups.

Principles to underpin a national support framework regarding LED and poverty alleviation are as follows:

- Promote local diversity and innovation;
- Encourage local initiative and independence;

- Instill a culture and practice of measurement and outcome assessment;
- Channel support through the provinces in line with regional specificity and priorities;
- Ensure participatory frameworks to LED and anti-poverty strategies at all levels;
- Promote the integration of LED and anti-poverty strategies into existing Land Development Objective (LDO) and Integrated Development Plan (IDP) processes (Pieterse, 2006:11).

LED interventions count as one amongst a number of other interventions that will be utilized in the anti-poverty programme. In other words, there is no simple way of twiggling existing LED interventions to make a systemic impact on poverty. LED strategies must be located within a broader anti-poverty programme. This broader framework has been explored as a guideline to allow every municipality to define their own local solutions (Pieterse, 2006:13).

In conclusion UNHCS (1996:108) listed the Poverty Alleviation components as indicated on Table 2.5 below.

TABLE 2.5 : Poverty Alleviation Components

1. Securing access to welfare & subsidies	2. Infrastructure development	3. Spatial integration & management	4. Employment creation & LED strategies	5. Livelihoods expansion & support
a) Welfare measures - Pensions & security - Disability grants - Maintenance grants	a) bulk services (water, sanitation, housing, electricity and transport) - Access - Cost	- Spatial development frameworks - Environmental policy frameworks (Agenda 21) - Urbanization	- Public works - Informal sector support - Access into formal jobs - Affirmative action geared	- Land reform - Low income credit - Child care - Targeting vulnerable groups - Urban

	- Quality	& hostel policy	towards marginalized candidates	agriculture
b) Financial & Fiscal Instruments	b) Social Infrastructure	- Transport policy and framework	- Targeted employment strategies	
<ul style="list-style-type: none"> - Housing subsidy - Equitable share - Rates policies 	<ul style="list-style-type: none"> - Health - Education - Crime and security - Legal services, e.g. access to representatio n, security of tenure, bye- laws. - Disaster management 	<ul style="list-style-type: none"> - Inner-city renewal - LED strategies, e.g. investment linking - SMME promotion strategies 	<ul style="list-style-type: none"> - Vocational and skills training - Social capital - Multiple strategies 	

SOURCE: UNHCS; 1996:108

2.9 CONCLUSIONS

Underdevelopment and poverty is in existence in South Africa and the following issues needs to be addressed:

- All functions need to be decentralized to the local level to ensure local government have the necessary power to implement LED projects;
- Demarcation process needs to be addressed;
- Municipalities must have appropriate administration capacity to achieve their development goals;
- Funding is required.

LED has been delegated to the local level and the main implications relate to the realignment of strategic plans. The general lack of financial resources and insufficient technical skills are hampering LED delivery. The number of constraints listed enhances the fact that LED is not currently a municipal priority. General agreement among modern economists is that LDC's governments are better suited to do a better job than in the past. But the systems employed by such governments are too complicated with red tape. Too many departments and ministries, competing and duplicating projects. Governments are criticized for being too centralized and too focused on urban areas. High levels of corruption and limited innovation are also some of the factors, as well as poorly trained and lowly motivated government officials. Institutional and structural reform is still required in terms of land tenure, education, labour relations, research, technology and health systems.

It should always be kept in mind that local government is closer to the people and should implement LED and poverty alleviation projects and that national government should provide the broad policy and principles as well as funding for such projects.

Projects are implemented with limited success due to lack of capacity, legal constraints and financial weakness. Finally the following four key pre-requisites for poverty alleviation and LED are required:

- National government must support local government in order to ensure success on a policy and financial sense;
- Local government must assume implementation of projects;
- Municipal capacity must be increased;
- Private/Public Partnerships are of key importance.

In closing it should be stated that integrating poverty alleviation and LED is a very difficult task. This could be overcome if a macro policy exists for a local government to work from, with a people centered approach.

CHAPTER 3: LOCAL GOVERNMENT AND LED INCLUDING MIDVAAL LOCAL MUNICIPALITY

3.1. INTRODUCTION

In this Chapter the role of government and specifically local and provincial government will be analyzed in terms of LED. Various case studies, internationally and local will be analysed. Case studies regarding LED will focus on the best practice success stories of Municipalities in Gauteng, as well as a few other case studies where best practice models have been achieved. The Midvaal area will be analyzed in detail, including the Sicelo area. Lastly the sources of LED funding in Gauteng Province will be listed.

South Africa as a developing democratic middle-income country is no different to other countries with almost the same social, political and economic profiles on how it asserts itself on issues of development. Generally, there are two main sets of approaches to development, one being growth centred development and the other being people centred development. The Growth centred approach is usually the mainstream economics approach favouring the liberal market economy, globalization, removing of trade barriers, reduction of power and influence of the state, mainly concentrating on GDP as an indicator. This approach assumes that economic growth leads to reduction of poverty and inequality. This has proven not to be the case in South Africa and especially Gauteng, which is always been hailed as the "Economic Hub" of the country. On the other hand, people centred development is more inclined towards human development in communities and thus improving the quality of life.

Government has adopted a medley of these approaches regarding LED, providing for the middle ground of the playing field. LED is more an instrument to ensure that opportunities, either for people centred development or growth centered development are put within the grasp of the local communities. The Development Bank of South Africa (DBSA) and the Department of Finance & Economic Affairs of the Gauteng Province jointly conducted a study to establish a conceptual framework within which effective LED can be established. Consequently, the Gauteng Economic Development Agency's (GEDA) mandate is to bolster the implementation of LEDs within the Metro,

District and local municipalities through a systematic and coherent intervention strategy that will ensure the effectiveness of LED implementation and realization of broader objectives, namely:-

- Job Creation – halving unemployment by 2014;
- Poverty Alleviation – halving poverty by 2014;
- 2nd Economy Challenges, and
- Economic Growth (set to be at 8% by 2014).

The findings in the GEDA study states that less focus and priority is currently on LED implementation than on IDP and service delivery projects (GEDA, 2006:1).

Key challenges impacting on the ability of local governments to implement LED in South Africa includes the following:

- Most cities do not have adequate economic growth strategies in place and therefore are unable to tackle poverty;
- Cities cannot develop local economic strategies in isolation from national economic policy;
- Manufacturing is in long-term decline;
- There is a decline in levels of professional employment;
- Unemployment and low skills levels are major barriers;
- Cities make a key contribution to social and economic life in the country but they are also the greatest concentrations of poverty (DPLG, 2006:18).

3.2 INTERNATIONAL CASE STUDIES

3.2.1 Nigeria

Nigeria is a case of modern sector improvement and enlargement but neglect of the rural sector. The country has some specific problems regarding economic development including the following:

- A total of 10 main ethnic groups;
- Up to 200 small tribal groupings, with each own language and culture;

- The agricultural sector employs the majority of people but with very limited government budget and support;
- A Country run by military dictators over the last few decades;
- Generally high levels of corruption.

In the 1970's the oil boom did not result in substantial poverty alleviation in Nigeria. Large sums of money were spent on government projects such as a new capital at Abuja. Per capita income fell with the 1980's oil glut. Nigeria had to enforce structural adjustments as required by the International Monetary Fund (IMF) due to mismanagement. This mismanagement led to large numbers of brain drain from the country. An opportunity was missed during this period for economic growth to all the residents of Nigeria.

Although infrastructure for agricultural development is very limited, a positive issue is the availability of large portions of agricultural land. Current economic policy relates to job creation through rural and agricultural development, especially focusing on women. Although progress has been made, Nigeria has a long way to achieve sustainable development and improvement in the quality of life of the poor. There is a lack of innovative programmes worthy of international emulation or best practice. Nigeria is by no means the worst case in lost opportunities for the poor, but with its oil resources it had a great opportunity to take steps for the alleviation of poverty and sustainable rural development, but this opportunity was not capitalized in full (Todaro, 2003:507).

3.2.2 Ghana

The following general facts are listed regarding the country:

- Population: 19 million;
- Population growth: 2,6%;
- Gross National Income (GNI) per capita: \$ 350;
- Agriculture as share of GDP: 35%;
- Exports as share of GDP: 27%;
- Child malnutrition: 27%;
- Illiteracy rate: 30%;

- Life expectancy: 58;
- Percentage of people living on less than \$1 per day and therefore in poverty: 39%.

The economy relies heavily on agriculture, but this sector has shown a decline in the last decade. Ghana became Africa's first post colonial independent state in 1957. The country has a diverse resource base. In 1957 Ghana had substantial physical and social infrastructure and large foreign reserves. But after 1957, bad management concerning agricultural and industrial schemes had led to a decline in the economy. By the mid 1960's Ghana's reserves were gone due to large public works projects and the country was unable to repay its suppliers. Cacao prices declined and led to a serious trade deficit. Foreign assistance however prevented economic collapse and various sectors were improved. High population growth however offset the small growth in GDP. By the end of the 70's, the country faced the following major problems:

- Decline in real per capita income;
- Stagnant industrial and agricultural sectors;
- A huge budget deficit;
- High inflation. (54%);
- High levels of unemployment.

In 1985 the local economy began to show signs of slow economic recovery. The then government announced a social development and education programme. The complete turn around of the local economy depended on the large scale return of foreign investment. The economic recovery was hampered due to high inflation rates in the mid 1990's. After 2000, positive economic signs were again visible. In 1992 Ghana had a democratic transition after 20 years of military domination. The new government however increased fuel, water and electricity prices up to 100% and these changes were not well received by the general population. Since 1990 to current times a positive economic rate of 1,7% per annum has been achieved. The country is at a delicate part in its economy development history (Todaro, 2003:616).

3.2.3 South Africa

Some important factors on South Africa:

- Population: 43 million;
- Population growth: 2,0%;
- GNI per capita: \$ 3000;
- Agriculture as share of GDP: 3%;
- Exports as share of GDP: 24%;
- Child malnutrition: 9%;
- Illiteracy: 15%;
- HDI: 0,7 (Whites : 0,88/ Blacks : 0,46);
- Life expectancy: 54 years.

Inequality is the one word that describes the South African economy as a developing country. This inequality which has been based on a racial basis, has been changing rapidly since the 1990's. South Africa has a broad based industrialized economy that has most of the characteristics of a developing economy including a large informal sector, uneven distribution of wealth and income, dependence on commodity exports and a legacy of government intervention. Only 15% of the land is suitable for commercial agriculture and this sector only provide for 3% of GNP. South Africa is generally a nett exporter of food. Although apartheid was abolished more than 10 years ago, whites still own 88% of property and 90% of commerce and industry. One half (50%) of the black population still lives below the poverty line with limited opportunity for economic growth. The per capita income of whites was 10 times that of the black population in 2001. The major problem facing South Africa is the high and rising unemployment rates relating to other socio-economic problems such as high levels of crime (Todaro, 2004:772).

3.3 GAUTENG PROVINCIAL GOVERNMENT AND LED

3.3.1 Introduction

The establishment of LED units at local government is a legislative requirement. LED must be contained in the IDP of a municipality. Despite the existence of LED sections at municipalities, limited success has been achieved in this regard. LED is not a charitable and social obligation of municipalities but it is the injection of economic

development through innovative sustainable business means such as self help projects and initiatives. A five stage strategic planning process is necessary for LED. Local government has always been part of the local economy by employing local people and buys local goods and services. But since 1994, with the new Constitution, a new role was defined for local government namely "the promotion of social and economic development". The White Paper on Local Government reinforces this new mandate and defines developmental local government as follows. "Local government committed to working with citizens and groups within the community to find sustainable ways to meet their social, economic and material needs, and improve the quality of their lives." Local government's developmental mandate encourages municipalities to seek to address poverty, joblessness and redistribution in their local areas. Municipalities are also required to participate in various economic development programmes of provincial and national government (DPLG, 2004:2).

Municipalities can promote local economic development in their areas in a number of different ways. The table below provides some examples of the different or combination roles that municipalities can play in LED.

TABLE 3.1: Role of Local Government in LED

Municipal Role	Explanation of Municipal Role
Co-ordinator	<p>In this role the municipality acts as a co-ordination body. An important tool for co-ordination is the Integrated Development Plan (IDP), which draws together the developmental objectives, priorities, strategies and programmes of a municipality. The IDP can be used to ensure that LED initiatives are co-ordinated with other municipal programmes, and appropriately linked to national and provincial initiatives.</p>

Municipal Role	Explanation of Municipal Role
Facilitator	In this role the municipality improves the investment environment in the area. For example, the municipality may streamline the development process, or improve planning procedures and zoning regulations.
Stimulator	In this role municipalities stimulate business creation or expansion. For example, the municipality may provide premises at low rent to SMMEs, compile brochures on local investment opportunities, or promote a particular tourism theme or activity in a key venue.
Entrepreneur or Developer	In this role the municipality takes on the full responsibility of operating a business enterprise. A municipality can also enter into a joint venture partnership with the private sector or an NGO.

SOURCE: DPLG, 2004:6

To ensure the success of LED, national government should:

- Co-ordinate and align support to Municipalities for LED through the IDP process;
- Provide additional support to municipalities implementing their developmental mandate;
- Provide the overall legislative and regulatory framework for LED through the National Framework for LED;
- Maintain strong inter-governmental relationships using and strengthening existing institutions;

- Provide the technical and knowledge resources for municipalities for the implementation of LED;
- Disburse information to provincial and local government about LED and LED support;
- Support and provide guidelines to monitor the outcomes and impact of municipal LED activities.

Provincial government also has Constitutional duties with regard to local government, and these correspond to the responsibilities of the provinces in relation to LED:

- Align and co-ordinate LED initiatives with national and local priorities;
- Make available financial and technical resources to implement and sustain LED;
- Share information regularly (e.g. provincial economic trends, land use, investment, new developments) with municipalities; and
- Monitor and evaluate the impact of LED initiatives provincially.

Local municipalities are the key implementation agent of government within LED. Together with the community, local business and government structures at all levels, local officials will need to take responsibility for the development of their local economies. Their responsibilities include the following:

- Ensure that social and economic development are prioritized within the municipal Integrated Development Plans (IDP's);
- Conduct local economic regeneration studies that form a core component of the IDPs;
- Establish LED capacity within the municipality that actively promotes interdepartmental collaboration;
- Establish LED groups within the community to mobilize the efforts and resources of local stakeholders around a common vision;
- Build and maintain an economic data base to inform local decisions and act as an 'early warning system' within the municipality;
- Identify and market new economic opportunities;

- Create an ‘enabling environment’ for local businesses through efficient and effective service and infrastructure delivery;
- Improve the quality of life, and facilitate economic opportunities, of people living within the municipality by addressing infrastructure and service delivery backlogs;
- Understand and communicate the complex local economic relations, limitations and advantages to key role players;
- Network with key sectors and role players to create partnerships and projects;
- Motivate and support individuals, community groups and local authorities to initiate and sustain economic initiatives;
- Mobilise civil society to participate in LED and encourage public participation;
- Promote inter-departmental collaboration across line departments; and
- Establish sector linkages and clustering of economic activity (DPLG, 2006:62).

Municipalities assume different roles at different times. They may play a more direct role in some LED initiatives than in others. However, nearly every effort to develop a local economy will require some input, participation and support from local government. Department of Provincial and Local Government has identified five key LED strategies:

- Plugging the leaks in the local economy;
- Community economic development;
- Investment attraction and place marketing;
- Development of human capital;
- SMME Development (DPLG, 2004:3).

Good local government is of key importance for LED to be successful, especially in terms of provision of common specialist services, business associations and industrial investment.

3.3.2 Institutional Arrangements for Local Government

The factors influencing the design of the LED institutions include:

- LED needs to interact with the full range of stakeholders in the local economy;
- Local Government must play a strong leadership role at the LED program level;

- LED is a long term process, focusing on sustainability, and stability over a period of time;
- LED institutions need to be able to access capacity to perform basic development factors;
- "Form must follow function". The specific local situation should dictate the form and structure of the LED institution (DPLG, 2004:7).

Institutions chosen to manage and implement specific LED projects should:

- Match the LED objectives and strategies of that project;
- Be able to inspire the confidence of stakeholders;
- Be capable of producing results;
- Have sufficient staff capacity to implement the project effectively and efficiently;
- Be able to mobilize sufficient resources for the project, particularly financial and human resources;
- Transfer skills from any outside agents involved to the municipality and community members, where applicable;
- Minimize the potential liability of the LED programme institution, the municipality and other stakeholders if the project experiences problems;
- Monitor the progress of the project; and
- Satisfy the requirements of government legislation and commercial law (DPLG, 2004:8).

Institutional options for LED include the following structures: (See Chapter 2 for more detail regarding the types of structures):

- Municipal LED unit;
- Community Development Trusts;
- Section 21 Companies.

Although the establishment of a Section 21 Company can be time consuming, Section 21 Companies have numerous advantages as vehicles for LED. The key advantages and disadvantages of setting up a Section 21 company for LED are outlined below:

TABLE 3.2: Section 21 Companies and Local Government

Advantages	Disadvantages
<p><i>Has the status of a legal person.</i> This means that the company may contract with other organizations and individuals. It may also hold assets and liabilities in its own name.</p>	<p>Expensive and time-consuming to establish. The Registrar of Companies has to establish that the company is being formed for the purpose of its stated objective, rather than as a profit-making venture. This makes the process of legal establishment lengthier.</p>
<p><i>Limited liability.</i> In the case of bankruptcy, members of Section 21 Companies are protected from being held personally liable for the debts of the Company. In this respect Section 21 Companies are similar to ordinary Companies.</p>	<p><i>Complex structure.</i> Ownership of Section 21 Companies is usually separated from management. For example, in the case of an LED institution, the owners of the Section 21 Company will be the community stakeholders, including the municipality. However, the company will be run by a Board of Directors. This may make decision-making more complex and time-consuming.</p>
<p><i>Independence allows flexibility and effectiveness.</i> The independence of Section 21 companies allows them to operate with maximum flexibility and effectiveness.</p>	<p><i>Founders may lose control of the company.</i> The same independence that is mentioned as an advantage has an important negative aspect. Unless municipalities or community groups are able to retain close control over the Section 21</p>

Advantages	Disadvantages
<p><i>Structure and management style of commercial enterprises.</i> Section 21 Companies are equipped to undertake a wide range of LED activities, secure funding from a range of sources, and interact with a variety of stakeholders. The accountability framework of a Section 21 Company provides safeguards when spending public funds. Further, the company structure helps bind a partnership of stakeholders into the LED initiative through the Board of Directors. The directors are legally obliged to prioritize the interests of the company.</p>	<p>Company through ownership or funding, there is a danger that the institution may become increasingly distant, and even eventually break away from the founders. Municipalities should be aware of this danger and be alert to the need to retain effective control over the management of Section 21 Companies set up for the purposes of promoting LED.</p>
<p><i>Transparency and tight legal framework.</i></p> <p>The tight legal framework under which Section 21 Companies operate tends to enhance transparency and minimize the scope for individuals or interest groups to manipulate or mis-use the company.</p>	

SOURCE: DPLG, 2004:30

If municipalities choose to establish Section 21 Companies, they should be aware of a possible conflict of interest that may arise. A Section 21 Company with municipal representation on its board of directors may at times tender to the same municipality for the implementation of LED projects. The company and municipality should be careful to avoid a conflict of interests in such a situation. The transparency of the tender process

will need to be rigidly upheld, and the LED criteria used in evaluating tenders clearly specified in order to maintain fairness in the process. Other actions that should prove beneficial in this regard are provincial government scrutiny of tenders, and the appointment of a provincial ombudsman to hear appeals from bidders.

It should be remembered that Section 21 Companies and trusts are to a large extent complementary to each other rather than substitutions. **For example:**

A trust can be used to channel funds to a Section 21 Company which manages LED projects, or

A trust and a Section 21 Company can manage separate projects within an LED programme.

Section 21 Companies and trusts have already been used together in various combinations and for different purposes in several LED institutional arrangements in South Africa, for example in Gugulethu and Port Shepstone.

3.3.3 Types of Roles of Local Government in LED

"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." (Logosul, 2006:14).

3.3.3.1 Direct Roles:

- Policy formulation and leadership;
- Research;
- Co-ordination of local initiatives;
- Provision of business infrastructure;
- Support to SMME (funding and training);
- Formulation of incentives.

3.3.3.2 Indirect Roles:

- Creation of enabling environment;
- Improvement of operational efficiency;
- Facilitation of sustainable community projects;
- Attraction of development funding;
- Dissemination of information on LED (DPLG, 2004:29).

Case studies suggest that municipalities can enter into and/or stimulate the establishment of networks through:

- Providing institutional support to, and promoting linkages between the private sector, government departments and research institutions;
- Initiating programmes and projects aimed at LED, and involving other role players in the planning and implementation of these projects;
- Policy formulation and planning; and
- Marketing of areas as potential investment opportunities (DPLG, 2004:31).

Local authorities can and must play a central role in LED by virtue of their powers and functions on the local level. Municipalities employ people from the local area, purchase goods and services, develop the infrastructure, regulate the development of land, influence the economic environment of the locality through policies and by-laws they pass and the programmes they support. All of these activities have an impact on the local economy. Local government's developmental mandate from the South African Constitution (1996) and the White Paper on Local Government (SA, 1998a), encourages municipalities to address poverty, unemployment and redistribution in their local areas. They are also required to participate in various economic development programmes of provincial and national governments.

Municipalities can promote LED in their areas in a number of different ways. Government should facilitate economic development in order to allow growth and development. A balance must be achieved between private sector and public policy.

The development planning process can be described as an exercise in which government first chases development and social objectives, then sets various targets and then finally organizes a framework for implementation, co-ordination and monitoring of the plan. Two components of development planning in LDC and mixed economies include:

- Government's deliberate use of funding to channel resources to areas of long term economic potential;
- Government's economic policy (Todaro, 2003: 682).

The reasons for development planning failures are listed below as described by Todaro:

- Lack of implementation;
- Insufficient and unreliable data;
- Institutional weaknesses;
- Lack of political will (Todaro, 2003: 696).

3.4. LOCAL GOVERNMENT IN GAUTENG AND LED

3.4.1 Introduction

The majority of local authorities in Gauteng regarding LED sections and programmes, have been analyzed and are listed below. Best Practice methods and procedures will be listed and utilized in Chapter 5 in order to utilize such procedures to address poverty by means of LED in Midvaal, Sicelo.

3.4.2 Tswane Metropolitan Council

The City of Tswane has the following LED strategies with specific projects:

- Capacity Building and Training of skills;
- Business Incubators (Also known as Entrepreneurial Centres);
- Tswane Glass Recycling Project (Buy-Back Centres);
- Urban Agricultural projects.

Some setbacks regarding on the City of Tswane LED projects include uncertainty regarding ownership by communities, the fact that projects are not sustainable, inadequate funding and inadequate project planning (GEDA, 2006:23).

3.4.3 City of Johannesburg Metropolitan Council

LED projects currently being undertaken by City of Johannesburg include:

- BEE programmes;
- Trade promotion;
- Investment facilitation;
- Area re-generation projects. (Inner City);
- Skills Development (GEDA, 2006: 24).

3.4.4 Ekurhuleni Metropolitan Council

The LED framework consists of the following strategic thrusts:

- Local production for local need;
- A co-operative movement to represent community based interventions in the local economy;
- A skills development network;
- Develop and sustain urban and commercial agriculture to build food security;
- Promote waste recycling and reusable energy;
- Build local development capital;
- Ensure participatory and integrated planning;
- Maintain linkages with the industrial base;
- Facilitate and grow SMME's;
- Affirm local procurement (GEDA, 2006:26).

Specific LED projects include:

- Regeneration of the manufacturing sector;
- Support to Tourism sector;

- Support growth of agricultural sector;
- CBD re-generation plan;
- Encourage and support for co-operatives;
- Establish industrial incubators;
- Development of Council property;
- Facilitate access to finance;
- Job creation projects;
- Skills development;
- Aggressive Marketing campaigns;
- Develop friendly policies and procedures;
- Monitor the implementation of procurement (GEDA, 2006:35).

3.4.5 Sedibeng District Municipality

Strategies regarding LED include:

- Tourism Development;
- Infrastructure development;
- Marketing;
- BEE participation promotion;
- Stimulate agricultural activities;
- Industrial incentives;
- SMME development;
- Regulatory Reform;
- Inter-Governmental Communication;
- Development of partnerships (PPP);
- Business skills development;
- Land release project;
- IT development;
- Local based public works projects;
- Co-operative farming (GEDA,2006:44).

3.4.6 Emfuleni Local Municipality

Projects regarding LED include:

- Poverty alleviation (Hydrophonics, industrial hives) (clean-up projects);
- Skills development and Capacity building;
- Buy local projects;
- Capacity building;
- Partnership building (GEDA, 2006:54).

Strategies regarding LED include the following key strategies namely:

- Creating of a positive business environment;
- Attract investment based on comparative advantages;
- Diversification of the local economy;
- Reduction of poverty;
- Skills development;
- Development of partnerships (Palmer & ODA, 2003:15-19).

3.4.7 Lesedi Local Municipality LED Projects

No integrated LED strategy exists at Lesedi, and the following *ad hoc* projects have been introduced:

- Sewing group;
- Leatherwork group;
- Baking and cooking group;
- Arts and craft group;
- Small farming group;
- Chickens and vegetable gardens;
- Brick laying and carpentry projects.

Training and skills development initiatives are critical to the success of these LED projects. The other major challenge is funding of these projects as the council's priority

is on service delivery programmes / projects which most of the time depletes funds to the detriment of these LED projects. The first step though is to have an LED focused strategy with separate funding, control and accountability (GEDA, 2006:56).

3.4.8 Metsweding District Municipality

At this District Municipality neither a LED Strategy nor Policy Framework exist. They have recently revised their IDP and the focus is the implementation of programmes flowing from the IDP. To some extent, the IDP accommodates LED implementation. Some LED activities are in existence, but the challenge is the sustainability of LED implementation.

The informal strategies include the following:

- Industrial and recruitment and place marketing;
- SMME promotion and support;
- Community economic development;
- Business retention and expansion;
- and Export promotion and international trade.

Of the above strategies, SMME support is the main focus.

The activities that the municipality will carry out in support of SMME includes the following:

- Training and capacity building of SMMEs;
- Provision of necessary information to SMME's;
- Preferential procurement of SMME services.

Challenges include:

- Entrepreneurial spirit is low. Entrepreneurial skills base still lacking amongst local SMME's;
- Lack of Co-ordination between Local LED & District LED. No proper coordination on LED's hence non-sustainability of those LED projects;

- Lack of a Tender Advice Desk;
- Unwillingness to transfer skills by established tourism product owners;
- Constant supply of services e.g. (Water & Electricity) to business not assured (GEDA, 2006:59).

3.4.9 Nokeng Tsa Taemane Local Municipality

Strategies include:

- Local Production for local need;
- A co-operative movement to represent community-based interventions in the local economy;
- A skills development network;
- Develop and sustain urban and commercial agriculture to build food security;
- Promote waste recycling and re-usable energy;
- Build local development capital;
- Ensure participatory and integrated planning;
- Maintain linkages with the industrial base;
- Facilitate and grow SMME's;
- Affirm local procurement.

Challenges include:

- Capacity challenges leading to projects not properly monitored through out up to finalization;
- Lack of financial resources – projects are left half way through because funds are re-prioritized or not available or not enough to complete the project;
- Asset register not maintained or not available to determine infrastructure improvement requirements;
- Politicizing projects and sometimes too much interference by council members;
- No business plans for LED funding;
- Theft of municipal infrastructure (GEDA, 2006:62).

3.4.10 West Rand District Municipality

Strategies include:

- New business creation;
- Improving infrastructure;
- Improving local business competitiveness;
- Attracting inward investment;
- Encourage local procurement;
- Improving skills and knowledge;
- Promote economic growth in the West Rand;
- Development of economic opportunities on a regional basis to build on the unique strength of the region;
- Foster partnership and cooperation networks;
- Leverage public, private resources for development of opportunities that offers economic, social and spatial development potential;
- Create an environment conducive for both public and private sector investment;
- Development of best practice and organizational expertise to enhance regional development. (GEDA, 2006:65).

3.4.11 Mogale City Municipality

The following projects are in progress:

- Various precinct plans. (Development Plans);
- Central Business District renewal plan;
- SMME data base development;
- Unemployment data base;
- Infrastructure development;
- Skills development programme;
- Hawker trading facilities;
- Incentive and investment projects (GEDA, 2006:71).

3.4.12 Randfontein Local Municipality

Main projects include:

- Tourism development project;
- One stop advisory manufacturing centre;
- Business hives and SMME development;
- Development of a LED strategy;
- Precinct development plans (GEDA, 2006:75).

3.5 OTHER CASE STUDIES IN SOUTH AFRICA

3.5.1 Pinetown Local Municipality

The area in close proximity to Durban relied on its comparative advantages to grow even in periods of slow economic growth. The town is located next to two major highways, which provide good access and transportation options. The low cost of land and availability also played a major role. The city has good infrastructure and can accommodate modern modes of transport. The existence of a well organized Chamber of Commerce also played a role in sustained growth. National and provincial government contributed by means of Spatial policy and incentives and by means of providing funding for infrastructure.

The municipality played its role through its affirmative procurement policies and proactive marketing actions in order to attract investment to the area. The municipality also contributed through the efficient processing of development applications. Channels of communication between council and local industry are also good. Good governance did make a huge difference in LED in this specific case (DPLG, 2006:72).

3.5.2 Richards Bay Local Municipality

This port city in the north of Kwa Zulu-Natal has shown high growth over the last decade or two. The export opportunities have attracted large companies to the area. The large firms have strong linkages to SMME's in the area. The strong competition between SMME's has led to higher levels of innovation and productivity. The location of the city has logically led to high growth. The area has also developed highly skilled and well educated work force. Local government initiatives relate to Spatial Development Initiatives (SDI) in the area. A strong business chamber exists and a Business Advice Centre is operational (DPLG, 2006:74).

3.5.3 Nelspruit Local Municipality

The locality of Nelspruit between the Johannesburg node and Mozambique along the Maputo Corridor allows for excellent regional linkages and a stimulant to growth. Underdeveloped areas of Nelspruit have been uplifted by means of housing and industrial development. Huge infrastructure investment has also been made over the last decade. An Economic Development Forum has been established in order to support small business and the informal sector. A final issue regarding Nelspruit is that commercial / retail property development can be a major driver for economic growth (DPLG, 2006:76).

3.5.4 Stilbaai Local Municipality

This small garden route town has given us a few lessons which were learnt through experience. The lesson includes:

- The need to encourage local 'change agents' to take the lead;
- The need to identify economically viable development strategies, which can simultaneously address issues of community development, economic growth and job creation;
- The need to work with, and not against, the private sector;

- The importance of harnessing funding from all available sources; and
- The need to diversify a local economy from its historical, and often restricted, base, drawing on options presented by local resources, skills and culture (DPLG, 2006:81).

3.5.5 Welkom Local Municipality

This goldfields city has been struggling since the decline of the gold mining industry. Through various LED projects and interventions a difference was made. Projects such as urban farming, informal trading areas, tendering policy, industrial incubator project, skills training project, marketing of the area, support for large and small business and a high impact special project such as the Phakisa freeway were implemented (DPLG, 2006:87).

3.6 MIDVAAL LOCAL MUNICIPALITY EXPERIENCE AND LED

3.6.1 Socio Economic Information

The total area of the Midvaal Local Municipality is ± 2000km², the largest municipal area in Gauteng. A total population of approximately 88999 resided in the area in 2006. Population growth of 6,2% has been sustained since 2004 up to today. This high growth rate is due to new developments and an influx of people from other areas. A normal ratio of ± 50/50 exists between male and female of the total population. A total of 23,8% of the population is 15 years or younger and only 5% of the population is over 64 years.

Education levels are low and figures indicates that 32,8% of the population over 20 years old have only Grade 7 or less. Only 25% of the population has Grade 12 and 10% has a post matric education.

A relatively low unemployment rate of 23% exists for Midvaal and most of the unemployed is located in Sicelo and other informal areas. In Ward 8 and Ward 10, which wards include Sicelo, unemployment rates were 47% and 52% respectively in 2004.

In terms of languages, Sesotho dominates with a total of 31,3% of the people speaking Sesotho with Afrikaans at 29,2%. English and Zulu is third with a total of 12,9% and 12,5% each. A total of 20688 households existed in 2004 in Midvaal of which 57% earns less than R20 000 per annum. Only 9% of all households earn more than R15 000 per annum. A total of 2455 households have less than R4800 income per annum. The average household size iwa 3,6 people and of all households, only 9% lived in informal structures in 2004 (Midvaal IDP, 2007:40).

3.6.2 Midvaal and LED

The following portion of the study regarding LED at Midvaal has was formulated after an interview with the LED Task Team at Midvaal including the LED officer. Poverty alleviation at Midvaal is seen as a comprehensive programme which has as its goal to fight poverty in its totality. Poverty leads to socio-economic problems and these problems must be addressed. Midvaal had an unemployment rate in 2004 of only 23% which indicates that a limited number of people lives below the poverty line. Poverty alleviation is an integrated process including all the municipal departments such as Finance with its indigent policy, Social Services regarding social-welfare, Health and Housing projects, Engineering Services with its infrastructural and waste removal projects and Development and Planning with its LED projects.

Limited funding is available for poverty alleviation and more direct funding is required from central government. Additional funding is obtained from private companies, which supports the process.

At Midvaal Local Municipality, LED forms a part of poverty alleviation and LED is divided in two portions namely:

- Formal LED, which includes the formal sector of the economy such as development of the R59 Corridor;
- Informal LED, which relates to smaller SMME projects for job creation, focusing on the informal sector of the economy.

Various LED projects are currently in progress. These projects have as their goal job creation and skills development. Any LED project must be sustainable and must create the largest output possible, with the lowest possible input in terms of time and cost.

Projects currently being implemented includes the following:

- Sicelo Early Learning Centre, which was constructed by local residents and will focus on skills training from pre-school to adult education, with a focus on women;
- Lakeside Multi Purpose Centre: To be constructed by local residents and will focus on skills training. Funding has been obtained by Government;
- Thiba-Tlala Project: This is an agricultural project focusing on skills training and is sustainable;
- White House Project: This project focuses on skills training and includes an agricultural project;
- Street Light Poles Project: this project focuses on job creation with skills training as a secondary function;
- Jobless Skills Centre: this project is still in the planning phase due to lack of funding. The project will focus on job creation and skills training.

Various LED projects have been completed successfully at Midvaal over the last few years, but the impact on the standard of living of residents of the poor has been limited

TABLE 3.3: Major LED Projects in Midvaal, including Sicelo

PROJECT	FUNDER	AMOUNT	PRINCIPLES & AIMS	STATUS QUO
Sicelo Early Learning Centre (ELC)	Dept of Public Works	R 2.6 million	<ul style="list-style-type: none"> • Pre school classes • Adult education • Skills development • Other such 	<ul style="list-style-type: none"> • Land provided by MLM. • Centre completed in April 2007 • Furniture and equipment

PROJECT	FUNDER	AMOUNT	PRINCIPLES & AIMS	STATUS QUO
			centres planned at various localities	sponsored by private sector.
Lakeside Educational Node & Multi-Purpose Centre	Dept. of Works	R 3.2 million	<ul style="list-style-type: none"> • Skills development for all levels • Node include existing school, ELC and multi-purpose centre • Community development 	<ul style="list-style-type: none"> • Land available provided by MLM • Most of funding obtained • Project to commence in 2007
Street Name Boards: Sicelo	Midvaal Local Municipality	R 140 000	<ul style="list-style-type: none"> • Job creation • Community development 	<ul style="list-style-type: none"> • Project completed
Bantu Bonke Agri-Village	Rand Water GEDA NDA German Dev Agency	R 6 million	<ul style="list-style-type: none"> • Skills development • Job creation • Community development 	<ul style="list-style-type: none"> • Project initiated
Thiba Tlala Agri-Project	No funding possible. Funders: GDACE, Land Affairs	No funding (R400 000 needed)	<ul style="list-style-type: none"> • Skills development • Job creation 	<ul style="list-style-type: none"> • Land provided by MLM • Funding of ± R400 000 needed

PROJECT	FUNDER	AMOUNT	PRINCIPLES & AIMS	STATUS QUO
White House Project (Sicelo)	No funding possible. Funders: Public Works, Sedibeng, GDACE	No funding (R 1 million needed)	<ul style="list-style-type: none"> • Skills development • Job creation • Community development 	<ul style="list-style-type: none"> • Land and buildings donated by MLM • Owned by Seciton 21 Company • Not community owned • Funding needed
SMME Data Base	Midvaal Local Municipality	R 20 000	<ul style="list-style-type: none"> • Info provision • Marketing of SMME's • Skills Development 	<ul style="list-style-type: none"> • Data Base completed • Data Base marketed in various ways
Sicelo Boundary Wall	Midvaal Local Municipality	R 300 000	<ul style="list-style-type: none"> • Job creation • Skills Development • Community Development • Safety & Security 	<ul style="list-style-type: none"> • Project completed
Jobless Centre in Meyerton / Sicelo	Midvaal Local Municipality	R 1.2 million	<ul style="list-style-type: none"> • Skills development • Job creation 	<ul style="list-style-type: none"> • Centre in planning phase • Waiting and skills training are for 200 people

PROJECT	FUNDER	AMOUNT	PRINCIPLES & AIMS	STATUS QUO
Painting of Street Light Poles	Midvaal Local Municipality	R 200 000	<ul style="list-style-type: none"> • Skills development • Job creation 	<ul style="list-style-type: none"> • Ongoing project 1000 poles painted per year • Include skills development
Commonage at Sicelo	Midvaal Local Municipality & Land Affairs	R 2 million	<ul style="list-style-type: none"> • Skills development • Job creation 	<ul style="list-style-type: none"> • Land obtained by MLM • Funding awaited from Land Affairs
Paving of Roads at Sicelo	MIG	Not funded (±R 30 million)	<ul style="list-style-type: none"> • Skills development • Job creation 	<ul style="list-style-type: none"> • Funding not available yet
Upgrade of Taxi Rank Meyerton / Sicelo	Sedibeng / MIG	R 1 million	<ul style="list-style-type: none"> • Community development • Job creation • Service Delivery 	<ul style="list-style-type: none"> • Funding available • Project to be completed by end of June 2008
Upgrade of Meyerton CBD	Midvaal Local Municipality	R 12 million	<ul style="list-style-type: none"> • Skills development • Job creation • Improvement of service delivery 	<ul style="list-style-type: none"> • Planning completed • Construction to commence in 2007

PROJECT	FUNDER	AMOUNT	PRINCIPLES & AIMS	STATUS QUO
Upgrade of Kopanong Hall: Sicelo	Midvaal Local Municipality	R 200 000	<ul style="list-style-type: none"> • Youth Development • Community Development 	<ul style="list-style-type: none"> • Project to start in 2007
Provision of pedestrian bridge over R59 via Sicelo, Bell Road	Samancor	R 3 million	<ul style="list-style-type: none"> • Safety & Security • Job creation • Skills development 	<ul style="list-style-type: none"> • Funding awaited from Samancor • Final planning and design
Sicelo Housing Project	Housing Department	R 20 million	<ul style="list-style-type: none"> • Provision of Houses • Job creation • Community development 	<ul style="list-style-type: none"> • Project completed
Lakeside Housing Project	Housing Department	R 15 million	<ul style="list-style-type: none"> • Provision of houses • Job creation • Community Development 	<ul style="list-style-type: none"> • Project completed

SOURCE: INTERVIEW LED OFFICER, MIDVAAL LOCAL MUNICIPALITY, MARCH 2007

The following challenges are listed:

- Funding for LED projects to District Council through MIG funding;
- Funding not released to local municipalities;
- Funding for LED projects very limited;
- Various Midvaal projects need funding but it seems funding is not available from Government Departments (Mathlare. Interview LED Officer, Midvaal Local Municipality: March 2007).

3.7 SICELO AND LED PROJECTS

Sicelo is located within the Midvaal Municipal area to the west of the main town of Midvaal namely Meyerton. Sicelo and Meyerton are approximately 2km from each other and are separated from each other by the R59 freeway and the Johannesburg / Vereeniging Rail line. Sicelo was established in the beginning of 2000 with the settlement of an informal township. The Sicelo area has grown at a steady rate since then. Sicelo comprises two areas adjacent to each other and forms part of two wards namely Ward 8 and Ward 10. The area is characterized by extreme poverty. Below are some of the key socio-economic statistics from 2004:

- Low levels of education exists and only 12,8% of the population has Grade 12 or higher education (national figure relates to 29,2%);
- Unemployment levels: 48,9%;
- Poverty index: 0,50;
- Poverty gap: 0,37 (Midvaal IDP, 2007:40).

Quality of life in Sicelo has improved over the years since 2000. Currently all households have been provided with housing, water, sewer and electricity. The area is however lacking in business opportunities, business facilities, community facilities such as schools, crèches, churches and community centers. Health facilities are also lacking. Community facilities that have been provided include a sport complex and an Early Learning Centre.

Most of the LED projects planned in Midvaal are focused on the Sicelo area. The Early Learning Centre has been completed and is not operational yet. The official opening

was planned for May 2007. The local public will be required to take ownership of the centre which will focus on youth education and adult education. A second such centre is planned for the other portion of Sicelo in the 2007/2008 budget year.

The "White House" is a facility located in Sicelo. This facility is owned by a Section 21 Company, but has not been successful to date due to the fact that the facility is not managed by and for the local community. Residents have been excluded from the facility to a large extent.

Street name boards were provided to the area, through a local procurement process. A local contractor provided and installed the cement blocks, with the use of local labour. The project was a once off project and therefore not sustainable. Local procurement at least allowed local SMME's to tender successfully.

The Sicelo boundary wall was constructed in 2006. This was also a short term project, but skills training was provided during the process regarding the construction industry. Various participants entered the job market after the project.

The paving of roads in Sicelo is a future project that could have a huge impact on job creation in the area. Government policy is to have all roads paved / tarred by 2011. The possibility exists that Municipal Infrastructure Grant (MIG) funding could be obtained in the near future for this project.

The Sicelo Housing project has been completed and an opportunity has been missed to have a Peoples Housing Project (PHP). Houses were constructed by a large contractor and limited skills transfer or benefit has been transferred to the local community. (Mathlare, Interview LED Officer, Midvaal Local municipality: March 2007).

In Chapter 4, the situation in Sicelo regarding socio-economic conditions and LED projects for poverty alleviation will be further analyzed in more detail.

3.8 SOURCES OF FUNDING FOR LED

The following sources for funding regarding LED projects are listed in Table 3.4.

TABLE 3.4: SOURCES OF FUNDING FOR LED

NAME OF PROGRAMME	LOCAL ECONOMIC DEVELOPMENT STRATEGIES						
	Development & maintenance of infrastructure and / services	Retention / expansion of existing businesses	Identifying gaps in the local economy	Development of human capital	Community Economic Development	SMME Development	Investment attraction & place marketing
Bridging Finance and Guarantee Scheme						●	
Bus Subsidies and Contracts	●				●	●	
Business Loans for Retail Financial Intermediaries						●	
Child Support Grant				●	●		
Community Based Public Works Programme	●		●	●	●	●	
Competitiveness Fund		●					●
Consolidated Municipal Infrastructure Programme	●	●	●	●	●	●	
Danida Business to Business Program						●	
Entrepreneurial Finance Schemes		●				●	
Housing Development	●	●	●	●	●	●	
Ikhwelo Programme		●		●	●	●	
Integrated Nutrition Programme				●	●	●	
Khula Start						●	
Labour Market Skills Development Programme				●		●	
Land Reform Credit Facility	●		●			●	
Local Economic Development Fund	●	●	●	●	●	●	
Local Government Equitable Share	●	●	●	●	●	●	
Local Industrial Park Programme						●	
Motor Industry Development Programme (MDP)						●	
Municipal Service Partnership	●	●		●	●	●	
National Landcare Programme	●		●	●	●	●	
Normal Financing Facilities	●			●	●	●	
Rebate Provisions			●	●		●	
Road Infrastructure Project	●			●	●	●	
Schools as Centres for Community Development	●				●	●	
Sector Partnership						●	
Small / Medium Manufacturing Development Prog.						●	
Social Plan and Work Placement Challenge	●		●			●	
Spatial Development Initiative				●			
Sport and Recreation Facilities Project	●			●			
Techno Industries						●	
Technology Guarantee Fund						●	
Thuso Mentorship Programme						●	
Tourism Development and Infrastructure, Coastal Management and Waste Management					●	●	
Working for Water Programme				●	●	●	

SOURCE: DPLG, 2004:125

The Department of Provincial and Local Government in Gauteng has the following funding opportunities:

- **The LED Fund**

This fund was instituted in 1999 and made available grants of up to R 1.5 million (approx. \$ 250 000) each to poor communities for job creation/empowerment projects. Though aiming at partnership development and sustainability, this often proved difficult to attain.

- **The Consolidated Municipal Infrastructure Grant**

Since 1997 this grant has been applied to over 2300 projects and is designed to provide key municipal infrastructure in the poorest areas. Supporting emerging entrepreneurs is a key aspect of the application of the fund.

- **The Municipal Infrastructure Grant (MIG)**

Initiated in 2004, this new grant seeks to combine the above two grants with those from other ministries in a single funding grant to municipalities to simplify support and administration.

- **The Integrated Sustainable Rural Development Programme (ISRDP) and the Urban Renewal Programme (URP)**

These two spatially-based programmes target significant state funds to some of the poorest urban and rural enclaves in the country. Funds are channeled through local municipalities and are designed to address poverty and developmental/infrastructural backlogs. A core focus is on poverty alleviation and decentralized decision-making.

The Department of Trade and Industry (DTI)

Key support from this Ministry comes in the form of the support for Local Business Service Centres to advise and support emerging entrepreneurs. Advisory and financial support is channeled through separate parastatals, previously Ntsika, Tender Advice Centres and Manufacturing Advisory Centres, which have now been integrated into the Small Enterprise Development Agency (SEDA). In addition this Department is responsible for developing the BEE codes and scorecards to ensure BEE and broad-based BEE.

The Department of Public Works

This Department oversees the renamed Extended Public Works Programme (EPWP) which supports local governments to embark on poverty relief programmes through temporary job creation strategies applied in construction and maintenance of physical infrastructure and environmental protection.

The Department of Water Affairs and Forestry (DWAF)

Operating on similar principles to the Department of Public Works, this Department specifically supports labour intensive, poverty relief and empowerment projects which eliminate alien vegetation in water catchment areas in order to improve water supply.

The Department of Environmental Affairs and Tourism (DEAT)

Based on similar principles to the preceding two departments, the focus of interventions is on providing tourism infrastructure, waste management and coastal care. Their Sustainable Coastal Livelihoods Programme specifically targeted support for livelihoods in coastal areas, including support for economic projects.

Department of Social Development (DSD)

DSD runs the Poverty Relief Programme encompassing a wide range of social and income generating projects and is also responsible for the social arm of the EPWP which includes promotion of social services such as home-based care and crèches, whereby volunteers are paid stipends which provide some livelihoods support for providing social services (World Bank, 2006:18).

3.9 CONCLUSIONS

If the preceding case studies are summarized, a few of the key findings could be listed.

A lack of comprehensive LED strategies exists at municipal level, with limited policy guidelines by National Government. This lack of guidelines led to a lack of alignment and shared vision between the various levels of government. Case studies indicated an ad-hoc identification of LED projects, without decisions taken on a strategic level based on reliable information. A further two issues that are huge challenges on the ground level for municipalities are the shortage in human reserves regarding LED as well as the lack of sustainable funding for LED projects. Capacity regarding projects needs to be improved.

Chapter 4 will provide a detail analysis of socio-economic challenges of the Sicelo area and a strategy to alleviate poverty in Sicelo.

CHAPTER 4: SICELO: A POVERTY ANALYSIS

4.1 INTRODUCTION

In this chapter Sicelo will be analyzed by means of a field survey (Questionnaires) that was conducted in the area during April 2007. Comparative data for a similar study which was conducted in 2004 is also available for Sicelo. The two sets of data were compared in order to determine trends regarding socio-economic information and poverty in Sicelo. The 2004 survey was conducted by the North-West University (Bron). The 2007 survey was conducted specifically for this study by local field workers. A LED strategy plan for Sicelo as well as a tracking analysis for five Sicelo families are included in this chapter.

4.2 THEORETICAL ANALYSIS OF RESEARCH

Primary research was conducted in this chapter in Sicelo by means of a formal questionnaire. An example of the questionnaire used is attached as Annexure 'A'. Interviews were conducted with 120 families in the area. The questionnaires were captured in a data base and analyzed, similar to the 2004 Sicelo survey. This primary research was completed in support of secondary data which was analyzed in all the other chapters. The questionnaire method was the most appropriate survey method for the specific study. Questionnaires were completed by conducting personal interviews with members of the selected families. The questionnaire utilized was similar to the one used for the 2004 Sicelo survey. The Sicelo area was stratified and the questionnaires were apportioned evenly among the inhabited sites to ensure geographic coverage. Specific sites were identified and indicated on a map. Where interviews at selected sites could not be secured, the next pre-selected household was approached and included in the survey. Questionnaires were completed during weekdays and on weekends. It is a general principle that a properly conducted sample survey might yield useful estimates. Although every precaution was taken to minimize errors, the possibility of incorrect figures has been taken into account.

4.3 SICELO SOCIO-ECONOMIC ANALYSIS

A detailed analysis of the questionnaire according to the selected headings as utilized in the questionnaire was used. The headings are as follows:

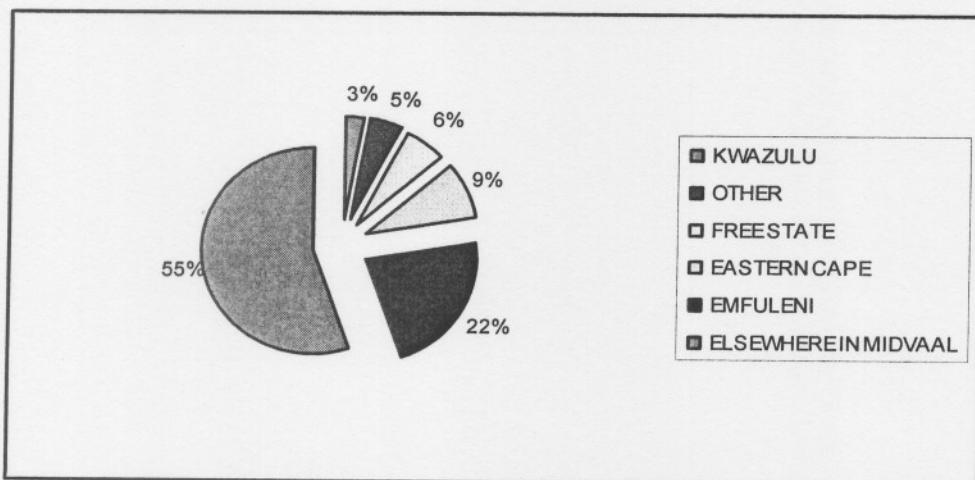
- Background information;
- Environmental information;
- Safety and security;
- Consumption;
- Employment and education status.

4.3.1 Background Information:

In terms of the 2004 survey a total of 1778 households existed in the Sicelo area. Current information relates to 1998 households. A household count was done as part of the survey. The above figures relate to a 6% growth in households since 2004. In terms of household sizes the 2007 survey indicates a household size of 3,7 people per household, while the size 2004 survey had a 3,6 household size. This slight rise in the number of people per household is not a significant trend.

On the question of where people resided before they moved to Sicelo, the following responses were received as depicted in figure 4.1.

FIGURE 4.1: Place of residence before people moved to Sicelo.



SOURCE: Field Survey, 2007

55,4% of people resided somewhere else within the Midvaal Municipal area. This trend is due to the fact that Sicelo is a focus area for service provision and housing provision. People have been attracted due to opportunities and the area is close to the Meyerton node, where job opportunities are a possibility. 22,3% of people have moved from Emfuleni townships to Sicelo. A total of 9,1% of people indicated that they have relocated from the Eastern Cape to Sicelo.

4.3.2 Environmental Issues

The environment in Sicelo was also included in this analyses. The local residents perception of the environment were determined. A total of 64,5% of the people interviewed indicated that the local environment status was average, while 24% stated that the environment was bad and only 11,6% indicated that the state of the environment was good. The state of the environment has since 2004 deteriorated to a certain extent according to the two surveys.

The type of environmental pollution that is experienced is listed below in Table 4.1:

TABLE 4.1 Types of pollution

Type of pollution	2007
Air pollution	5,8
Dust pollution	16,5
Litter	77,7

SOURCE: Field Survey, 2007

Litter is listed as the main problem in the area due to lack of proper waste removal. This creates an opportunity of waste collection and recycling. Dust pollution due to dusty roads is the second highest problem. If litter is the main environmental problem, who should be responsible to clean up the area? The public responded as shown in Table 4.2:

TABLE 4.2: Who must take responsibility to clean areas of litter?

Party	2007
Municipality	71,1
Street Committee	14,0
Individuals	6,6
A local campaign	8,3

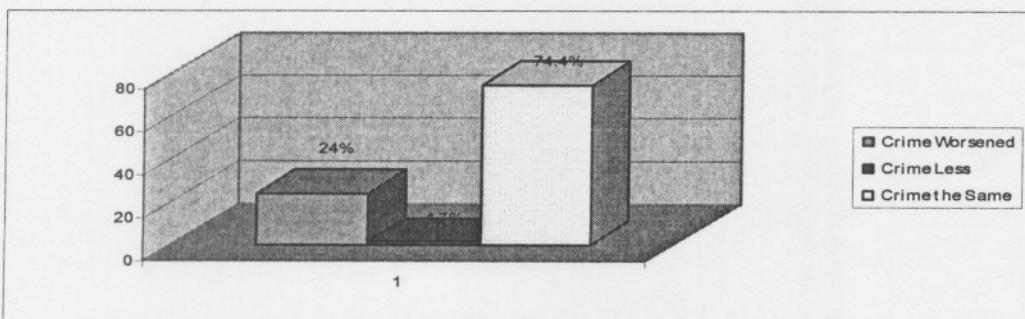
SOURCE: Field Survey 2007

The majority of people feel that the municipality should clean up the area and improve waste removal services to Sicelo.

4.3.3 Safety and Security Issues

As in most areas, crime is a major problem in Sicelo. A total of 33% of all the households have been affected by crime in the last 12 months in terms of the 2007 survey. The 2004 survey recorded only 7% of all households which were affected at that stage. In Ratanda in 2004, 11% of all households were affected by crime. The alarming worsening crime situation needs to be addressed in order to improve the quality of life of local residents. Those households affected by crime indicated that assault (75%) and robberies (25%) were the main types of crime.

On the question, if crime had worsened over the last 12 months, 74% of the people indicated that crime has stayed the same and 24% indicated that crime is worse than before. Only 1.7% of households indicated that crime is less than 12 months ago.

FIGURE 4.2: Crime Situation in Sicelo

SOURCE: Field Survey 2007

The crime situation in Sicelo needs urgent attention.

4.3.4 Household Expenditure

Household expenditure was analysed and the main sectors of spending are listed below:

TABLE 4.3: Household Expenditure

PRODUCT	EXPENDITURE PER HOUSEHOLD PER MONTH IN RANDS	TOTAL EXPENDITURE FOR SICELO PER MONTH IN RANDS	% OF EXPENDITURE
Maize Meal	56.00	111 888	4.4
Bread	14.00	27 972	1.1
Meat / Chicken	50.00	99 900	3.9
Vegetables	36.00	71 928	2.8
Milk	26.00	51 948	2.0
Washing Powder	35.00	69 930	2.7
Coal	30.00	59 940	2.3
Paraffin	37.00	73 926	2.9
Housing	144.00	287 712	11.3
Water	32.00	63 936	2.5
Electricity	80.00	159 840	6.3
Food	258.00	515 484	20.2
Cleaning Material	28.00	55 944	2.2
Cigarettes	10.00	19 980	0.8
Alcohol	28.00	55 944	2.2
Transport	16.00	31 968	1.3
Clothing	43.00	85 914	3.4
School	21.00	41 958	1.6
Entertainment	16.00	31 968	1.3

PRODUCT	EXPENDITURE PER HOUSEHOLD PER MONTH IN RANDS	TOTAL EXPENDITURE FOR SICELO PER MONTH IN RANDS	% OF EXPENDITURE
Medical	80.00	159 840	6.3
Assurance	58.00	115 884	4.5
Gambling	10.00	19 980	0.8
Savings	48.00	95 904	3.8
Licences	16.00	31 968	1.3
Telephone	50.00	99 900	3.9
Loan Repayments	32.00	63 936	2.5
Furniture	25.00	49 950	2.0
TOTAL	1279.00	2 555 442	100.0

SOURCE: Field Survey 2007

The survey results showed that the highest amounts per household are spent on general food (20.2%), housing (11.3%), electricity (6.3%), medical cost (6.3%), insurance (4.5%), maize meal (4.4%) and telephone cost (3.9%).

A total amount of R 2 555 440 is spent on a monthly basis by households in Sicelo. A total annual buying power of R 30 665 280 is available in Sicelo. Market opportunities exist in terms of food outlets, and cell phone outlets.

4.3.5 Business Interest

The following table is a summary of the survey regarding business interest in Sicelo.

TABLE 4.4: Business Interest

ISSUE	YES	NO
Do you have a vegetable garden?	17.4%	64.5%
Would you be interested in starting a vegetable garden?	70.2%	9.1%
Do you want to be part of a community garden?	63.6%	17.4%

Are you interested in farming?	51.2%	29.8%
Would you like to start your own business?	76.9%	No Reply
Do you think you will get a job if you are better trained?	56.2%	20.7

SOURCE: Field Survey 2007

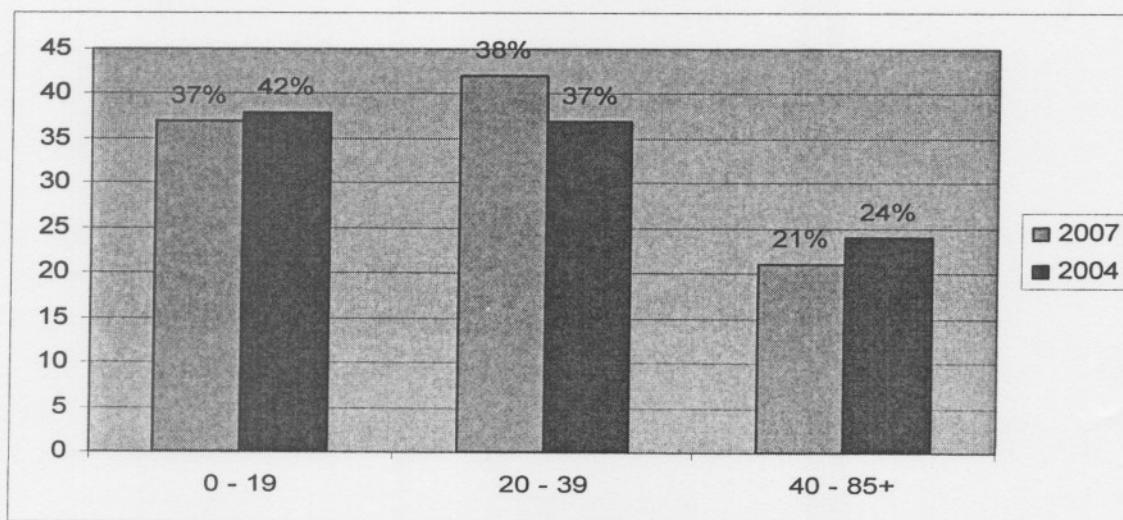
Not a lot of people have existing vegetable gardens, but more than 70% of the people are interested in getting included in the sector. More than 50% of people are also interested in the agricultural/farming sector. More than 76% of all people want to get involved in business by starting a small business. The local perception is that the higher the skills level, the better your chances are to get a formal job. The type of crafting skills in the area includes: welding, sewing, hairdressers, painters, bricklayers, baking, beading, catering and pottery.

4.3.6 Age Composition And Gender Distribution

The current dependency ratio, an indicator of the number of persons who depend on the income of one earner is determined at 2.25 for the current survey. In 2004 this ratio was 2.9. The dependence ration has therefore improved since the 2004 survey.

The figure below depicts the age composition for Sicelo:

FIGURE 4.3: Age Composition



SOURCE: Field Survey 2007

The age composition for Sicelo has changed since the 2004 survey. The economic active population has increased from 37% to 42% in 2007, while the youth and old population have decreased in percentage since 2004. This increase in the economic active population is a positive trend which will also have a positive impact on employment figures. Table 4.5 shows the gender distribution for the Sicelo population.

TABLE 4.5: Gender Distribution

GENDER	2004	2007	SA
MALE	49.2%	48.6%	47.7%
FEMALE	50.8%	51.4%	52.3%

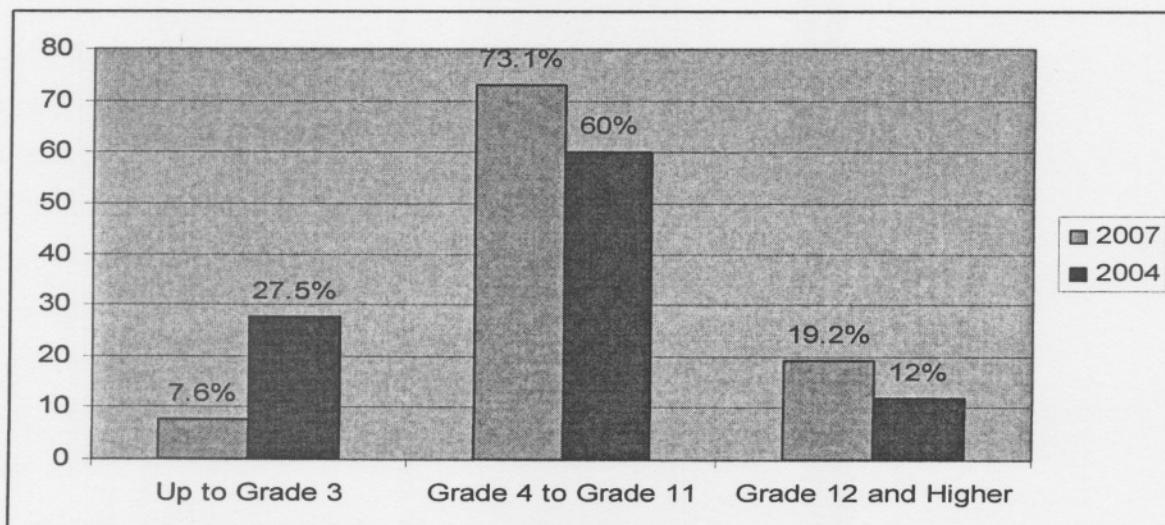
SOURCE: Field Survey 2007

The gender distribution is similar to the National averages and is therefore normal.

4.3.7 Education Levels

Education levels for post school members of the Sicelo households have been analysed. As with most of the socio-economic indicators, the level of education have improved as shown in figure 4.3.

FIGURE 4.4 Post School Education Levels



SOURCE: Field Survey 2007

A total of 19.2% of the post school Sicelo population have Grade 12 or higher compared to 12% in 2004. The percentage of people with an education level between Grade 4 and Grade 11 is 73% compared to 60% in 2004. Generally education levels have increased since 2004 and this situation is a very positive improvement in the area. More improvement is however required.

4.3.8 Employment Levels

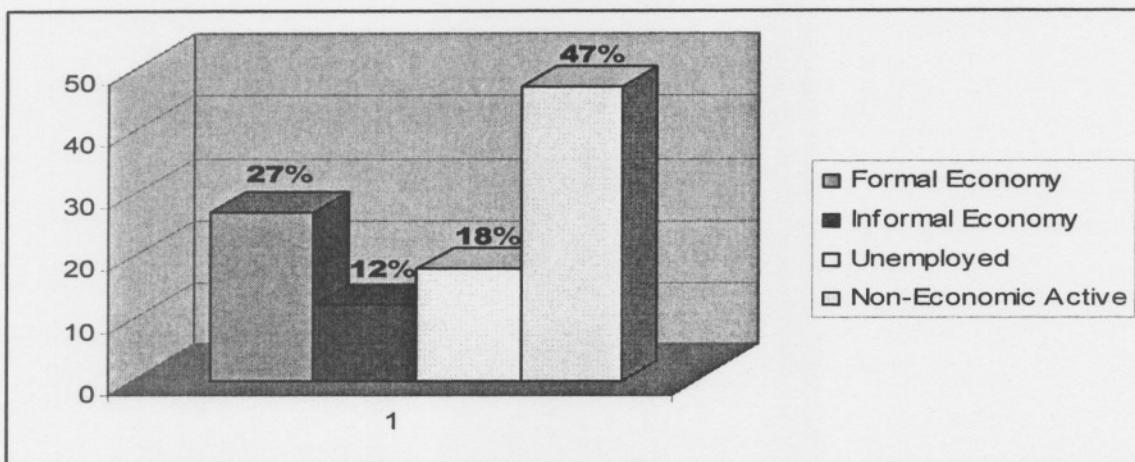
Below is a summary of employment levels per category. The non-economic active sector is the largest amounting to 43% of the population.

TABLE 4.6: Distribution of Economic Active and Non-Economic Active Population

CATEGORY	2007
Formal economy	27%
Informal economy	12%
Unemployed	18%
Non-Economy active	43%
	100%

SOURCE: Field Survey 2007

The formal economy provides for 27% of the total population while the informal sector provides for 12% of the population. Of the total population a total of 18% are unemployed.

FIGURE 4.5: Distribution of population regarding economic activity

SOURCE: Field Survey 2007

TABLE 4.7 Economic Active Distribution (Total labour force)

CATEGORY	2007	2004
Formal Sector	47%	34%
Informal Sector	21%	18%
Unemployed	32%	40%
TOTAL	100%	100%

SOURCE: Field Survey 2007

In terms of the total labour force, which excludes the non-economic active population, positive trends are also experienced since the 2004 survey. The formal sector provides for 47% of the total labour force while the informal sector provides for 21%. Both figures are an improvement since 2004.

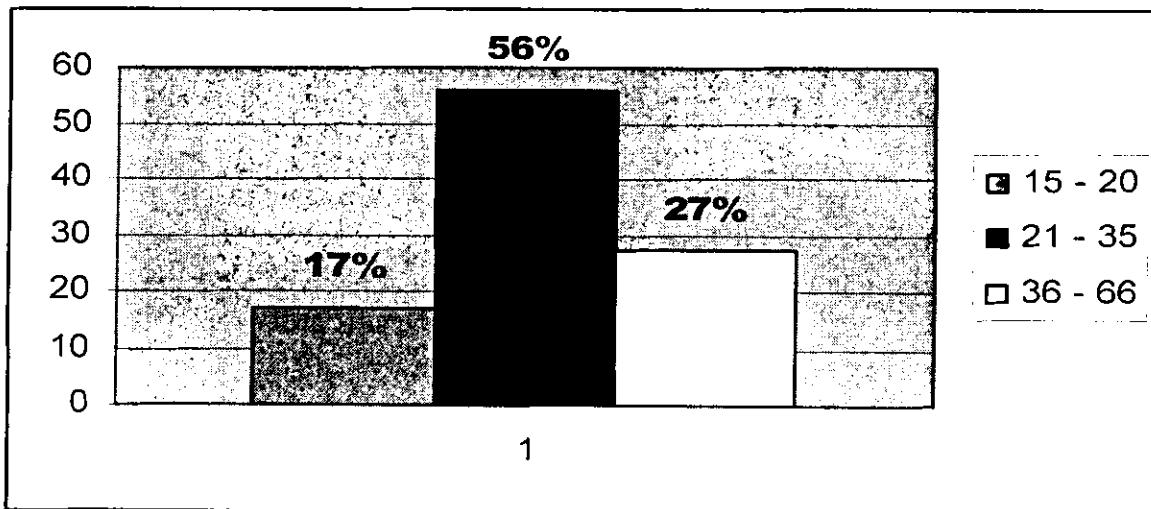
It is however the level of unemployment that has improved dramatically since 2004. The 2007 survey indicated an unemployment rate of 32% compared to 48% in 2004. A total number of ± 1279 people are unemployed. Although employment levels are relatively high, income is low at an average of R1900/month.

TABLE 4.8: Sectors for Employment.

SECTOR	%
Agriculture	22%
Mining	9%
Manufacturing	12%
Construction	17%
Wholesale / Retail	11%
Other	9%

SOURCE: Field Survey, 2007

In terms of Table 4.8 the main sector of employment is agriculture because of the rural nature of the area, followed by domestic work, construction, manufacturing, wholesale / retail and mining. Figure 4.5 provides for an age distribution of the unemployed

FIGURE 4.6 Age Distribution of the Unemployed

SOURCE: Field Survey 2007

Most of the unemployment are aged between 21 to 35 years (56%) followed by people aged between 36 – 66 years (27%) and lastly people aged between 15 to 20 years (17%).

Table 4.9 provides information regarding the qualifications of the local labour force. As with most of the key indicators, the qualifications of the labour force have also improved.

TABLE 4.9 Qualification of Labour Force

SECTOR	UP TO GRADE 3	GRADE 4 - 11	GRADE 12 AND MORE	TOTAL
Formal Employment	6%	68%	26%	100%
Informal Employment	4%	82%	15%	100%
Unemployed	4%	71%	25%	100%

SOURCE: Field Survey 2007

Of real importance is the fact that 25% of the unemployed has Grade 12 or higher qualifications. The level of education is positive for those looking for work. The levels of education for the unemployed have improved significantly since 2004.

4.4 LED STRATEGY FOR SICELO

4.4.1 Introduction

The following is the basis for a comprehensive LED strategy for Sicelo. This section consists of target setting, applicable principles and strategies with projects.

4.4.2 Target Setting

The field survey provided base information for the Sicelo area. Flowing from the survey the following targets are set for the medium term (5 years) for 2012 (the 2007 figures are in brackets):

- Monthly average income : R 3000,00 (R1900,00)
- Dependence ratio : 2,0 (2.25)
- 20 – 39 age group as % of total population: 45% (42%)
- Population out of school with Grade 12 or higher education: 25% (19,2%)
- Level of unemployment : 25% (32%)

4.4.3 LED principles for Sicelo

The following broad principles need to be applied to the LED strategies:

- The quality of life of people needs to be improved.
- The process be people centred with high levels of public participation.
- A holistic approach is required addressing all socio-economic needs of the community.
- All strategies must be feasible and sustainable.
- All projects must be demand driven.
- Local pride and “buy local” concepts need to be implemented.
- Local “champions” need to be identified and supported.

4.4.4 Strategies for Sicelo

- **Strategy 1: “Hard” Infrastructure provision.**

The strategy relates to provision of engineering infrastructure and services. Projects relating to this strategy include road construction for the entire Sicelo as well as identification of land for future extensions and provision of land and housing adjacent to the existing Sicelo. The provision of a pedestrian bridge over the R59 freeway and cycle and pedestrian path from Sicelo to Meyerton are also projects.

- **Strategy 2: “Soft” Infrastructure provision.**

The strategy relates to provision of community facilities to the area. Projects include identification of sites for crèches, churches, a clinic and multi-purpose centres. A taxi rank for Sicelo is also needed in order to improve transport in the area.

- **Strategy 3: Human Capacity Building.**

This strategy relates to skills development at all levels, from pre-school, to school, to tertiary education, to adult education, to skills training projects. Projects include:

- for the pre-school children : two Early Learning Centres.

- for the school children : extension of existing primary school.
- for the youth : Upgrade of the Kopanong Hall.
- for the women : Upgrade of White House for adult education and skills training.
- for the jobless : a jobless centre in Meyerton.
- a mentor and lecturer project for skills transfer.
- Business advice centre.

- **Strategy 4: Institutional System.**

This strategy relates to the set-up of structures in order to create maximum participation and linkages between all parties involved in LED in Sicelo. Projects include set up of CDT, relaxation of red tape procedures in the local town planning by-laws and SMME friendly procurement procedures. Funding and finance tools for SMME's also need to be established.

- **Strategy 5: Job creation strategy**

Job creation needs to be the focus of most LED strategies and projects. Linked to job creation is the issue of income improvement. Projects include the roads construction project, the jobless centre where the unemployed could wait during the day while receiving skills training. More projects include the street pole painting project, the upgrade of the Meyerton CBD, removal of alien plants clean-up project, provision of street trading facilities, a clothing making project, and milk and bread production project.

- **Strategy 6: Development of Agricultural and Tourism sector**

This strategy needs to specifically focus on the agricultural and tourism sectors within the Sicelo area. Projects include the implementation of Thiba Tlala Agri-village and development of agricultural land to the east of Sicelo including hydro phonic structures. In terms of tourism a local culture tourism project need to be initiated.

- **Strategy 7: Research and Information Development**

Ongoing research and provision of information to the local community need to be updated. Projects include the compilation of a SMME data base for marketing at "big business", and annual field surveys in order to monitor the socio-economic situation (early warning system).

- **Strategy 8: Optimize local resources**

Local resources such as land ownership and skills of local people need to be optimized. Council owned land need to be identified and be made available to local developers by means of public tenders. The local people need to be included in all local LED projects.

- **Strategy 9: General improvement of appearance of area.**

A general "clean-up" of the area is required in order to allow local pride of residents in the area to develop. Projects include provision of roads, street lighting, street name boards, trees and open space. A further project is a waste buy-back re-cycling project linked to a wood product manufacturing project.

- **Strategy 10: Spatial planning policy.**

The strategy has as its aim to formulate a spatial development planning framework in order to ensure structured development of the Sicelo area. The project relating to this strategy is a SDF for Sicelo.

Below is a summary of projects for Sicelo (Table 4.10).

TABLE 4.10 Summary of LED projects for Sicelo

PROJECT DESCRIPTION	STRATEGY ADDRESSED	PARTNERS	FUNDER	COST	JOBs CREATED	PROJECT DURATION
1. Road Construction for Sicelo (Tar/paving of roads)	- Hard infrastructure provision. - Capacity building. - Job creation. - Optimize local resources. - General improvement of area.	MIG, Midvaal, CDT	MIG, Abroad funders	R 30 million	500	5 years
2. Extension of Sicelo, housing and infrastructure (2000 stands)	- Hard infrastructure. - Capacity building. - Job creation. - Optimize local resources.	Housing Dept, Midvaal, CDT	MIG, Housing Dept	R 40 million	500	5 years
3. Pedestrian bridge over R59 freeway	- Hard infrastructure. - Job creation	Midvaal, Samancor, CDT	Samancor	R 3 million	50	2 years
4. Cycle and pedestrian paths	- Hard infrastructure. - Job creation. - Capacity building.	Midvaal, Ocon Bricks, CDT	Ocon Bricks	R 2 million	50	2 years
5. Identify sites for community facilities	- Soft infrastructure. - Optimize local resources. - Spatial planning.	Midvaal, CDT	Midvaal	N.A.	No direct jobs	5 years
6. Taxi Rank: Sicelo	- Soft infrastructure. - Hard infrastructure.	Midvaal, Sedibeng District Municipality, CDT, Samancor	Sedibeng District Municipality	R 3 million	30	2 years

PROJECT DESCRIPTION	STRATEGY ADDRESSED	PARTNERS	FUNDER	COST	JOBS CREATED	PROJECT DURATION
7. Two Early Learning Centres (ELC)	- Soft infrastructure. - Human capacity building. - Job creation. - Optimize local resources.	Midvaal, Public works, CDT, Ocon Bricks	Public Works, Ocon Bricks	5 million	100	3 years
8. Upgrade of Kopanong Hall (Youth Centre)	- Human capacity. Soft infrastructure.	Midvaal, Samancor, CDT	Midvaal, Samancor	R 500 000	10	1 year
9. Upgrade White House (Adult Education)	- Human capacity. - Soft infrastructure	Midvaal, Ocon Bricks, CDT	Midvaal, Public works	R 1 000 000	20	1 year
10. Centre for Jobless	- Human capacity. - Soft infrastructure.	Midvaal, Ocon Bricks, CDT	Midvaal, Ocon Bricks	R 1 250 000	50	2 years
11. Business advice centre and mentor programme (linked to jobless centre)	- Human capacity. - Info and research.	Midvaal, Labour Department CDT	Midvaal, Labour Department	R 200 000 per year	N.A.	Ongoing
12. Establish a Community Development Trust (CDT).	- Institutional system. - Human capacity. - Research and information. - Optimize local resources.	Midvaal, Private sector, Local people.	Midvaal, Private sector	R 50 000 per year	10	Ongoing
13. SMME friendly by-laws and procurement processes	- Institutional system. - Human capacity. - Optimize local resources.	Midvaal, CDT	Midvaal	N.A	Indirect jobs	Ongoing

PROJECT DESCRIPTION	STRATEGY ADDRESSED	PARTNERS	FUNDER	COST	JOBS CREATED	PROJECT DURATION
14. Access to funding and finance to SMME's	- Institutional system. - Optimal local resources	Midvaal, CDT, Private sector	Private sector	N.A.	Indirect jobs	Ongoing
15. Street pole painting projects	- Job creation. - Human capacity.	Midvaal, CDT	Midvaal	R 500 000	100	Ongoing
16. Upgrade of Meyerton CBD	- Job creation. Hard infrastructure.	Midvaal, Private sector, CDT	Midvaal	R 13 million	50	2 years
17. Removal of alien plants along Kliprivier	- Job creation. - Human capacity.	Midvaal, Land Affairs, CDT, GDACE	GDACE	R 2 million	100	5 years
18. Street trading facilities	- Job creation	Midvaal, Sedibeng District Municipality, CDT, Private Sector.	All partners	R 2 million	20	Ongoing
19. Thiba Tlala Agri Village	- Agricultural development. - Job creation. - Human capacity.	Midvaal, Land Affairs, CDT, Private sector	Land Affairs	R 1 million	40	Ongoing
20. Agri project east of Sicelo including Hydro phonic tunnels	- Agricultural development. - Job creation. - Human capacity.	Midvaal, CDT, Land Affairs,	Land Affairs	R 3 million	100	Ongoing

PROJECT DESCRIPTION	STRATEGY ADDRESSED	PARTNERS	FUNDER	COST	JOBS CREATED	PROJECT DURATION
		Private Sector				
21. SMME Data Base	- Research and information. - Hyman capacity. - Job creation.	Midvaal, Dept. Labour, CDT	Midvaal	R 100 000	Indirect jobs	Ongoing
22. Early warning system (Field survey)	- Research and information	Midvaal, CDT, Private sector	Midvaal, Private sector	R300 000	10	Annual Ongoing
23. Provision of trees and open space	- Improve appearance. - Job creation	Midvaal, GDACE, CDT	GDACE	R 1 million	50	2 years
24. Waste buy back re-cycling project	- Improve appearance. - Job creation	Midvaal, SAB, Consol, CDT.	SAB	R 1 million	100	Ongoing
25. SDF for Sicelo	- Spatial planning	Midvaal, CDT.	Midvaal	R 200 000	N.A	Ongoing

4.4.5 CONCLUSION

The above strategies for Sicelo will ensure that the quality of life regarding education, environment, economic opportunities and access to services will be improved.

In general, poverty will be alleviated by means the above listed LED strategies concerning youth development, infrastructure, capacity building, access to opportunities and finance, increased income, access to information, access to assets and health facilities.

4.5 TRACKING ANALYSIS OF FIVE POOR FAMILIES IN SICELO

The field survey which was done for Sicelo in 2007 was analysed in Chapter 4 of this document. In addition to the overall analysis, five selected families were also "tracked" for a week. A combined meeting was held with the heads of the five families in order to determine a way to get out of poverty. The five families are discussed below (no names are given to protect the identity of families).

- **Family one: (House No. 193)**

A total of 6 people resides on the site. The family moved from Orange Farm in the Johannesburg Metro area to Sicelo. The family has not been affected crime in the last 12 months. The family consists of a mother of 48 years old and 5 children ranging from 20 years to 9 years old. All of the children are still at school or are still studying. The mother or head of the family is divorced and she has only Grade 10. She is currently unemployed and looking for work. The children at school range from Grade 12 to Grade 5. The oldest child is busy with tertiary studies.

The family receives government child grants as well as financial assistance from family and friends. The family indicated that they would be interested in urban farming projects. The family spends ± R930,00 on a monthly basis. The average income for a

family in Sicelo is R1900. An amount of R1000 is therefore required to get out of poverty.

The head of the family needs to get a formal job for example as at least a domestic worker. A local church provides training for domestic workers and handles placement thereafter. Income of ± R1000 to R1300 could be achieved. Study assistance need to be provided to the children at tertiary level. A local bursary could be possible from local business.

- **Family two: (House No. 451)**

The family consists of four people and moved from Sebokeng to Sicelo. The family has not been affected by crime in the last 12 months. The family consists of a father and mother of 20 and 26 years respectively and two daughters of 7 and 4 years old respectively. The couple is not married at this point in time. The parents have low levels of education, namely Grade 7 and Grade 9. Both people are currently unemployed, looking for work. The family has a total monthly expenditure of ± R 845. Both unemployed people indicated that they will work for R1000 per month. The male has skills in building/construction sector. The family receives child grants from government and financial assistance from family. The family is interested in urban agriculture and are willing to start an own business.

The family needs at least a R1000 additional income. The male will be introduced to a construction team as a labourer for R1000 per month. The female will be introduced to the domestic worker course at the local church and then place at a monthly income of R1000 to R1300.

- **Family three (House No. 45)**

The family consists of 6 people and moved from Daleside to Sicelo. The family has not been affected by crime in the last 12 months. The family consists of a husband and wife and four children. All of the children are still at school. The qualifications of the

father aged 45 is Grade 11. The wife is aged 40 with a Grade 8. The female is not employed and not looking for work due to the young age of the children which ages ranges from 18 to 4 years old. The male is also unemployed, but involvement in informal activities. He is skilled in the construction sector and requires an income of R1600 per month. The family expense per month is R1200. The male will be introduced to a construction firm and will earn an amount of R1400 – R1600 per month. This will allow the family to leave the poverty gap.

The family receives child grants and other government grants, as well as family assistance. The family is also interested in urban agriculture. The female is also skilled in catering and could be included in the catering list of Council and SMME data base for promotion for tenders.

- **Family four (House No. 877)**

The family consists of seven people and moved from the Eastern Cape to Sicelo. The family has been affected by crime in the last 12 months. The family consists of a husband and wife with four children of which two have left school and are jobless at ages 21 and 18 years.¹ Two other children are still at school. Both parents are formally employed with very low levels of education. Both have only Grade 6 level education. The two unemployed young adults have Grade 8 and Grade 9 respectively. The male (husband is employed in the mining sector), while the wife is employed as a domestic worker. Both unemployed children are interested in the construction sector. They need to be skilled in this sector and introduced to a local company. Income required as indicated is R 1000,00 per month. The family is interested in urban agriculture. The total monthly expenditure is ± R 1710 per month. Any additional income will alleviate the poverty. The two unemployed youth must be introduced to the labour force.

- **Family Five (House No. 418)**

The family consists of four people and has moved from Sebokeng to Sicelo. The family has been affected by crime in the last 12 months relating to a robbery. The total

monthly expenditure of the family is ± R1610. the family consists of a husband and wife of 48 and 40 years respectively and two children aged 20 and 15 years. Education levels are low for the post school people at Grade 6 for husband, Grade 7 for wife and Grade 8 for older child. The husband is formally employed in agriculture, while the wife is employed as a domestic worker. The older child is unemployed, and interested in electronics and will work for an amount of R 1800. he will be introduced to a local electrical company. The employment of the child will allow additional income to allow the family to leave the poverty situation. The family currently receives child grants.

4.6 CONCLUSION

In conclusion, the following summary is provided concerning the comparison between the 2004 Sicelo survey and the 2007 Sicelo survey.

TABLE 4.11: Summary of comparisons between 2004 and 2007 surveys.

ISSUE	2004 SURVEY	2007 SURVEY
Family size	3,6	3,7
No. of families	1778	1998
Population	6400	7393
Who must clean up the area? The Municipality as response	41%	71%
% of households affected by crime in last 12 months	7%	33%
Has crime increased?	N.A.	24%
Monthly income average per household	R 1 616	R 1 900
Head count index	0,5	N.A
Monthly total spending power	N.A	R 2 555 000

ISSUE	2004 SURVEY	2007 SURVEY
Households interested in Urban Agriculture	N.A	50%
Dependence Ratio	2,9	2,25
Age distribution 20-39 years as % of total population	37%	42%
Level of Education: Grade 12 or higher	12%	19,2%
Level of unemployment	48%	32%
Unemployed people per family	0,9	0,7
Education level of unemployed: Grade 12	N.A	25%

SOURCE: Field Survey, 2007

It could therefore be concluded that the socio-economic situation has improved in Sicelo since 2004. This improvement could be related to the local economic boom in the local economy. Especially the construction sector has been vibrant, providing a large number of jobs to local skilled or unskilled people. Education levels and employment levels have increased substantially and opportunities also exist for the unemployed.

CHAPTER 5: BEST PRACTICE, FINDINGS AND RECOMMENDATIONS

5.1. INTRODUCTION

This final chapter has the purpose to formulate best practice models through lessons learnt through the years by local government. This Chapter also includes testing of achievement of research objectives and hypothesis. It lastly provides recommendations regarding successful LED.

The following quotation is provided by World Bank, (2006:36) which is a suitable statement regarding planning for poverty alleviation:

"Poverty will be alleviated by long-term economic growth and job creation. In the short-term however, more direct interventions have to be made."

5.2 BEST PRACTICE ANALYSIS (LESSONS LEARNT)

5.2.1 Introduction

A best practice analysis was conducted utilizing the case studies as contained in Chapter 3 and other sources. LED has been part of local government in a formal manner since 1994 and various municipalities have attempted different methods in order to stimulate local economies. Some of the methods have been successful, while others failed.

Below is an analysis of best practice LED methods in the form of lessons learnt. Best practice methods regarding LED have been divided in ten categories consisting of institutional arrangements, partnership formations, funding sources and procedures, economic principles, strategies, specific sectors and projects, agricultural/rural sector, tourism sector, skills training efforts and lastly project appraisal and monitoring.

5.2.2 Institutional Arrangements

In order for a municipality to improve its LED capacity and success rate, structural transformation is required. All efforts should keep LED principles in mind regarding an integrated mind set including all departments. Well organized co-ordinating and integration are necessary within departments, between departments and within partners linked to LED processes. Local government is also affected by red tape procedures which are implemented by means of legislation. Such legislation includes the National Environmental Management Act (NEMA) (1996) and the Municipal Finance Management Act (MFMA) (2006). These pieces of legislation limit the operational freedom of municipalities. In order to side-step this type of legislation, other LED structures such as Section 21 Companies could be a solution. The prevention of corruption is also a factor which could affect the successful implementation of LED projects. Local government's role is limited to the four building blocks of LED namely attract, lead, build and circulate (Dept. of Constitutional Development, 1998:9).

In terms of guidelines by DPLG (2004:6) local government should co-ordinate, facilitate, stimulate and develop entrepreneurship. In terms of the above issues, local government must take the lead in LED actions and to do this successfully, strong leadership is required.

The Tswane Metro Municipality has successfully implemented LED projects in some cases due to the fact that detailed project planning was done before project implementation commenced. Project planning will ensure that funding, key role players and the specific processes are in place from the outset (GEDA, 2006:23).

Ekurhuleni Metro Municipality stimulated SMME development and promotion by implementing SMME friendly policies and procedures. For example, the procurement procedures ensure that SMME's are supported in the evaluation of tenders. SMME's are also supported regarding marketing thereof to "big business" and skills training. A tender advice desk was also established in order to assist SMME's in the area (GEDA, 2006:26).

A “best fit” institutional structure is important for successful LED implementation. Three options are available. Firstly a LED unit which could be a department or section within a municipality. Most municipalities have such a unit. Secondly in support for such a unit a Community Development Trust (CDT) could be established consisting of all the parties in the LED process. This structure is less formal with only advising powers to other LED structures. Lastly a Section 21 Company could be established in support or in addition to the first two structures. A Section 21 Company is a non profit structure which is less subjected to “red tape” procedures than a municipality. It will allow a formal structure and will operate as a legal partnership including all interested LED parties. All three structures are required for successful LED implementation. A strong business chamber is also a key requirement (World Bank, 2006:16).

One of the most important actions of a municipality is to build local capacity for a knowledge based economy and innovation. This could be achieved by SMME development through skills training and business skills development. Entrepreneurship development is key for a strong local economy. Ongoing innovation and ideas are possible if a large pool of entrepreneurs exist in the economy (DPLG, 2004:33).

An important factor is to include LED strategies in the local Integrated Development Plan (IDP). Economic development is an important factor of a local IDP. The IDP informs the budget of a municipality which means that if a project is not included in a local IDP, such project, whether it is a LED project or not, could not be funded. Such LED strategies and projects on a local level must be aligned with provincial Growth and Development Strategies (GDS) and National Spatial Development Plans (NSDP) (GEDA, 2006:81).

One of the problematic areas at local government is a lack of adequate human resources capacity regarding LED. LED units at municipalities are relatively new structures and re-enforcement is required. More capacity in terms of more personnel and higher skills levels are required. Specialist training is needed for example regarding

agricultural development. The high personnel turn over rate is also a problem (GEDA, 2006:81).

The various roles of government also need to be defined. From national to local government the roles are not clearly defined. In areas where a district municipality also exists, the confusion is at its worst for example in the Vaal area where a district municipality (Sedibeng) exists as a next level of government (GEDA, 2006:90).

In the Welkom Municipality case study the issue regarding the need for baseline economic data is needed for successful development for LED implementation. Knowledge based economy is the key word. Baseline information regarding the local economy, for example unemployment figures is needed to evaluate and monitor the success of economic projects. In addition to the above information centre and communication strategy are required (DPLG, 2006:2).

Local government must ensure regarding LED that the process is published and infrastructure support is provided. Access to local markets and business support is required (World Bank, 2006:85).

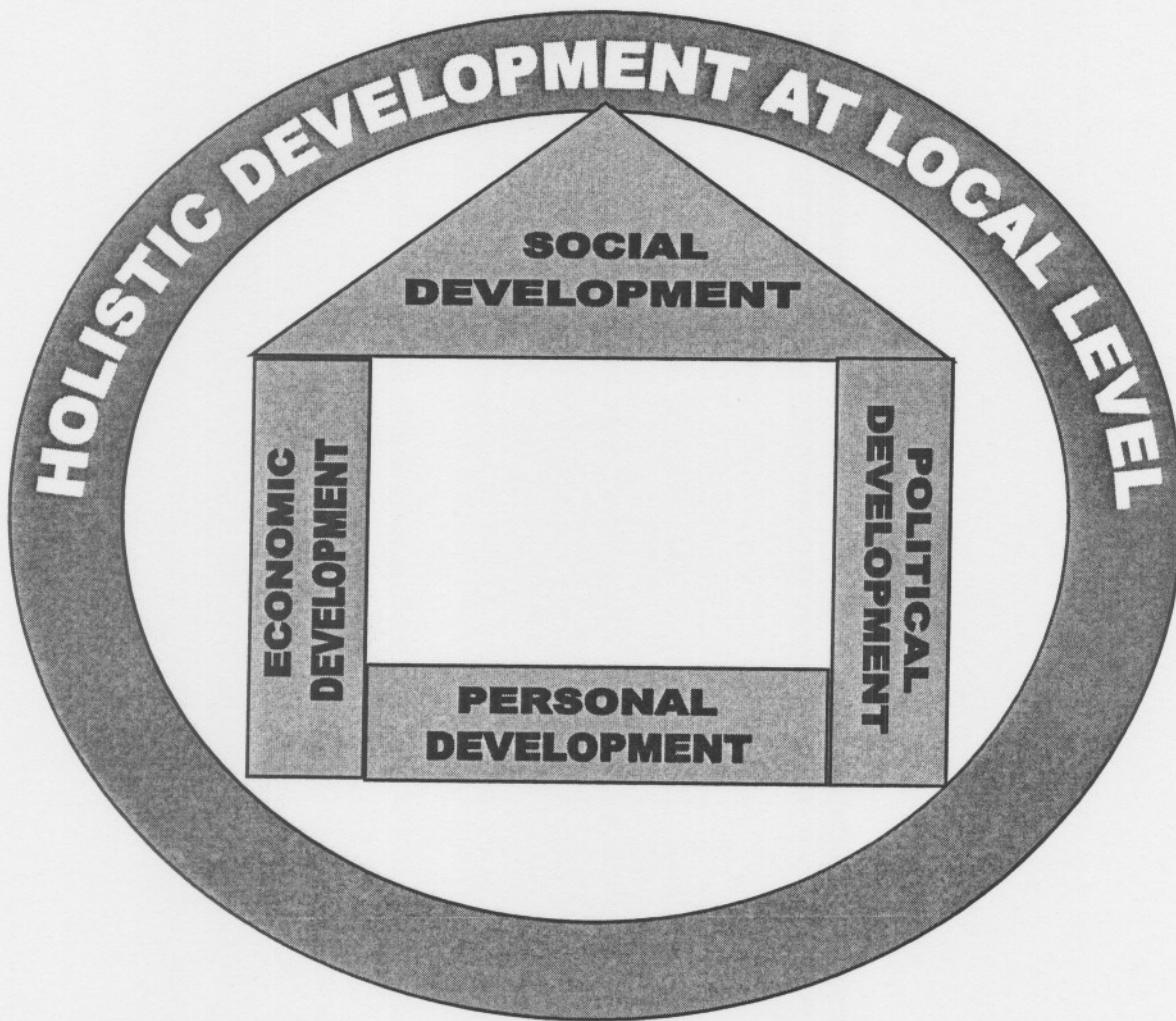
In terms of most LED case studies regarding municipalities, it was found that it is easier to plan LED projects than to implement. In order to address this issue the establishment of either LED structures as mentioned in this section need to be established for example a Community Development Forum (CDF) or a Joint Development Forum (JDF) as was utilized in Richards Bay (World Bank, 2006:63).

Local spatial planning is the basis for a development strategy for a local area. Spatial Development Frameworks (SDF) is the guideline document at the local level regarding future development. Such a plan must be linked to the local economy and provided certainty to investors in the area. The SDF must be linked to local place marketing strategies (World Bank, 2006:29)

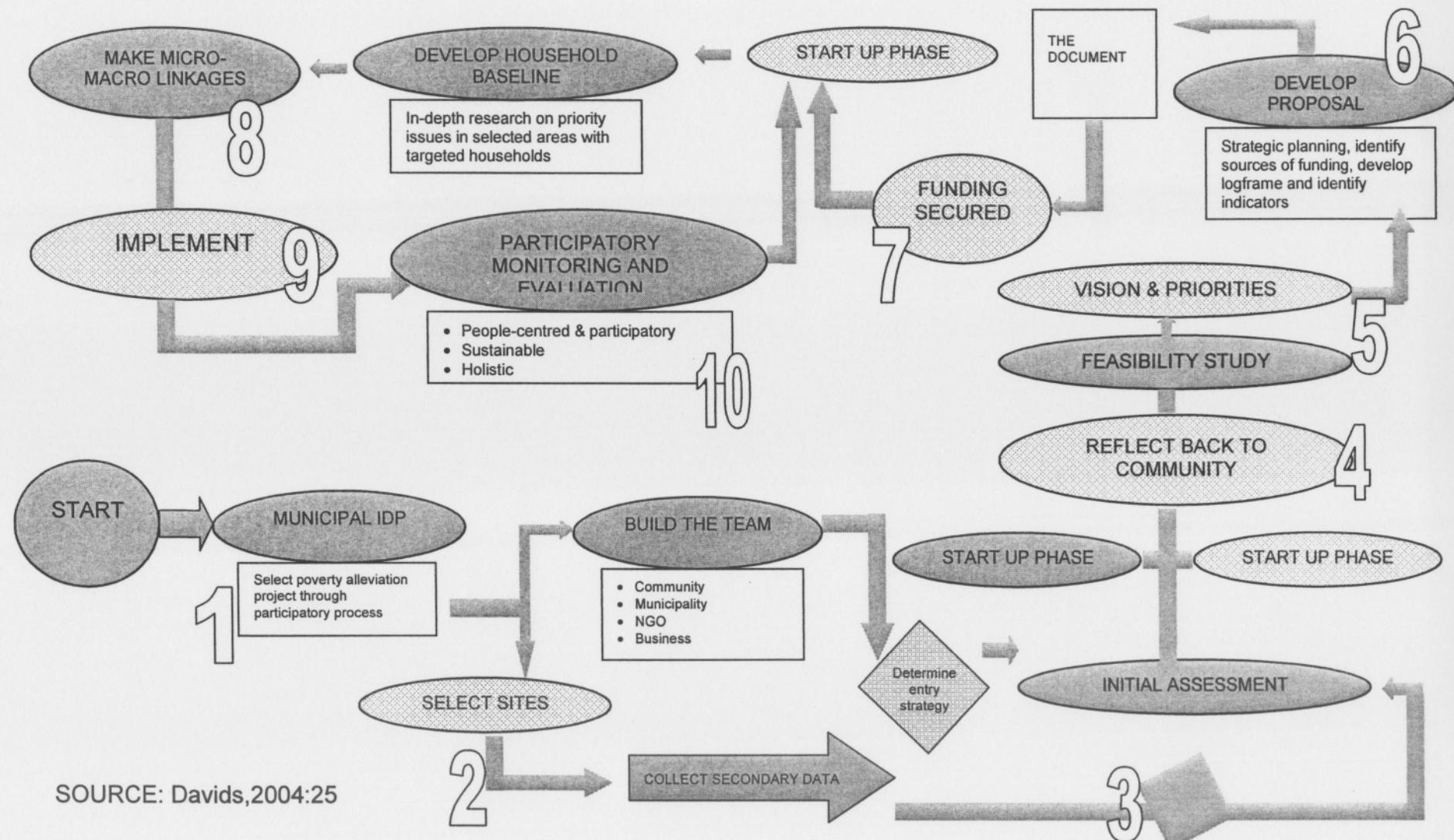
5.2.3 Establishment of Partnerships

Most case studies analysed, introduced same type of partnership between LED roleplayers in a local area. Figure 5.1 is a schematic view of partnership formation including communities and local government.

FIGURE 5.1 Partnership Formulation



SOURCE: Davids, 2004:26

FIGURE 5.2: LED Project Planning Process

SOURCE: Davids, 2004:25

From the above figure it is clear that project specific stakeholders need to be identified. If a tourism project is planned local specialists are required to ensure LED sources (GEDA,2006:90).

In terms of LED structures the local authority must take the lead in initiating the process, but local community leaders such as business people, the youth, women and local ward committees need to ensure that dynamic and vibrant partnerships are created with motivated and innovative roleplayers guided by the municipal officials (DPLG,2004:10). Strong linkages and partnerships are required between local government and the private sector for example by including the local business chamber in the local LED forum (World Bank, 2006:98).

5.2.4 Allocation of Funding

The allocation of funding to LED projects in local budgets is limited as analysed in local case studies. This financial weakness is a main blockage regarding LED. A further problem is limited access to external funding. Although sources for funding have been identified and listed in Chapter 3, funding for specific projects is very difficult to access (GEDA, 2006:78).

In addition to funding to local government, SMME's find access to finance in the form of loans or credit extremely problematic. "Start-Up" finance facilities need to be established at the local level within existing structures. LED projects must avoid being grant dependant and must be sustainable but dependant to start-up funding. It is proposed that a Operate LED funding be established on a national level similar to the MIG fund regarding infrastructure (DPLG:2006,33-37).

5.2.5 Economic Principles

Normal economic principles apply to successful LED implementation. Ongoing product development through innovation and ideas are required. One of the methods to ensure ongoing idea development is an enabling environment for development of

entrepreneurship. An enabling environment includes a positive economic vibe by means of place marketing, access to economic opportunities and optimal utilization of assets which includes land, infrastructure and human capital. During this process of entrepreneurship development and access to economic opportunities, the focus should be on poor section of the local community. LED projects need to ensure high levels of productivity, and must lead to a substantial increase in income for a major portion of the local community. In the Ekurhuleni case study the economic principle of local production for local need is applied as the best practice principle especially with regard to agricultural projects within the urban system.

For structured and focused economic development in local areas, the use of Spatial Development Plans (SDF) on a city wide basis and development plans on a specific area is of importance. Such plans focus and guide development according to specific guidelines. Linked to the above main stream economic strategies, economic principles must be included in LED strategy. LED projects must not be implemented in isolation and in an ad hoc basis (DPLG, 2006:52).

In the Bergville case study local pride was created by means of a successful "buy local" strategy. In the selection process the following costs should be taken into account. Infrastructure projects cost on average a million rand for 28 jobs created. Housing projects cost on average a million rand for 23 jobs to be created. The above therefore indicates that infrastructural jobs are the most cost effective regarding job creation (ALOGOSUL, 2006:5).

Marketing is of key importance for tourism development and effective business research is required to ensure ongoing economic development. LED projects must be long term in nature and based on sustainable principles. Projects must also be accountable (World Bank, 2006:78).

As within any formal economic activity to be successful, LED projects need to be confronted with commitment and energy. In addition to this, local "champions" and drivers are required. Economic focus should be on local comparative advantages such

as natural resources. Business retention as well as new investment is required for the local economy to grow and for LED projects to be implemented (DPLG, 2004:11).

LED projects implementation is a process not an event. LED projects must be selected as demand driven projects. If demand and markets are not available, then a LED project will start as a failure. Marketing of the area and products for a LED project is also important for success (World Bank, 2006:79).

5.2.6 Strategies

More detail regarding strategic planning will be listed in Section 5.3. Below is a few key best practice strategies for LED development.

Some of the best practice strategies for poverty alleviation are listed below:

- Implementation of indigent policies;
- Provision of social community facilities;
- SMME focused procurement policies;
- Infrastructure development strategies;
- Business Development strategies;
- Job creation strategies;
- Skills and training development strategies;
- Local food production strategies;
- Housing development policy;
- Rural development planning strategy (World Bank, 2006:35)

5.2.7 Projects

Specific projects have been utilized by local government in the past and some of the best practice projects and procedures are listed below. More detail regarding tourism and agricultural projects will be given later on this section.

In Tswane a waste recycling buy back centre was introduced with success. Such centres could be implemented in other areas in co-operation with big businesses such as South African Breweries (SAB) and Consol. Such a project also have a positive impact on the local environment. Tswane also utilized area focused urban regeneration projects, such as revitalizing the local CBD (GEDA, 2006:53).

All municipalities have large areas of land and such portions of land must be utilized to generate economic development. Land could be made available for all types of land uses including housing development, industrial development as well as specific LED focused projects such as agri-villages (GEDA, 2006:52). Public works projects have been accepted by government as an important means to create jobs. The Expanded Public Works Programme (EPWP) has as its aim large scale job creation by means of mostly infrastructural projects. Funding is made available through the MIG fund. Public works projects could include road construction, clean up projects and even removal of alien plants (work for water projects) which is linked to wood production projects (GEDA, 2006:53).

Other best practice LED projects include craft markets, production of fresh produce, waste collection, street trading projects, clothing and textile projects, peoples' housing projects (PHP) and tourism development projects. More projects include LED advice centres and commercial farming (DPLG, 2006:42).

The introduction of Early Childhood Development (ECD) programmes are of key importance in poor areas, as well as apprenticeship programmes and skills training projects, road construction projects and brick-making. Important economic sectors include agro processing (meat, wine, juices, fisheries, aquaculture and floriculture), chemical industries, clothing, textiles and leather, electro-technical industries (PC Board etc.), mining and tourism development (accommodation, adventure, eco-tourism, conference, cultural, gaming, sports, golf) (GEDA, 2006:58).

In the Welkom case study, urban agriculture has proven to be successful and could provide in the local food need at least. Provision of land through security of tenure in

itself creates wealth and is an important LED project, and should be linked to agriculture in most cases. In the Harrismith area, the optimal utilization of a local nature reserve for tourism, the development of retail facilities (access to markets) and agricultural projects, backyard garden projects and fruit tree projects were successfully introduced. In Kayalitsha best project projects included projects relating to job creation centres, development of local industrial parks (access to markets), local security services by locals, sewing projects for women and youth development centres (DPLG, 2006: 2-4).

In terms of rural development projects, Rural Service Centres (RCS) are of key importance. Such centres must include facilities addressing local community needs, provision for the poor and infrastructure support (ALOGOSUL, 2006:95). More projects regarding rural areas included local milk production, land reform projects, tourism development advice centres, agro-processing, general info centres, marketing of rural attractiveness and optimal utilization of underutilized land and buildings (World Bank, 2006: 69).

SMME support projects could include business advice centres, mentoring programmes, assistance with business plans, procurement assistance, local support centres, work space, incubators, informal trade areas (World Bank, 2006:39).

5.2.8 Agriculture Specific Projects

Agricultural projects are of key importance because of the rural nature of most terms in SA. Key factors for successful agricultural projects are ownership, management of land, co-operative farming, innovation, high levels of productivity, the correct suitable crops, ongoing training, demand for products and labour intensive processes (Todaro, 2003:450).

Of the above issues listed, market demand crop selection is of key importance. Crop selection must be based on bio-resource assets for the area. The selection of the most suitable people are also important for a agriculture project. Not all people are interested in this sector. Crops selected should be robust, low maintenance and low technology crops. Potential for export is important. Agricultural projects must be linked to other LED projects in the area (ALOGOSUL, 2006:71). For small farmer projects to be

successful, access to land, availability of water, ploughable land, food security and a local market demand is of key importance (World Bank, 2006:66).

5.2.9 Tourism

Linked to the rural nature of SA and natural beauty, tourism has been identified by most municipalities as a sector for LED. Due to this fact, most marketing efforts by municipalities have been focus on tourism.

In order for tourism to be developed in a specific area, a number of actions need to be taken which include the following:

- Attraction of existing and new tourists to the area through marketing actions;
- Ensure higher tourism yield through numbers of tourists and quality of service;
- Ongoing research regarding the market segment identification;
- Provision in the need for local service providers and allow access to the market and economic opportunities;
- Ensure quality of service delivery and products;
- Marketing of the local area as a whole as a destination (ALOGOSUL: 2006,126).

5.2.10 Training and Skills Development

General skills levels are low in South Africa and also in the Midvaal Municipality area. A strong focus in any LED process should be the improvement of skills levels. All sections of the community must be included in the skills upliftment process. Skilled people should be included as mentors and lecturers. People with low skills levels should be addressed in a holistic manner, from pre-school to the youth to adult education. The development of business skills and entrepreneurship must also be high on the skills development agenda.

Skills training should be very practical, applicable and relevant to the local area key sectors, for example manufacturing. Learner support should also be available and choices to learners in terms of specialization courses. In addition to specialized training, agricultural monitoring is of key importance if agricultural projects could be

successful and sustainable in future. Experienced and trained agricultural specialists should be incorporated in any agricultural project. The provision of job creation/skills training centres are of key importance (DPLG, 2006:6).

Training and specifically skills training is critical in poverty reduction projects (World Bank, 2006:56).

5.2.11 Project Monitor and Appraisal

Key performance indicators should be formulated for the monitor of any LED project. If a project is not monitored and evaluated on at least a quarterly basis. Key indicators must be easy to be evaluated. Even at the strategic level of the LED process, strategies need to be re-evaluated on an ongoing basis. The LED environment is dynamic and conditions change all the time. Adjustments are necessary and ongoing research will inform strategic planning and eventually LED projects (World Bank, 2006:79). Linked to the formulation of key performance indicators, quality project management is also a key to successful LED implementation. Quality project management starts before the project is initiated and only ends at completion of the project (DPLG, 2006:11).

Ongoing assessment during a project is required and not only evaluation. Rigorous project appraisal is required for long term sustainability (GEDA, 2006:81).

5.3 REALIZATION OF OBJECTIVES OF STUDY

This section analysis the realization of the research objections as set out in Chapter 1 of the study. Chapter 2 and 3 contain a comprehensive analysis of the aspects relating to poverty alleviation and LED, including other issues such as Development Planning and underdevelopment. A large number of local municipal case studies were analysed and best practice principles were identified.

The local area known as Sicelo, located in the Midvaal Local Municipal area was analysed in Chapter 4 in terms of the current socio-economic situation and extent of

poverty in the area. The constraints and limitations existing in the local area were also listed in Chapter 3.

Lastly a LED strategy was formulated in Chapter 4. All of the research objectives as listed were addressed in the study.

5.4 HYPOTHESIS TEST

The hypothesis as listed in par. 1.4 of Chapter 1 was tested throughout this study. The state of poverty was analysed in Chapter 4 by means of a socio-economic field survey which indicated that poverty exists in Sicelo, but the situation has improved in the area since 2004 up to 2007. Chapter 4 also included a LED strategy with specific LED projects which will address poverty. Best practice principles, strategies and projects were analysed in Chapter 5 and included in the local LED strategies. This study has proven that the focused implementation of "best fit" LED projects can accelerate development and alleviate poverty.

5.5 RECOMMENDATIONS

In closure, the following final recommendations are listed:

- In LED strategy planning, the best practice process need to be followed. Institutional structures need to be established. The institutional arrangement must include three structures namely, the local LED municipal department, a CDT and a legal body such as a Section 21 Company. In addition to the above, partnership creation, training of staff and the identification of local LED leaders and drivers are of key importance. It must also be ensured that LED strategies and projects be linked to the IDP process.

- The provision of base line data is of key importance in order to be able to track progress of the impact of LED strategies and projects. Ongoing socio-economic research will ensure up to date information for a local area. Such research will

ensure that an "early warning system" is in place. Such a system will give ongoing feedback regarding the success and feasibility of project implementation.

- A systems approach is needed with regard to strategy planning. A clear vision must be defined, backup by development principles for a specific area. Strategies must then be formulated in order to achieve and to support the local vision. The LED process is a long term process and implementation must be sustainable. Projects must be strategy specific and a project must be implementable. Projects must be identified which will have the widest impact with limited resources. Funding and access to finance structures need to be set up as part of the institutional framework. Continuous review by means of research is required.
- In the study the issues regarding growth, LED and poverty alleviation were investigated. It could be stated that economic growth will only impact positively if the poor section of a local area is part of the economic growth. Projects should actively be directed to the poor regarding skills training and provision of income opportunities. Comprehensive LED strategies will also lead to poverty alleviation with all sectors of the poor community addressed. Social and economic needs of the poor must be addressed.
- For a local area to achieve above average levels of economic development and growth, it must be ensured that linkages are created on the micro and macro levels. No local economy could grow if it is inward focused only. Spending should be local and leakages need to be identified but export opportunities need to be identified and entrepreneurs need to be assisted with relevant information on how to enter the markets.
- LED projects must be based and focused on demand, local and external demand. No LED project based on manufacturing could be successful if it is not based on the demand side of the economy. A good example is the agricultural

sector where production should be based on local use first and then export. Local demand and use must exist for products to be produced.

- Innovation and new ideas linked to a high level of entrepreneurship in an area will ensure economic development, which will eventually reduce poverty, increase income and reduce unemployment. In order to achieve new innovation, research and business advice centres need to be established.
- Lastly, LED projects must result in a community which is proud of their specific area. Projects such as "buy local" will be a result of such a community feeling. Success stories regarding LED need to be made known to the community. Local clean-up projects will also create a positive vibe in a local area. Transfer of ownership to the local people will also contribute to the success of LED projects and a proud community.

5.6 FINAL CONCLUSIONS

In this Chapter final findings and conclusions are listed regarding best practice lessons learnt, and final recommendations regarding LED. Below is a list of key critical factors for successful LED in any local area:

- Local innovation which is "best fit" for the area;
- Development and support for local entrepreneurs;
- LED must result in improvement of quality of life and provision of basic needs;
- Projects must be demand driven;
- Projects must be feasible and sustainable;
- Utilize local assets such as land and people;
- Infrastructure development is most cost effective regarding job creation;
- Land ownership is of key importance;
- LED must be part of all actions of local government;
- Agriculture must play an important role;
- Ensure economic base line information;

- Partnership formulation is critical;
- Funding and access to finance must be available;
- Normal economic principles must be applied to any LED project;
- Development of applicable skills is a requirement.

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ANNEXURE ‘A’

**“SAMPLE OF FIELD SURVEY
QUESTIONNAIRE”**

ANNEXURE 'A'

SICELO POVERTY ALLEVIATION PROJECT

HOUSEHOLD QUESTIONNAIRE: OCTOBER 2006

N.B.: The information in this questionnaire will be treated in strict confidence.

Township:	Section: Old / RDP / shack	Date:	Questionnaire no:
Street:	House number:	Interviewer:	

A: BACKGROUND INFORMATION

1. What is the position of the respondent in the Household? (Cross)

Head of household	Spouse or child	Extended family member	Boarder
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2. How many housing units are on the site?

3. How many people stay permanently on the site?

4. Where did you stay before you moved to Sicelo

B: ENVIRONMENTAL

5. How do you feel about the environment in which you stay? GOOD AVERAGE BAD

6. What type of pollution is worst in your area? AIR DUST LITTER

7. If you feel it should be cleaned up, who should take the initiative and responsibility? (More)

1. The municipality	2. A street committee	3. Every person should be made responsible	4. A campaign should be organised	5. Other: (explain)
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C. SAFETY & SECURITY

8. Has any person in your household been a victim of crime in the last 12 months? YES NO

9. What kind of crime? (Can mark * more than one option)

1. Assault	2. Robbery	3. Rape	4. Murder	5. Abduction	6. Other
------------	------------	---------	-----------	--------------	----------

10. Has crime worsened after the last 12 months or not? WORSENED THE SAME LESS

D: CONSUMPTION

11. How much of the following items does your household buy per week/per month & about how much does your household spend on these items per week/per month?

Product	Kilograms / litres per week	Kilograms / litres per month	Rand per week	Rand per month	Town	Town-ship
1. Maize Meal						
2. Bread						
3. Meat / chicken						
4. Vegetables						
5. Milk						
6. Washing powder						
7. Coal						
8. Paraffin						

12. How does your household spend their income monthly?

Item	Rand per month	Name of shop	Town	T/ship
Housing (Rent/Bond)				1
Water				2
Electricity				3
Other energy (coal, paraffin etc)				4
Food				5
Cleaning materials				6
Cigarettes & Tobacco				7
Beer, wine & spirits				8
Transport: Taxi.....		Total:		9
Car				
Other.....				
Clothing				10
School				11

Item	Rand per month	Name of shop	Town	T/ship
Entertainment				12
Medical Expenses				13
Insurance				14
Gambling: Lotto.....				15
Horseracing				
Other (casino etc).....				
				16
				17
Savings				18
Licenses (eg. TV, Vehicle)				19
Rates and taxes				20
Housekeeping Services (eg. Garden)				21
Telephone.....				22
Cell Phone.....				23
Car Repayment				24
Loan repayments				25
Furniture				26
Other:Specify:				27

E: EMPLOYMENT & EDUCATION STATUS

13. Complete in respect of all members of the household (Refer to Code List)

Sector of employment (Code list 9)								
Has your salary increased as a result of minimum wages? (10)								
Can employer afford increases because of minimum wages?								
Working hours been reduced because of minimum wages?								
(10 – 17 for <u>unemployed only</u>) Skills of the unemployed								
Duration of unemployment in years								
Dismissed because employer could not afford minimum wage								
Willingness & type of Skills Training required (code list 13)								
What is the Unemployed doing presently								
Do you have matric exemption?								
If persons would like to study further: preferences								
Preferences to start self-sustaining activities								
Minimum wage required to take a job								
Income: Wages/salaries per month (Take home pay)								
Pension/Remittance								
Child Grant from Government								
Other Grants from Government								
Help (family/relatives/etc) Also help in kind								
Informal activities (eg. SMME)								
Subsidies (eg. Housing)								
Interest/dividends								
Other (Specify)								

14. Does someone in your household have a vegetable garden?.....

YES	NO
-----	----

15. Would someone in your household be interested in receiving assistance to start a food garden in your yard?

YES	NO
-----	----

16. Would someone in your household like to be involved in a community food garden project?

YES	NO
-----	----

17. Would someone in your household be interested in farming?

YES	NO
-----	----

18. Do you know a clothing manufacturing business in your township?.....
If so, give the address:

19. Do you know any small scale welding / metal work firm in the township?.....
If so, give the address:

YES	NO
-----	----

20. Has any member of your household operated a SMME / still operating one?,
If so, what kind of SMME?

YES	NO
-----	----

21. Taking into account your skills (or that of your household members), would you or someone in your
household (unemployed persons) be interested in starting your own business or rather work
together with others in a cooperative?

OWN BUSINESS	COOPERATIVE
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22. What crafting, art skills exist in the household? _____

23. What kind of business would you like to start? _____

24. If you would like to start your own business, what kind of support do you think you will need?

25. Do you know somebody with a catering business in your township?.....
If so, give the address:

YES	NO
-----	----

26. Do you think you will get a job if you are better trained?.....

YES	NO
-----	----

THANK YOU FOR YOUR COOPERATION!

FOR NUMBER 20

1. Number of people in the household – cross the appropriate box.

2. Composition of members: enter the appropriate number in the box:

- 1- Father/Husband
- 2- Mother/Wife
- 3- Son
- 4- Daughter
- 5- Grandfather
- 6- Grandmother
- 7- Grandson
- 8- Granddaughter
- 9- Other

3. Age of each member in years: enter actual age: eg. 23, 40, 63 years

4. Sex:

- 1- Male
- 2- Female

5. Marital Status

- 1 – Never Married
- 2 – Married
- 3 – Divorced
- 4 – Separated
- 5 – Living together
- 6 – Widow(er)

6. Qualifications (still studying)

- 1- up to grade 3(std 1)
- 2- grade 4 (std 2)
- 3- grade 5 (std 3)
- 4- grade 6 (std 4)
- 5- grade 7 (std 5)
- 6- grade 8 (std 6)
- 7- grade 9 (std 7)
- 8- grade 10 (std 8)
- 9- grade 11 (std 9)
- 10-grade 12 (std 10)
- 11- tertiary studies

7. Qualifications (not studying presently)

- 1- up to grade 3(std 1)
- 2- grade 4 (std 2)

- 3- grade 5 (std 3)
- 4- grade 6 (std 4)
- 5- grade 7 (std 5)
- 6- grade 8 (std 6)
- 7- grade 9 (std 7)
- 8- grade 10 (std 8)
- 9- grade 11 (std 9)
- 10- grade 12 (std 10)
- 11-tertiary first Diploma
- 12-tertiary first Degree
- 13- post graduate dipl./degree
- 14- other (eg. Secr. Certificate)

8. Employment Status

- 1 – Formally employed: works for 3 days or more per week for income/food/accommodation.
- 2 – Informal Activities: involved in informal activities for 3 days or more per week for income
- 3 – unemployed: can work, want to work, cannot find work
- 4 – not economically active: cannot or don't want to work – children, old people, disabled, students, housewives.

9. Sector of employment

- 1 – Agriculture
- 2 – Mining, quarry
- 3 – Manufacturing
- 4 – Electrical, water, gas
- 5 – Construction
- 6 – Wholesale, retail, trade, catering
- 7 – Transport, storage, communication & Information Technology
- 8 – Finance, insurance, real estate
- 9 – Community, social, education, training & personal service
- 12 – Other, not defined

10. Salary increased because of minimum wages:

Yes = 1; No = 2

11. Employer afford minimum wage increases:

Yes = 1; No = 2

12. Working hours reduced because of minimum wage:

Yes = 1; No = 2

13. Skills of the unemployed

- 1. Retail trader (selling)
- 2. Catering / cooking
- 3. Sewing
- 4. Baking
- 5. Carpentry
- 6. Hair dressing
- 7. Knitting
- 8. Welding / steelwork
- 9. Building / construction
- 10. Butchery
- 11. Gardening / farming
- 12. Mechanic
- 13. Computer
- 14. Electrical
- 15. Electronics
- 15. Security
- 16. Other

14. Duration of unemployment in years

15. Dismissed because employer cannot afford minimum wage increases:

Yes = 1; No = 2

16. Kind of Skills Training required (use list under 13)**17. What unemployed are doing presently:**

- 1. Actively looking for a job
- 2. Helping with household duties
- 3. Idle

18. Do you have matric exemption? 1 = Yes; 2 = No

19. Preferences for further study

- 1. Technical College
- 2. Technikon training
- 3. University

20. Preferences for self-sustaining activities (Use list under 13)**21. Minimum wage expected:**