

AN EVALUATION OF THE
DEVELOPMENTAL ROLE OF LOCAL
GOVERNMENT IN FIGHTING POVERTY
IN THE FREE STATE

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Declaration

I, Lehlohonolo Kennedy Mahlatsi, hereby declare that this work is original and the result of my own labour. It has never, on any previous occasion, been presented in part or whole to any institution or Board for the award of any Degree.

I further declare that all information used and quoted has been duly acknowledged by complete reference. I am responsible for any error, whatever the nature, in this work.

Student

Signed.....

Date.....

Supervisor

Signed.....

Date.....

DEDICATION

This mini-dissertation is dedicated to the loving memory of my late brothers- Lepedi Sophonia Mahlatsi and Rantsho Jacob Mahlatsi. You are sorely missed. Death be not proud.

Acknowledgment

This mini-dissertation has been inspired by the efforts of the councillors and officials to come to grips with the developmental role of local government in South Africa. In my tenure as a Municipal Manager of Metsimaholo Local Municipality I have the opportunity of familiarising myself with the role of local government and writing widely in local government journals.

The long journey of this mini-dissertation would never have been as rewarding, or even possible, without good Samaritans, friendly critics, and comrades and supportive friends and family. At the risk of selectivity, I must mention those who have played a central role.

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Lehlohonolo Kennedy Mahlatsi
Sasolburg, April 2006

List of acronyms and abbreviations

ANC	African National Congress
ASD	Alternative Service Delivery
CBO	Community Based Organisations
CC	Constitutional Court
CLC	Community Law Centre
DLGH	Department of Local Government and Housing
DPLG	Department of Provincial and Local Government
DPW	Department of Public Works
FSGDS	Free State Growth and Development Strategy
GCIS	Government Communication Information System
GDP	Gross Domestic Product
GEAR	Growth, Employment and Redistribution
GGP	Growth Geographic Product
GTZ	Germany Technical Operations
HDI	Human Development Index
ICLEI	International Council for Local Environmental Initiatives
IDP	Integrated Development Plans
IGR	Inter-governmental Relations
LED	Local Economic Development
MFMA	Municipal Finance Management Act
MIC	Matjhabeng Investment Company

MIG	Municipal Infrastructure Grant
MM	Municipal Manager
NGO	Non-Governmental Organisation
NEMA	National Environmental Management Act
NSDF	National Spatial Development Framework
NSDP	National Development Framework
NWU	North-West University
PPP	Public-Private-Partnership
PIMMS	Planning, Implementation and Management Support
PMS	Performance Management System
RDP	Reconstruction and Development Programme
REED	Rural Economic and Enterprise Development
RNFE	Rural Non Farm Economy
SACP	South African Communist Party
SBSC	Small Business Support Centre
SCM	Supply Chain Management
SMME	Small, Micro and Medium sized enterprises
TLC	Transitional Local Council
UWC	University of the Western Cape

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ABSTRACT

Three hundred years of colonialism, and fifty of internal colonialism, had hard-wired a duality into the system, whereby two domains coexisted: on one hand, a globally integrated world of production, exchange and consumption, and on the other, a constrained world of informality, poverty and marginalization. The visions and missions for municipalities in South Africa are outlined in the White Paper on Local Government. The White Paper further calls for the review of the existing legislation which impedes Local Economic Development. Municipalities in the Free State Province are accordingly faced with the mammoth task of delivering basic services to the communities. Poverty alleviation is crucial in realising this objective.

This study aims to show the challenge which faces municipalities in the Free State and their mammoth task of delivering basic services to the communities. Poverty alleviation is crucial in realizing this objective. Through all researches and studies conducted it has been clear that there are impediments in this developmental mandate of the municipalities. These emanate from the capacity of the municipalities and the theoretical foundation of the Local Economic Development (LED) as one of the strategies for development. The internal validity of the problem stated does not depend on whether or not that the Local Economic Development strategies of the national and provincial spheres of government are very good, the critical part that this study deals with is whether the local and district municipalities have linked their strategies with those of national and provincial spheres.

The Constitution of South Africa mandates local government to ensure the provision of services to communities in a sustainable manner and to encourage the involvement of communities and community organizations in matters of local

government. In line with the constitutional mandate, the white paper on Local Government establishes the basis for a new developmental local government system, one which is committed to working with citizens, groups and communities in meeting the social, economic and material needs of communities in a holistic way.

The findings indicate that IDPs (Integrated Development Plans) and LED lack detail on SMME (Small Medium Macro Economic) development. Formal and Informal business are not captured accurately in the IDPs and LED. The importance of infrastructure is not adequately located within the LED strategy. It was also found that most of the municipalities in the Free State do not have LED strategy. Proposals for further study on poverty eradication strategies by the municipalities are made.

Chapter 1

Introduction

KEYWORDS

Developmental role, fighting poverty, Local Government, Development, Underdevelopment, Local Economic Development, Cooperative Governance, Free State Economic Strategy, Integrated Development Plan.

1. INTRODUCTION: PROBLEM STATEMENT AND RESEARCH METHODS

Aliber *et al* (2005:2) wrote that South Africa has been subjected to conquest, dispossession, imperialism and colonialism, and more recently to national liberation and development. This has produced an economy categorised, on the basis of *per capita* Gross Domestic Product (GDP), as middle income. Authors correctly concluded that this characterisation masks the hugely disparate circumstances under which South Africans experience their country. The breakdown of apartheid did not immediately translate into improved material conditions for the majority of South Africans. Three hundred years of colonialism, and fifty of internal colonialism, had hard-wired a duality into the system, whereby two domains coexisted: on one hand, a globally integrated world of production, exchange and consumption, and on the other, a constrained world of informality, poverty and marginalization.

Genuine economic development implies not only growth, but also persistent and measurable progress and social improvements for the poor and resource-weak groups in a society. This progress and the improvements concern not only incomes, but all aspects of the poverty complex. In this connection it is

emphasised that being poor in a developing country is not just synonymous with inferior purchasing power-there is a whole range of other symptoms associated with poverty (Martinussen 1997: 298).

Harrison *et al* (2003: 251) critique the manner in which sustainable development and service delivery have been addressed. Since homelessness and poverty are the most glaring sustainability issues in South Africa, a number of such Non Governmental Organisations (NGOs) and Community Based Organisations (CBOs) have focused on housing, social services, job creation and the related environmental challenges which can be addressed through housing delivery and habitat management. However, most of these initiatives are implemented on a project-by-project basis without significant synergy or impact on the broader housing delivery programme and urban development agenda. Although the authors refer to the CBOs and NGOs, similar lack of synergy is applicable to the spheres of government.

The vision and mission for local government in South Africa are outlined in the White Paper on Local Government. The White Paper described a developmental local government as committed to work with citizens to find sustainable ways to meet their social, economic and material needs and improve the quality of their lives. The White Paper on Local Government (1998: 45) provides that local government can play an important role in promoting job creation and boosting the local economy. Investing in the basics-by providing good quality cost-effective services and by making the local area a pleasant place to live and work-is the key starting point. The White Paper further calls for the review of the existing legislation which impedes Local Economic Development.

The White Paper on Local Government (1998:45) provides that local government can play an important role in promoting job creation and boosting the local economy. Investing in basics-by providing good quality cost-effective services

and by making the local area a pleasant place to live and work-is the key starting point. However, two other types of initiative are important:

- Reviewing existing policies and procedures to promote local economic development.
- Provision of special economic services.

Under the Constitution, municipalities have been tasked with major developmental responsibilities to ensure that the quality of life for its citizens is improved. The new role for local government includes provision of basic services, creation of jobs, promoting democracy and accountability and eradication of poverty. Preparing and having the IDP therefore enables the municipality to be able to manage the process of fulfilling its developmental responsibilities (IDP Guide Pack Guide 0 page 7).

Municipal Systems Act, 2000, (Act 32 of 2000) requires all municipalities to adopt a single, inclusive plan for the development of the municipality which:

- links, integrates and coordinates the plan and takes into account proposals for the development of the municipality;
- aligns the resources and capacity of the municipality with the implementation of the plan;
- forms the policy framework and general basis on which annual budget must be based; and
- is compatible with national and provincial development plans and planning requirements that are on the municipality in terms of legislation.

The Act lists the core components of the IDP. These include, *inter alia*:

- developing a long-term vision for the development of the municipality, with special emphasis on the municipality's most critical developmental and internal transformation needs;
- assessing the existing level of development in the municipality and identifying communities which do not have access to basic municipal services;
- setting out development priorities and objectives for Council's elected term, including its local economic development aims and its internal transformation needs; and
- development strategies which are aligned with national and provincial sector plans.

Municipalities in the Free State Province are accordingly faced with the mammoth task of delivering basic services to the communities. Poverty alleviation is crucial in realising this objective. There are, however, impediments in this developmental mandate of the municipalities. These emanate from the capacity of the municipalities and the theoretical foundation of the Local Economic Development as one of the strategies for development. The economic strategies of the national and provincial spheres of government are not entirely linked to the municipal Local Economic Development strategies. According to Hemson (2004: 20), some of the constraints in service delivery are based on the policy and strategy. The priorities in spending are not easily reached and often take the form of long debates between councillors and among officials. Municipal strategies can often be contradictory in the situation where their plans are not adequately provided for in the budget. The synergy between the strategies in all spheres of government has been evaluated.

There is a constitutional mandate and justification to fight poverty in the municipalities. Mahlatsi (2005: 13) expresses the view that the Constitution has ushered in a new vision of government in which the local government sphere is interdependent, inviolable and possesses the power with which to define and express its unique character subject to constraints permissible under the Constitution. In terms of section 23(1)(a) of Municipal Systems Act, No 32 of 2000, a municipality must undertake developmentally-oriented planning so as to ensure that it, *inter alia*, gives effect to the developmental duties as required by section 153 of the Constitution. The issue is how municipalities in the Free State meet this constitutional mandate. Various theories of development and underdevelopment are essential in locating the developmental role of the municipality into a proper context. The causes of underdevelopment and dependency will also be discussed from the Neo-Marxist point of view. The point is that poverty in our municipalities is not exclusive from the overall underdevelopment caused by the capitalist mode of production.

The serious challenge facing municipalities is that they cannot raise enough revenues to meet objectives. By implication this means that the municipalities cannot fight poverty alone. They must join hands with the other spheres of government and the private sector to realize the developmental objectives. Chapter 3 of the Constitution deals with the principles of co-operative governance and intergovernmental relations. In terms of section 41 of the Constitution, all spheres of government and all organs of state within each sphere must, *inter alia*, co-operate with one another in mutual trust and good faith by assisting and supporting one another.

The principle of cooperative government deals directly with the issue of development that is sustained by the people themselves. The will of the people as a whole, which manifest itself- through national elections- in a national government, must influence and sustain the development efforts of a

municipality. And *vice versa*, the will of the people as a community, which manifests itself-through local elections-in a local government, must influence and sustain the development efforts of national government (De Visser 2005: 72).

There is also a theoretical challenge in locating the economic development in the province and nationally. This also contributes to a larger extent to the confusion in the municipality as to which economic strategy is appropriate to fight poverty. There is no proper direction as to muster cooperative governance in fighting poverty. This has been revealed by lack of joint planning by the municipalities and the various organs of government in the Province. For example, a government department may have a certain plan in a particular municipal area. Very often that plan is not reflected in the municipal Integrated Development Plans (IDPs). Intergovernmental relations are properly legislated but the issue is how best we can meet the developmental challenges within the context of intergovernmental relations. Steytler *et al* (2003: 7) conceded that local government is a major developmental arm of the State.

Most of the municipalities in the Free State do not have a separate strategy or plan on poverty alleviation. If they do it is not necessarily realistic in terms of the financial constraints and other practical realities. In most cases the municipalities rely on their IDPs to meet their developmental objectives, including fighting poverty. It will be proposed that the special focus on fighting poverty is imperative. The municipalities have the legislative and the executive powers to channel their resources in fighting poverty. It will be proposed that these powers need to be exercised in the manner that they give effect to the Local Economic Development.

De Visser (2005: 103) is of the view that IDP process is intended to be the cornerstone of any municipality's activities. Municipalities have great influence over local economic development and it should work in partnership with local

business to improve job creation. It is not the role of local government to create jobs but the role of the municipalities is to ensure that conditions are conducive for the creation of job opportunities. For example, the procurement policies of the municipalities may provide that the local communities are preferred when tenders are awarded and to make it compulsory for training of the local small business entrepreneurs.

Shilowa (2004:28) expressed the view that due to the complexities in the municipal government structures and the fact that most of the municipalities were designed along racial lines it took much longer to create non-racial and democratic local government structures. The ushering of the new dispensation has put local government at the cutting edge of development. Poverty alleviation is a key challenge facing the municipalities in the Free State. An integrated approach to service delivery and poverty alleviation is important for the co-ordination and proper location of government resources. The strategies of the government in fighting poverty are questionable and that a proper workable solution will be recommended in addressing the issue of poverty. The legal framework of local government in poverty alleviation is clear; the problem lies with the strategies and policy formulation by the municipalities.

2. RESEARCH QUESTIONS

The following research question flow from the problem statement outlined:

- What is poverty and poverty alleviation?
- What are the respective roles of the three spheres of government and organs of the State in the Free State Province in poverty alleviation?
- How do municipalities in the Free State fulfil their developmental role of fighting poverty?

- What are the constraints that hinder the vision and mission of developmental local government?
- What recommendations can be proposed to promote poverty alleviation by the Free State municipalities?

3. RESEARCH OBJECTIVES

The policies of government in poverty alleviation have necessitated this study.

The following objectives are being pursued by this study:

- to give a theoretical exposition of what poverty and poverty alleviation in the Province entail;
- to examine the different roles of the national, provincial and local spheres of government in the Province in poverty alleviation;
- to review the developmental roles/mandates of the municipalities in the Free State in fighting poverty;
- to assess the constraints that hinder the municipalities in the Free State to fulfil its developmental mandate;
- to propose recommendations for government action and for further research on the developmental role of local government in fighting poverty.

4. HYPOTHESIS

The following statement has been drawn as a central theoretical statement:

- The policies of the government in fighting poverty are confusing and there is no integrated approach between the municipalities in the Free State and

between the municipalities and other spheres of government in the Province.

5. METHOD OF INVESTIGATION

A wide variety of sources has been used to obtain a broader theoretical basis of the study. These sources include literature study, survey, interviews and practical research.

5.1 Literature Study

A diversity of literature (books, journals, internet, policies, IDPs and statutes) were consulted to serve as a theoretical foundation of the developmental role of local government in fighting poverty.

The following data bases will be consulted to ascertain the availability of study material for the purpose of this study:

- Catalogues of books: North-West University libraries.
- Catalogue of thesis and dissertations of South African Universities.

5.2 Survey

Questionnaires on municipal strategies on poverty alleviation were given to Municipal Managers in selected municipalities in the Free State Province. The other questionnaires were given to Senior Managers in the municipalities responsible for economic development. An analysis was done in a form of tables specifying the number of respondents to each question.

A list of municipalities was compiled. Selection was done such that different categories of municipalities are covered, both local and district in the Free State.

5.3 Interviews

Person to person interviews were conducted with the Municipal Managers and senior managers in the Free State municipalities. Once the questionnaires were sent out, interviews were be arranged and conducted with the selected municipalities to discuss the questionnaire (either telephonically or personally), as well as any additional information these municipalities could supply that could be of assistance.

5.4 Participant Observation

The researcher is a local government practitioner (Municipal Manager of Metsimaholo Local Municipality) and has been involved with the formulation of policies in this field. In addition to this the researcher has published widely on issues affecting local government. Participant observation is preferred since it is the most unobtrusive data collection technique. These involvements in the management of a municipality have provided rich insight into the functioning of municipalities in the Free State and had made this study possible and successful.

5.5 Data interpretation

Data collected were interpreted to find any similarities between design methods and the municipalities that use it. The data acquired were evaluated in conjunction with all other information acquired via resources such as the internet and literature available, followed by suggestions.

6. CHAPTER OUTLINE

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Chapter 1: Introduction: Problem Statement and Research Methods

Chapter 2: The Concept of Underdevelopment and Poverty

Chapter 3: The legal framework of the local government in South Africa

Chapter 4: Constraints to poverty alleviation by municipalities in the Free State

Chapter 5: Evaluation of poverty alleviation strategies at municipalities in the Free State

Chapter 6: Summary, Findings and Recommendations

CHAPTER 2

THE CONCEPT OF UNDERDEVELOPMENT AND POVERTY

2.1 Introduction

South Africa experience high levels of poverty and extreme disparities in income, wealth and opportunity. This is best displayed by the confluence of two distinct processes: first, South Africa's own particular history up to 1994, and second, the changes in the global economic environment in the second half of the twentieth century. The concept of poverty/underdevelopment has to be located within a particular historical context. The point of departure is that the breakdown of apartheid did not immediately translate into improved material conditions for the majority of South Africans.

This chapter examines the culture of poverty from historical context. South African history has been characterized by imperialism, colonialism, apartheid colonialism and globalization. The apartheid policies and other racial segregation laws have a direct bearing on the wealth redistribution and wage issues. Wealth inequality also implies inequality in the vulnerability of households when encountering economic or personal crises.

It is submitted that in dependency theory an explicit link exists between development/underdevelopment and the historical process of capitalism. Capitalism is conceptualized as having an imperialist character, which is an inherent force that operates to undermine and disrupt the development of other countries. Poverty line is going to be evaluated and that it will be argued that no poverty line is therefore truly objective. Poverty can be viewed in absolute and relative terms.

If the concept of poverty, in its definitional dimensions, is to be useful at all, it has to be restricted to those human needs whose satisfaction depends on economic conditions, that is, that are structurally determined. Otherwise, poverty gets confused with other dimensions of human suffering or human disadvantage. The economic profile of the Free State Province will also be evaluated to enable us to understand the challenges facing the province in poverty alleviation.

2.2 Globalisation, Imperialism and Colonial Conquest

According to Aliber et al (2005: 2), South Africa still experiences high levels of poverty and extreme disparities in income, wealth and opportunity. This can best be understood as the result of the confluence of two distinct processes: first, South Africa's own particular history up to 1994, and second, the changes in the global economic environment in the second half of the twentieth century, including the emergence of "ideological globalization".

South Africa's development, and in particular the development of its dual economy, is a mirror image of the evolution of the current world system. Our country has been subjected to conquest, dispossession, imperialism and colonialism, and more recently (and more happily) to national liberation and development. This has produced an economy categorized, on the basis of per capita Gross Domestic Product (GDP), as middle-income. However, this aggregate characterization masks the hugely disparate circumstances under which South Africans experience their country.

The European presence in South Africa dates from 1652, when a port was established at the Cape to facilitate trade with the East. From the beginning, European mercantile interests took precedence. As the settlement expanded, primarily through agriculture, property rights at odds with existing customs were

imposed on the indigenous people. The initial phase of colonialism was characterized by competition and conflict with local producers, especially of agricultural products. Subsequently, as the colonial power expanded to exploit South Africa's rich natural and mineral resources, racist ideology conspired with economic self-interest to turn the country's black majority into a pool of cheap labour. A massive apparatus of control and repression was created, attaining its highest form in the apartheid state (Aliber et al 2005: 3).

A bourgeoisie similar to that which developed in Europe is able to elaborate an ideology and at the same time strengthen its own power. Such a bourgeoisie, dynamic, educated, and secular has fully succeeded in its undertaking of the accumulation of capital and has given to the nation a minimum of prosperity. In underdeveloped countries, we have seen that no true bourgeoisie exists; there is only a sort of little greedy caste, avid and voracious, with the mind of a huckster, only too glad to accept the dividends that the former colonial power hands out to it. It remembers what it has read in European textbooks and imperceptibly it becomes not even the replica of Europe, but its caricature (Fanon 1963:175).

According to Coetzee and Graaff (1996: 226), development/underdevelopment is a historical process. The specificity of this history is the formation of the mode of production-and, for Marxism, the capitalist mode of production. Underlying history is the much more fundamental process of contradiction, the continuous tension within class struggle. But this historical formation is within totality and is subsequently, through the dialectical logic, teleological. Thus, the analysis of development operates within a metanarrative.

Slaughter (1985:28) is of the view that development and underdevelopment are an inevitable epochs in the history of humankind. Every social system in history, capitalism included, has appeared on the scene not accidentally or by an act of will, but as historically necessary. Terreblanche (2002:35) submitted that the

political and legal empowerment of blacks since 1994 has not automatically translated into socio-economic empowerment. While political transformation has been a necessary condition for social upliftment and eradicating poverty, it is not a remotely sufficient condition for attaining these goals. Eight years after the political transition, changes in the distribution of socio-economic power have mainly benefited the plus minis 10 million blacks in the two bourgeois classes, and has had hardly any effect on the 22,5 million blacks in the middle lower and lower classes. The 7.5 million in the upper lower class may have benefited only marginally.

The breakdown of apartheid did not immediately translate into improved material conditions for the majority of South Africans. Three hundred years of colonialism, and fifty years of internal colonialism, had hard-wired a duality into the system, whereby two domains coexisted: on the one hand, a globally integrated world of production, exchange and consumption, and on the other, a constrained world of informality, poverty and marginalization. These two worlds may be conceptualized as the first and second economies (Aliber et al 2005: 3).

In South Africa, the colonial and apartheid policies of forced removal, expropriation and discriminatory property laws produced an extraordinary concentration of financial, land and physical capital in the hands of a small White segment of the population. South Africa's income poverty and inequality have increased during recent years, with empirical studies showing that there is a large segment of initially poor households that have either held steady or fallen behind (Adelzadeh and Ohiorhenuan 2003: 72).

It is clear that globalization, imperialism and colonial context play an important role in the analysis of the process of poverty and underdevelopment. They have a direct bearing on the concept. For more than three hundred years of colonial conquest, the black majority did not have access to the wealth of the country.

The task of reversing this reality is not an easy one. Hence the advent of the new dispensation could not be interpreted in such a way that the majority of South Africans will have economic power. The actual saying is that the people's power or political power does not necessarily mean economic power.

2.3 Analysis of Poverty and Underdevelopment

Magasela (2006: 49) is of the view that the state of being in poverty is directly related to a lack of acceptable quality of life. As being poor in an unacceptable and undesirable state, defining poverty is a statement that has its basis in the dominant political, economic and social ideology in a society. This ideology is central in informing how poverty is understood and how, when research on poverty is undertaken, poverty is conceptualised. Furthermore, definitions of poverty inform those in power how to source and allocate resources directed at its eradication, while different definitions of poverty require different policy responses.

Mills (2002:87) acknowledged that there is a major problem with the concept of poverty/underdevelopment that has so many attributes varying in both time and space. Most attempts to measure poverty are forced into simplification and the use of poverty indicators or surrogates, which are rarely brought together in a way that reflects the real complexity of poverty. The problems are compounded by "us" and "them" attitudes, i.e. by social researchers who make up their minds what measures must truly reflect poverty without asking poor people themselves, often on the grounds that most poor people cannot adequately articulate their own problems, particularly in rural areas where educational standards in many countries are low. The bottom line is that poverty/underdevelopment is a concept that exists and that it cannot be defined in vacuum without involving the people experiencing it. It is therefore not an academic exercise.

According to Borat et al (2001: 5) in 1973, the first oil shock began an era of prolonged recession and a structural crisis from which the South African economy is still trying to recover. Economic growth rates dipped below the population growth for most of this period, and per capita income declined by 15% from 1974 to 1993. Seligson and Passe-Smith (1998:224) discuss the concept of the culture of poverty. They are of the view that some of the confusion results from the failure to distinguish between poverty per se and the culture of poverty, and from the tendency to focus upon the individual personality rather than upon the group-that is, the family and the slum community. According to Mills (2002:87), in 1985 a World Bank report claimed that there were over 1 billion poor people in the less developed countries, of whom 180 million were in Sub-Sahara Africa (without South Africa). By the 2000 it was thought that the world total would be reduced to 825 million while Sub-Sahara Africa total would have increased to 265 million.

2.4 Marxist Perspective

In terms of Marxist analysis, in particular, the dynamics of underdevelopment and development are to a large extent determined by external relations. Production and reproduction processes are, so to speak, *extraverted*. The reasoning behind the model is that the economic process in a peripheral economy can be divided into two main categories: the capitalist and the non capitalist (Martinussen 1997: 102).

Underdevelopment has been conceptualized in much the same way as his contemporary non-Marxist economists. It has been emphasized that the backward countries were characterized by dual economies: on the one hand they comprised large productivity of labour close to zero; on the other, they had small industrial sectors with a high level of productivity (Martinussen 1997: 86).

Coetzee and Graaff (1996: 109) are of the view that the dependency approach proceeded too easily from a recognition of the unequal development of capitalism between nations to the (functionalist) conclusion that underdevelopment was "imposed" on the "periphery" to resolve the problems of capitalism in the "centre". The era of imperialist control over the colonies, it was argued, facilitated the construction of international laws and treaties covering prices, currency rates, and financial agreements.

Simons and Simons (1983:617) explained that radical socialists in the early part of the century took the Marxist view that capitalists and workers belonged to mutually antagonistic classes. A social class in Marxist theory comes into existence when persons who perform the same function in the production process become aware of their common interests and unite to promote them against the opposing class.

Li and Zhu (2005:33) argue that over the lifetime of capitalism, it has gone through several stages of development. Within each stage of development, there were certain institutions that tended to promote capital accumulation and effective functioning of the capitalist economic, political, social, and ideological systems. The institutions were appropriate given the specific historical conditions prevailing at the time. However, overtime and exactly because of the successful operations of the existing institutions, the underlying economic, social, ideological, and political conditions tended to change and the existing institutions became increasingly inappropriate.

2.5 Absolute and Relative Poverty

Absolute poverty is defined by reference to a certain quantitative measure which is used to define the poor from the non-poor. It is usually based in the cost of purchasing a minimum 'basket' of goods required for human survival. Poverty

can be viewed in absolute and relative terms. Absolute poverty refers to subsistence below minimum, socially acceptable living conditions, usually established based on nutritional requirements and other essential goods. Relative poverty compares the lowest segments of pollution with upper segments, usually measured in income quintiles or deciles (Frye: 2005:3).

Cole (1987:4) warned that the terms used with regard to development a number must be examined and if possible defined. He cited examples like rich and poor countries defining development/underdevelopment on the bases of gross national product. The third world has also been used to define the underdeveloped countries. Another common classification of countries is into industrialised (or mordenised) and non-industrialised countries. Strictly speaking, every country in the world except the smallest has some industry.

Adelzadeh and Ohiorhenuan (2003: 13) are of the view that the ultimate aim of economic growth and development is to improve the standard of living of the population. Against the background of a growing population, the significant deterioration in South Africa's growth performance between the 1970s and mid-1990s meant a serious decline in real per capita growth rate until 1994. The average annual real per capita growth was 2.9 per cent during the 1970s. It was negative 0.6 per cent between 1990 and 1994. Between 1995 and 2002, the average annual real per capita growth was positive again, at 0.67 per cent.

2.6 Poverty and Inequality

In their report, May *et al* (1998: 3) indicated that inequality can be defined in terms of being the opposite of "equality", a state of social organization that enables or gives equal access to resources and opportunities to all members. However, there are a number of possible objectives for policy aimed at reducing inequality, such as increasing the relative income share of the least well-off,

lowering the income 'ceiling' (the income earned by the most well-off), facilitating upward mobility, promoting economic inclusion, avoiding perpetuation of the advantages conferred by wealth, and achieving more favourable comparisons against international yardsticks.

Adelzadeh and Ohiorhenuan (2003: 72) asserted that there are at least three reasons why the distribution of wealth is an important factor in explaining inequality. First, ownership of financial wealth is a significant source of income: inequity in the distribution of dividends, interest, rent and other income received by wealth owners. Second, wealth provides security: a wealthier household is better able to survive interruptions in income or expensive emergencies. Finally, wealth brings its owners political and economic power in several forms-although the exact nature of that power remains controversial.

The concentration of wealth plays an important role in the theoretical and empirical literature on some sources of poverty and inequality. Control of society's wealth has long been associated with unequal power relations between social classes. This, in turn, expresses itself in terms of an exploitative relationship that results in widening income and wealth inequalities as more and more wealth is amassed by the wealthy in the process of accumulation. Wealth inequality also implies inequality in the vulnerability of households when encountering economic or personal crises. It has been shown that modest personal wealth makes it possible to overcome the economic problems of temporary unemployment, illness or accident, while the absence of wealth allows small crises to develop into long-term losses.

Roberts (2005: 489) writes that in South Africa poverty is correlated with certain vulnerable groupings. Female-headed households are over-represented among the poor, with substantially higher poverty rates among *de iure* and *de facto* female headed household than for households with a resident male head. Some

of the factors underpinning these gendered differentials include the greater probability that female headed households are rural based, where poverty is concentrated, with fewer adults of working age in female-headed households, higher female unemployment rates, and the persisting wage gap between male and female earning.

Ramney (2005: 409) asserts that apartheid laws mostly cramped black economic activity in the homeland areas, and black ownership of property in most of South Africa was prohibited for decades. This, combined with persistent poverty, should mean that whites own most of the housing in traditional residential areas. In 1994 it was expected that a rapid influx of black buyers would boost housing prices massively. The house price boom did not come. Instead, a housing market recession plunged house prices to the levels so low it was joked that either South Africa had the cheapest houses in the world, or the most expensive cars.

2.7 Labour Relations

Adelzadeh and Ohiorhenuan (2003: 74) clearly indicate that there is also a problem with regard to the wage gaps. They wrote that overall earnings inequality grows when real earnings rise for high-income workers, but fall for those at the bottom. A number of factors usually contribute to rises in earnings inequality. Among these are: a sustained slowdown in growth; change in technology that produces dualism between leading and lagging sectors; demographic changes, decline in entry level wages and labour shift from manufacturing into services, where there is a relatively low average and high variance of wages.

Other factors with considerable influence on a trend rise in earnings inequality include: pursuit of flexibility in different aspects of business operations; the growing importance of part-time and other contingent workers, attempts to

reduce wages and avoid unions; contracting out, and the restructuring of full-time into part-time jobs. All of these changes are likely to increase inequality in the distribution of earnings. Similarly, unemployment is a particularly important factor wage inequality: a large unskilled army of unemployed helps keep the wages of this group low, while the earnings of the small skilled portion of the labour force continue to rise (Adelzadeh and Ohiorhenuan 2003: 74).

May *et al* (1998:4) reported that in measures of human development such as life expectancy, infant mortality and adult illiteracy, South Africa compares unfavourably with several other middle-income countries. These indicators also vary widely by race group, gender and geographical location within the country, however. Such comparisons are supported by use of the Human Development Index (HDI), an indicator constructed to determine the extent to which people live long, informed and comfortable lives, and which combines measure of life expectancy at birth, education levels, and standard of living. The HDIs for South Africa, its nine provinces and four population groups can be compared with those of other countries. The Western Cape and Gauteng, as well as the White and Indian population groups, fall within the HDI range equivalent to 'high human development'. The other provinces, together with the coloured and African population groups and the HDI for South Africa as a whole, fall within the 'medium human development' range.

Altman (2005: 423) submitted that jobless growth generally indicates that the gross domestic product is growing, while employment is stagnant or falling. But job-creating growth is not merely a situation where employment is rising. To identify job-creating growth, we need to define what stagnant employment growth means. Altman (2005:424) further argued that the rate and scale of employment creation needs to be measured in relation to the size and the average growth of the labour force. If these are not growing in line, then

unemployment will rise. So, employment may be rising, but by such a small amount relative to the labour force that it might still be thought of as stagnant.

Butler (2004:69) is of the view that the poor, on a class interpretation, are poor not because they are Black, but rather because they live in households with very low income, either because none of its members have a job, or because whatever jobs they have pay extremely low wages. According to May et al (1998:5), most of the poor live in rural areas: while 50% of the population of South Africa is rural, the rural areas contain 72% of those members of the total population who are poor. The poverty rate (which is the proportion of people in a particular group or area falling below the poverty line, and which measures how widespread poverty is) for rural areas is 71%. The poverty gap (which is the annual amount needed to uplift the poor to the poverty line by means of a perfectly-targeted transfer of money, and which measures how deep or intense poverty is) was about R28 billion in 1995, and 76% of this was accounted for by the rural areas.

2.8 Gender Equality

Butler (2004: 82) correctly submitted that gender equality is important not merely because human rights are premised on equal worth of all human beings but for the more pragmatic reason that greater gender equality is essential to the reduction of poverty. In South Africa, as in other countries, there are numerous impediments to women's exercise of their human rights and poverty impacts disproportionately on women. Their access to health services is poor. They are subject to sexual harassment and violence, have poor access to justice, and lack productive opportunities. They have primary responsibility for household maintenance and physical labour. A variety of traditions, cultures, and religions systematize and legitimize their exploitation.

Altman and Mayer (2003:16) are of the view that as the ultimate objective of employment creation is to reduce household poverty; it is relevant that research has demonstrated that income earned by women is more likely to reduce household poverty than income earned by men. In the case of income pension, a recent study found that the relationship between transfer receipt and a reduction in child malnutrition is particularly strong where the pension recipient is female, but almost negligible where the recipient is male.

According to Pape (2001:10), from a gender perspective the alleged need for the state to cut tariff income, the very neo-liberal vision of the state revenue may be due to reduced tariff income, the very neoliberal delivery and production. Ultimately, this approach undermines a range of state activities which advance gender equity by subsidizing or supporting social reproduction.

2.9 The Relationship Between Economic Exploitation and Poverty

According to May et al (1998: 13), unemployment is a significant contributor to poverty, and a broad definition of employment would include 30% of economically active South Africans. Unemployment rates tend to be highest among Africans, in rural areas, among women and the youth, and among those with no previous work experience. There is a strong link between unemployment and poverty: using the broad definition of unemployment, in 1995 the rate of unemployment was 59% among the poorest quintile (fifth) of the population, compared to 5.5% among the richest quintile. With respect to the characteristics of the people in the poorest quintile, 93% of the unemployed poor are Africans, 56% are female, 70% are below the age of 35, 58% are from rural areas, 50% have completed primary education or less, and 72% have had no previous job experience. Of the unemployed poor who have work experience, 78% are in the major occupational categories 'elementary occupations' (e.g.

domestic workers and farm workers) and 'craft and related trade' (which includes construction workers and mine workers).

There are six basic categories of unemployed poor, each requiring a different strategy from government in order to effectively address their situation:

- poorly educated rural unemployed (28%);
- poorly educated urban unemployed (13%);
- young unemployed with no labour market experience (36%);
- long-term unemployed with no labour market experience (6%)
- those with labour market experience and some education (15%); and
- highly educated unemployed poor (1%).

May *et al* (1998: 12) provide that high levels of poverty prevail in rural areas, and agricultural workers are among the poorest households. Average wages in agriculture are well below the minimum living level, workers' educational qualifications are low, they have few other resources, and they demonstrate little mobility on the labour market. The vulnerability of farm workers is increased because they rely on their employers not only for employment and wages, but also for services such as schools, housing, electricity, medical facilities, water and transport. Consequently, changes in the number and quality of employment of farm workers is one way to impact significantly on poor rural households. The key to addressing poverty in the agricultural sector is to increase employment through the use of labour-intensive technologies, improve the conditions of employment of farm workers, and increase support to small farmers through extension services and research on appropriate production methods.

The mining sector also employs a large number of vulnerable workers. Because the sector has historically depended on rural labour from all over Southern Africa, its impact has ramifications beyond the employees themselves, who

support many dependants on wages generally lower than the average wage in manufacturing. The key issues with respect to mining are its declining role and the impact this is likely to have on rural unemployment and the households that depend on mine remittances for survival. Furthermore, addressing the historical racial inequalities in access to higher skill levels and wage employment, as well as the general quality of employment of lower-end mineworkers, is essential (May *et al* 1998: 12).

Members of the poorest half of the population are still relatively uneducated, unskilled, without formal jobs, and deprived of information about their rights and opportunities. They are unorganized, and-except in a few isolated instances-unable to exert pressure on the government. Their basic human needs remain largely unmet, perhaps even more so than in the past. Most own no property, not even household goods. They have no reserve funds at their disposal. Because of the absence of contemporary assets (such as infrastructural services) and a scarcity of opportunities, they cannot take advantage of the few assets they do own. Although younger people have received (and are still receiving) much better schooling than their parents, they do not have reasonable prospects of finding formal jobs. An important reason for the powerlessness of the poor is that civil society organizations in their communities are either poorly organized or non-existent (Terreblanche 2002:35).

The high and growing rate of unemployment reflects the increasing vulnerability of South Africa workers and their families. Substantively, data from household survey in 1995 and 2001, reflected in income quintiles, show that 87 per cent of the bottom 40 per cent of South African households had no or no working family member and relied heavily for their livelihoods on pensions or remittances in 2001 (Adelzadeh and Ohiorhenuan 2003: 20).

These extremely high levels of unemployment may detract attention from the fact that being employed does not necessarily mean having full or adequate employment. Africans are heavily over-represented among the underemployment, and more women than men are time-related underemployed, as they are more heavily represented in part-time work. Low-quality jobs are prevalent in the economy and are associated with low individual and household income. A very large 'ghetto' in the South African labour market, low-quality jobs carries the usual demographic markings that are the legacy of apartheid (Adelzadeh and Ohiorhenuan 2003: 21).

The income inequality is rife and therefore it cannot be ignored in dealing with poverty and underdevelopment. The poor are the majority and their income is far less than the few who are earning more wages. This is so across the racial lines. The fact that rural/urban inequality also plays a mayor role indicates that there whole issue of integrated development is even more relevant to address the poverty. Although cheap labour has been outlawed in South Africa it cannot be said that wage gaps or low wages has been properly been dealt with in practice.

2.10 Provincial Poverty Rates

Poverty is distributed unevenly among the nine provinces. Provincial poverty rates are highest for the Eastern Cape (71%), Free State (63%), North-West (62%), Northern Province (59%) and Mpumalanga (57%), and lowest for Gauteng (17%) and the Western Cape (28%). Poverty is deepest in the Eastern Cape, Free State and Northern Province, which together make up 36% of the population but account for 51% of the total poverty gap. Poverty is not confined to any one race group, but is concentrated among blacks, particularly Africans: 61% of Africans and 38% of coloureds are poor, compared with 5% of Indians and 1% of whites. Three children in five live in poor households, and many

children are exposed to public and domestic violence, malnutrition, and inconsistent parenting and schooling. The child risk of poverty varies widely by province: in the Eastern Cape 78% of children live in poor households, compared with 20% in Gauteng (May et al 1998:5).

May et al (1998: 6) reported that during the 1960s the South African economy grew at about 6% per annum, while total employment grew by nearly 3% per year (about the same rate as population growth). During the 1970s and 1980s, however, a serious slowdown occurred in the growth of both output and employment, while population growth continued at around 2% per year. Consequently, real per capita incomes decline during much of the 1980s, a marked degree of income inequality and widespread poverty persisted, and unemployment rose to high levels. Almost 30% of the labour force were unemployed in 1994 and, as mentioned in Section 2 of this report, unemployment is strongly correlated with poverty and is particularly severe among the African population.

Without rising real output per capita (i.e., economic growth) little progress in the reduction of poverty is likely. This could exacerbate social conflict, which in turn could further undermine economic growth, and so on. Rebuilding and strengthening the economy is thus one of the key foundations of the government's Reconstruction and Development programme (May *et al* 1998:6).

High levels of poverty prevail in rural areas, and agricultural workers are among the poorest households. Average wages in agriculture are well below the minimum living level, workers' educational qualifications are low, they have few other resources, and they demonstrate little mobility on the labour market (May *et al* 1998:6).

Provincial poverty headcount ratios are generally what one would expect with the Eastern Cape and Limpopo reporting the highest ratios and Gauteng and Western Cape reporting the lowest values. The standard errors on some of the estimates are quite high. In five of the nine provinces, it can reasonably be assured that the headcounts ratio rose between 1995 and 2000. In three others, the probable movement is downwards. In one province no clear movement can be discerned.

2.11 An Overview of the Free State Economic Profile

Historically, the economy of the Free State has been based on mining and agriculture, with other sectors developing largely in support of these two primary activities. However, the contribution of agriculture and mining to GDP has decreased since 1981. Not only did the contribution of these two sectors to the GDP decline, but both sectors also recorded large-scale job losses. In the case of agriculture, the contribution to GDP decline from a contribution of 26.5% in 1980 to 18,8% in 2001. This decline comes despite a moderate increase in growth between 1996 and 2001. In the mining sector a decline occurred from 27.3 % of GDP in 1980 to 8.1% in 2001. Sectors that have shown a steady increase since 1980 are the manufacturing industry, trade and catering, finance and real estate and community services (Nel *et al*/2004: 25).

According to the Free State Provincial Growth and Development Strategy 2005-2014 FSGDS (2005:13) The Xhariep District is dry with extensive farming, mainly sheep and small platteland towns. The district comprises open grasslands. The southern border is the Orange River, which was called the Gariiep by the indigenous Khoikhoi people. The Gariiep dam is one of the major tourist attractions, as it offers a variety of accommodation and leisure facilities, which are mainly centred around water sports.

The Motheo District, with the large population of Bloemfontein, servicing most of central South Africa, plus Botshabelo and Thaba Nchu. The district mainly comprises open grass field, with mountains in the easternmost parts. The main urban centre is Bloemfontein (now in Mangaung Local Municipality), which is also known as the "city of roses". The city is the trade and administrative hub of the province, and boasts a university, the provincial government, large military facilities and the Supreme Court of Appeal of South Africa. The city also has a rich history that includes the founding of the ANC in 1912, and the founding of the National Party in 1914 (FSGDS:2005:14).

The Thabo Mofutsanyana District has beautiful hills and fruit farming. This district forms the eastern part of the province, and borders the Kingdom of Lesotho and KwaZulu-Natal. The district includes Qwaqwa, which is one of the former Bantustans. The district is one of the most important tourist destinations in the Free State, mainly because of the spectacular scenic beauty of the Drakensberg and Maluti mountain ranges (FSGDS:2005:14).

Fezile Dabi District was formerly known as the Northern Free State District. This district is an important agricultural production area, particularly for maize, and is known as the grain basket of South Africa. The Vaal Dam is the main source of water for Gauteng, and offers a wide profile of sport and leisure facilities. The district also has other attractions such as the Vredefort Dome, which is the largest meteorite site in the world (200 km in diameter), and various San paintings. The most important towns are Sasolburg and Kroonstad. Sasolburg has significant strategic importance for South Africa, as it is the location of large chemical and synthetic fuel plants (i.e. the Sasol plant). Kroonstad is an important agricultural and administrative centre in the district (FSGDS:2005:15).

The Lejweleputswa District, is the major contributor to the Free State Gross Geographic Product (GGP), and is also an important agricultural area. The

district is predominantly known for the Free State Goldfields, which forms part of the larger Witwatersrand basin. The first gold was discovered in the early 1940s. Welkom was specifically designed for the gold mining community, and is one of very few cities in the world that was designed to completion before any development took place. Development of the city started in 1947, and the first gold in the area was produced in 1951. By 1992, the goldfield had produced 7 360t of gold from some 20 mines. As such, the economy of the area is built around the gold mining industry, followed by maize production. Bothaville is considered one of the most important maize centres in South Africa, and also forms part of the Free State Maize Route (FSGDS 2005:15).

2.12 CONCLUSION

South Africa's development, and in particular the development of its dual economy, is a mirror image of the evolution of the current world system. Our country has been subjected to conquest, dispossession, imperialism and colonialism, and more recently (and more happily) to national liberation and development. This has produced an economy categorized, on the basis of per capita Gross Domestic Product (GDP), as middle-income. However, this aggregate characterization masks the hugely disparate circumstances under which South Africans experience their country.

It was noted with interest how the Marxist perspective on development / underdevelopment defined it as a historical process. Underlying history is the much more fundamental process of contradiction, the continuous tension within class struggle.

Poverty is deepest in the Eastern Cape, Free State and Northern Province, which together make up 36% of the population but account for 51% of the total poverty gap. Poverty is not confined to any one race group, but is concentrated

among blacks, particularly Africans: 61% of Africans and 38% of coloureds are poor, compared with 5% of Indians and 1% of whites.

The key to addressing poverty in the agricultural sector is to increase employment through the use of labour-intensive technologies, improve the conditions of employment of farm workers, and increase support to small farmers through extension services and research on appropriate production methods.

Having discussed the concept of poverty and underdevelopment, the next chapter will deal with the legal framework of the municipalities in fighting poverty. The crux of the matter is that although the Local Economic Development is not the competency of the municipality in terms of the Constitution, the municipalities are enjoined in one way or another to fight poverty and promote local economic development.

CHAPTER 3

LEGAL FRAMEWORK OF LOCAL GOVERNMENT IN SOUTH AFRICA

3.1 Introduction

This chapter focuses on the legal justification of municipalities to fight poverty. In a quest for the legal justification it will be important to look at the constitutional mandate of local government. The Constitution is the supreme law of the country and that everything which is in conflict with constitutionally entrenched sections will be declared null and void. The constitution provides, *inter alia*, that local government must promote social and economic development. The Constitutional Court has confirmed that a municipality has the right to govern local government affairs of its area and community.

The principle of Co-operative Governance and Intergovernmental Relations is important in that the role of other spheres of government is key in assisting local government to fulfill its developmental mandate. Different spheres of government and organs of state cannot operate in isolation in fighting poverty. The point of departure is that the legislation governing local government and policies applicable to local government form the basis for Local Economic Development, and the municipalities are enjoined to fight poverty.

During the IDP planning process, municipalities identify a number of socio-economic needs in the community. Some of these needs will be best addressed through LED initiatives.

Municipalities are enjoined, together with other organs of the state, to give effect to the socio-economic rights in the Bill of Rights. The promotion of socio-economic development is not just a policy issue. It has been given more weight

as a human rights issue, with the development of jurisprudence dealing with the judicial interpretation of socio-economic rights and the obligations of municipalities in this regard.

3.2 Developmental Local Government

The concept of local economic development was new to the 1994 African National Congress (ANC)-led South African government. However following the international trends, the National Government realized the importance of the devolution of economic function to local government. The Constitution stipulates that the promotion of social and economic development are specific objectives of local government. These developmental duties of municipalities structure and manage its administration, and budgeting and planning processes to give priority to the basic needs of the community, and promote the social and economic development of the community (Davies and Rylance 2005:11).

The Constitution of South Africa mandates local government to inter alia ensure the provision of services to communities in a sustainable manner and to encourage the involvement of communities and community organisations in the matters of local government. In line with the constitutional mandate, the white paper on Local Government establishes the basis for a new developmental local government system, one which is committed to working with citizens, groups and communities in meeting the social, economic and material needs of communities in a holistic way (Baartjies 2005:1).

In terms of section 152 of the Constitution local government is enjoined to:

- Ensure sustainable provision of services;
- Promote social and economic development;
- Promote a safe and healthy environment;

- Give priority to the basic needs of the communities; and
- Encourage involvement of communities.

Section 153 of the Constitution provides that a municipality must structure and manage its administration and budgeting and planning process to give priority to the basic needs of the community, and to promote the social and economic development of the community; as well as participate in national and provincial government. The DPLG (2001:1) provides that key principles underlying Local Economic Development are:

- Poverty and unemployment are the main challenges facing South Africa. LED strategies must prioritise job creation and poverty alleviation.
- LED must target previously disadvantaged people, marginalised communities and geographical regions, black empowerment enterprises and SMMEs to allow them to participate fully in the economic life of the country.
- There is no single approach to LED. Each locality may develop an approach that is best suited to its local context.
- LED promotes local ownership, community involvement, local leadership and joint decision making.
- LED involves local, national and international partnerships between communities, business and government to solve problems, create joint business ventures and build up local areas.
- LED involves the integration of diverse economic initiatives in a comprehensive approach to local development.
- LED relies on flexible approaches to respond to changing circumstances at local, national and international levels.

Section 154(1) provides that the national government and provincial governments, by legislative and other measures, must support and strengthen the capacity of municipalities to manage their own affairs, to exercise their powers and to perform their functions. Hidson (2003: 146) is of the view that the basis for the current LED policy framework was set down in the Constitution, and elaborated in the RDP and subsequent policy documents, as well as legislation dealing with local government since 1994.

In the case of *City of Cape Town and Another V Robertson and another* case CCT 19/04, the Constitutional Court held that subsection 40(1) of the Constitution entrenches the institutions of local government as a sphere of government and pronounces all spheres of government to be distinctive, interdependent and interrelated. Section 41(e) and (g) articulate and preserve the geographical, functional and institutional integrity of local government. In turn, section 43(c) and 151(2) confer original legislative and executive authority on municipal councils. The constitution expressly precludes the national or a provincial government from impeding or compromising the proper exercise of powers and functions of municipalities. Thus a municipality has the right to govern the local government affairs of its area and community. However the duties, powers and functions of municipalities have to be exercised subject to national or provincial monitoring and supervision through legislation as provided in the Constitution.

The Constitutional Court further held that a municipality under the Constitution is not a mere creature of statute otherwise moribund save if imbued with power by provincial or national legislation. A municipality enjoys original and constitutionally entrenched powers, functions, rights and duties that may be qualified or constrained by law and only to the extent that the Constitution permits. The conduct of a municipality is not invalid merely because its actions are not authorised in legislation. Its power may derive from the Constitution or from legislation of a competent authority or from its own laws. The

Constitutional Court's decision in recognition and affirmation of the new status of local government was commended (Mahlatsi 2005:13).

As legislative bodies, municipal councils have the power to make and administer by-laws. These by-laws are the laws passed by municipal councils either to manage local government affairs or to ensure that the policies, resolutions and development plans are implemented. These by-laws form part of the development law framework for local development and are essential mechanisms in the hands of local government leaders and managers responsible for the success of development projects and programmes (Scheepers and Monchusi 2002: 84).

De Visser (2005: 121) correctly concluded that local economic development (the creation of local circumstances conducive to economic development) is not listed as a Schedule 4 or Schedule 5 function in the Constitution. He correctly concluded that by default, it should then be a national matter. However, the injunction to stimulate the local economy flows immediately from the developmental mandate.

As a developmental approach, Local Economic Development is based on the idea that local mobilization of actors and resources, building a convergence of interest around the competitive advantages of localities, and building the capacity for economic actors to take up economic opportunities may arrest the damaging effect, and enable exploitation of the opportunities, created by new market conditions (Hindson 2003:145). According to Mbazira (2005:12), municipalities may only perform functions listed in Schedules 4B and 5B and those assigned by provincial or national government. Discharge of a function is direct if it immediately realises a socio-economic right, and indirect if it only plays a supportive role in realising a specific socio-economic right. Where it is direct, the municipality carries the main responsibility for realising the right. This means that

the municipality must consider this obligation in its planning and budgeting processes, and dedicate the requisite financial and human resources

The new constitutional dispensation has placed local government at the cutting edge of development. The developmental mandate of local government as encapsulated in the Constitution includes the fight against poverty. Municipalities can make their own by-laws and adopt their own budget. In doing so, the municipalities must ensure that there is allocation for poverty alleviation in the budget and that by-laws are not hindering service delivery and economic development. Although the Local Economic Development has been excluded in the Schedule 4 B and Schedule 5 B of the Constitution, there is justification for the Local Economic Development by the municipalities in view of their developmental mandate and policy considerations.

3.3 Intergovernmental relations and co-operative governance

Principles of co-operative government and intergovernmental relations as enshrined in the Constitution provide that:

All spheres of government and all organs of the state within each sphere must:

- preserve the peace, national unity and the indivisibility of the Republic;
- secure the well-being of the people of the Republic;
- provide effective, transparent, accountable and coherent government for the Republic as a whole;
- be loyal to the Constitution, the Republic and its people;
- respect the constitutional status, institutions, powers and functions of government in other spheres;

- not assume any power of function except those conferred on them in terms of the Constitution;
- exercise their powers and perform their functions in a manner that does not encroach on the geographical, functional or institutional integrity of government in another sphere; and
- co-operate with one another in mutual trust and good faith by:
 - fostering friendly relations;
 - assisting and supporting one another;
 - informing one another of, and consulting one another on, matters of common interest;
 - co-ordinating their actions and legislations with one another;
 - adhering to agreed procedures; and
- avoiding legal proceedings against one another

In terms of these principles, all spheres of government (National, Provincial and Local) are distinctive, interdependent and interrelated. All spheres of government and all organs of state within each sphere must, *inter alia*, secure the well-being of the people of the Republic. Cassim (2001:33) correctly submitted that the new system of local government is not a third level of government crudely subordinate to provincial and national government. It is not the function of provincial or national government. But, on other hand, it is not completely independent either. It is interrelated with provincial and national government in one overall system of co-operative governance, in which all spheres must work together.

3.3.1 The role of National Government

The White Paper on Local Government (1998: 59-61) provides that the national government has a number of roles and responsibilities with respect to local government. These roles and responsibilities are as follows:

- * A strategic role in terms of which the national government is responsible for setting the overall strategic framework for the economic and social development of the nation, and for all spheres of government.
- * National government must provide a legislative framework for local government within the general legal framework set out in the Constitution.
- * National government must provide a framework for municipal capacity-building and supporting municipalities.
- * National government must ensure the necessary levels of compatibility, uniformity and consistency by developing an overall framework for a system of monitoring and oversight within which other organs of state will perform these functions.

3.3.2 Role of the Provincial Government

The White Paper on Local Government (1998: 61-66) provides that Provincial government's role in supporting local government include, inter alia:

- Strategic role in terms of which provincial government must develop a vision and framework for integrated economic, social and community

development in the province through the Provincial Growth and Development Strategy.

- A development role in terms of which the provincial government should ensure that the integrated development plans of the municipalities combine to form a viable development framework across the province and are vertically integrated with provincial growth and development strategy.
- An intergovernmental role whereby local government is included in provincial decision-making and the horizontal co-operation and co-ordination between municipalities in the province.
- A regulatory role in terms of section 155(7) of the Constitution, the exercise of municipalities' authority on Schedule 4B and Schedule 5B matters.
- An institutional development and capacity-building role in terms of section 155(6) of the Constitution whereby province promotes the development of local government capacity in order to perform their own functions and manage their own affairs.
- A fiscal role in terms of which provinces monitors the financial status of municipalities.
- A monitoring role in terms of which provinces monitors local government's execution of Schedule 4B and 5B matters and performances in accordance with objectives of section 152 of the Constitution.

- An intervention role in terms of section 139 of the Constitution, in terms of which provincial government intervenes in a municipality by sending directives, assuming responsibility or by dissolving a municipal council.

The above intergovernmental roles for promoting local economic development are categorized in Table 3.1 below as follows:

INTERGOVERNMENTAL FUNCTIONS TO PROMOTING LOCAL ECONOMIC DEVELOPMENT

Table 3.1

National government	<ul style="list-style-type: none"> ➤ Provide an overall policy and strategic framework for economic development at national, provincial and local government levels; ➤ Provide a legislative framework for local economic development; ➤ Provide a framework for provincial and municipal capacity-building and support systems; ➤ Support for key economic development finance; ➤ Monitor and evaluate local economic development at national level.
Provincial government	<ul style="list-style-type: none"> ➤ Provide a strategic vision and strategy for integrated economic, social and community development through the Provincial Growth and Development Strategy; ➤ Is responsible for the formulation of the

	<p>provincial economic development plan that is aligned to the PGDA;</p> <ul style="list-style-type: none"> ➤ Vertical and horizontal integration of the municipal IDPs and the district economic development strategies; ➤ Train and build capacity for local economic development; ➤ Facilitate LED through financial support to municipalities; ➤ Monitor and evaluate role at provincial level.
<p>Metro and district municipalities</p>	<ul style="list-style-type: none"> ➤ Strategic planning by means of the IDPs; ➤ Vertical and horizontal co-ordination through the preparation plans and sectorally based cluster plans; ➤ Implementation of the public sector component of economic intervention actions; ➤ Initiation of economic development opportunities when appropriate through special purpose vehicles created for the initiative. ➤ Management and control of local economic initiatives at local government level; ➤ District municipalities create the guiding framework for local economic development and direct and co-ordinate implementation by the establishment of metro and district wide economic development organizations and agencies. ➤ Metro and local municipalities, as the owners of land and assets, are responsible for local economic development project implementation.

According to De Visser *et al* (2000: 6), in exercising its powers, provincial government must respect local government's institutional integrity as an independent sphere of government. This must be balanced against the need for minimum standard of service delivery and good governance by local authorities. Provincial governments have a duty to ensure and develop a framework for economic growth. Provincial governments need to ensure that municipal IDPs are aligned with the provincial framework in order to ensure integrated economic development in the province as a whole. Checks and balances need to be in place whereby provinces can ensure that priority is given to the basic needs of the community (Smith 2000: 9).

The chapter 3 jurisprudence of the Constitutional Court suggests that this new philosophy of co-operative government is governed by two basic principles. First, one sphere of government or one organ of state may not use its powers in such a way as to undermine the effective functioning of another sphere or organ of state. Second, the actual integrity of each sphere of government and organ of state must be understood in light of the powers and the purpose of that entity (Smith 2000:9).

According to the Policy Guidelines for implementing LED in South Africa (2005: 6), District Municipalities and Metro areas provide a suitable platform for the coordination of state activity and a framework from which to ensure that locality-based development is being pursued to the benefit of local areas and all of their residents in a fair and responsible manner, by municipalities and local partnerships. The Guidelines (2005:6) further provide that in economic terms, the District Municipalities and Metros provide an area which is not too small or too large to provide an optimal territorial area for the development of viable

economies with a sufficient variety of social and human capital, goods and services, including public and private economics, business and labour market support and marketing services, as well as active stakeholder networks, within a democratically recognized environment which all spheres of government can recognize.

Different levels of government cannot operate in isolation. The activities of local government must be aligned with the activities of National and Provincial spheres of government. This means that local government must take policies and programmes of other spheres of governments into account, but also that these spheres of government must take into account the policies and programmes of local government. The element of choice entails that the choice and preference exercised at local level must be channeled upwards through the local government unit. This principle requires horizontal and vertical integration of planning so as to achieve bottom-up development (De Visser 2002:39).

3.4 White Paper on Local Government

The White Paper on Local Government (1998:37), defines developmental local government as local government committed to working within the community to find sustainable ways to meet their social, economic and material needs and improve the quality of their lives. According to the DPLG's Local Economic Development Programme Consolidated Edition, the developmental role of local government 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 2003:2).

In terms of the White Paper (1998:38), the powers and functions of local government should be exercised in a way that has a maximum impact on the

social development of communities-in particular meeting the basic needs of the poor-and on the growth of the local economy. Further the White Paper on Local Government (1998:41) provides that socio-economic development and community empowerment is mainly directed at poverty eradication. The majority of the poor are women, and empowerment strategies which focus on women are likely to prove the most effective and inclusive. Municipalities need to develop their capacity to understand the diverse needs of women in the community, and address these needs in planning and delivery processes to enhance their impact on poverty eradication.

In terms of the White Paper (1998:45) local government can play an important role in promoting job creation and boosting the local economy. Investing in basic needs by providing good quality, cost-effective services, and by making the local area a pleasant place to live and work-is the key starting point. However, two other types of initiative are important:

- Reviewing existing policies and procedures to promote local economic development.
- Provision of special economic services.

The White Paper on Local Government (1998: 46) reaffirms the constitutional mandate of local government to promote social and economic development of communities. This provides municipalities with a mandate to provide special economic services, or to assist other agencies with the provision of such services, where applicable. It also provides that a review of existing legislation which impedes LED, such as planning and rating ordinances, needs to be undertaken by both national and provincial government.

Mccann (2003: 198) convincingly argued that the White Paper paves the way for a fundamental reconsideration of the way in which municipalities' developmental

role should be supported by other spheres of government, and notes that the authority of local government is frequently undermined by sectoral departments implementing their functions directly within municipal jurisdictions. In order to foster developmental and co-operative governance, integrated multisectoral planning and development has to be actively nurtured and the local sphere needs to gain greater authority and discretion over interventions by departments within its jurisdiction.

The White Paper is a policy framework aiming at guiding the municipality in fulfilling its developmental mandate. It provides for, inter alia, the co-operation with other spheres of government to realize the constitutional mandate of local government. The Local Economic Development and the municipality's role to eradicate poverty can be located within the four corners of the White Paper.

3.5 Integrated Development Plan

In terms of section 23(1) of the Local Government: Municipal System Act 2000 (Act No. 32 of 2000), a municipality must undertake developmentally-oriented planning so as to ensure that it-

- Strives to achieve the objects of local government set out in section 152 of the Constitution;
- Gives effect to its developmental duties as set out in section 153 of the Constitution
- Together with other organs of state contribute to the progressive realization of the fundamental rights contained in sections 24, 25, 26, 27 and 29 of the Constitution

These sections of the Constitution deal with the socio-economic rights. This means that economic development is a fundamental right which is protected by

the Constitution. Section 25(1) of the Systems Act provides that each municipal council must within a prescribed period after the start of its elected term, adopt a single, inclusive and strategic plan for the development of the municipality which-

- Links, integrates and co-ordinates plans and takes into account proposals for the development of the municipality;
- Aligns the resources and capacity of the municipality with the implementation of the plan; and
- Forms the policy framework and general basis on which annual budgets must be based

The Constitution imposes a number of developmental duties on municipalities to ensure that the quality of life for its citizens is improved. The new role for local government includes provision of basic services, creation of jobs, promoting democracy and accountability as well as eradication of poverty. Preparing and having the IDP therefore enables the municipality to be able to manage the process of fulfilling its developmental responsibilities. Through the IDP, the municipality is informed about the problems affecting its municipal area and, being guided by information on available resources, is able to develop and implement appropriate strategies and projects to address the problems. Planning for LED is an important part of municipal planning. Every municipal council needs a planning process to help it formulate objectives for the development of the municipal area, set priorities, and decide on how to structure the municipal budget and administration to realize the council's developmental objectives (IDP Guide Pack Guide 0 page 7).

The LED Programme provides that LED strategies can be used by a municipality to achieve its developmental objectives. During the IDP planning process, municipalities will identify a number of socio-economic needs in the community.

Some of these needs will be best addressed through LED initiatives. It is critical to ensure that the planning and implementation of a municipality's LED activities are carefully co-ordinated and initiated within the context of the municipal IDP. One reason for this is to enable effective planning for LED (LED Programme 2003:32).

LED is one of key outcomes that an IDP should work towards. This means that LED will also be one of the critical strategies in an IDP. The IDP provides a mechanism for co-ordinating LED strategies with other developmental strategies adopted by the municipality. Practically, the LED planning starts with the development of the IDP. In this process the municipalities are expected to cater for sectoral plans. These sectoral plans will include LED and poverty alleviation. Planning is therefore an important stage of LED because this will determine the budget of the municipality. Failure to include LED and poverty alleviation in the LED will, as a rule, mean that the municipality will not budget for such projects.

3.6 Public-Private Partnership

Johnson (2004: 3) notes that "public-private partnership" ("PPP") has proven to be an elusive concept, exacerbated by different people meaning different things when using the term. What does seem possible to say with some certainty is that it does not commonly mean the creation of a "partnership" in the legal sense, that is, subject to a formal partnership agreement with all the legal consequences that flow from such an arrangement.

Given the historical opposition by the major union movements in South Africa to any form of "privatisation" one could interpret the use of the word "partnership" when referring to the involvement of the private sector in municipal service delivery as an attempt to exclude this form of arrangement from "privatisation" generally. If this is correct, then this approach necessarily presumes that

“privatisation” is restricted to incidences of wholesale transfer of a service and assets to the private sector. However this type of narrow “privatisation” is effectively prohibited for basic municipal services (Johnson 2004: 3).

The White Paper on Municipal Service Partnership (2000:6) provides that municipalities have to decide whether to involve the private sector, a public institution, or a CBO/NGO as their service delivery partner. This involvement will depend on the needs of the municipality concerned. They would have to consider which of these possible partners has the capacity and resources best suited to service delivery in their particular context.

However, this duty is particularly prevalent when a municipality is delivering an essential service such as water and sanitation. This is because certain basic, or essential, services are by their very nature necessary pre-requisites for the enjoyment of a host of other rights. For example, if a person is denied access to adequate water, their enjoyment of most other human rights becomes almost irrelevant.

Johnson (2004:3) observed that if a municipality plans to outsource an essential service then it is clear, given this background context, that it must take extraordinary steps to ensure that it continues to fulfil its constitutional duties throughout the outsourcing process. The involvement of the private sector in the provision of basic services cannot and should not prejudice the community the municipality serves. Johnson (2005:29) further observed that a municipality which has outsourced a service may be tempted to take advantage of the fact that an external provider is providing the municipal services by adopting a passive role. This is dangerous since a municipality cannot rid itself of responsibilities for the service and remains accountable to its community for that service. In reality, a loss of accountability is a particular danger in any long term outsourcing contract.

The necessity for the municipality to act with extreme caution when outsourcing an essential service would therefore apply equally to the process of determining the appropriate service delivery mechanism, to selecting the best provider and, finally, to monitoring and reviewing performance under the service delivery agreement. The bottom line is that every partnership with the private sector must be designed to benefit the municipalities.

3.7 Expanded Public Work Programme (EPWP)

Expanded Public Works Programme (EPWP) is one of government's short-to-medium term programmes aimed at alleviating and reducing unemployment. The EPWP will achieve this aim through the provision of work opportunities coupled with training. It is a national programme covering all spheres of government and state-owned enterprises. Government's medium-to-long term programmes to address unemployment include increasing economic growth, improving skills levels through education and training, and improving the enabling environment for industry to flourish. The EPWP will be in operation until these medium-to-long term programmes are successful in reducing unemployment (DPW 2005:1).

EPWP requires all spheres of government to implement infrastructure projects labour-intensively. The public body must be satisfied that sufficient local labour (willing to work) is available, before proceeding with the project as a labour-intensive one. The EPWP also regulates a rate of pay for workers to be employed on the labour-intensive construction (DPW 2005: 2).

In his State of the Nation Address, President Thabo Mbeki said the government will continue to pay particular attention to the EPWP as an important bridge between the two economies and a significant part of poverty alleviation programme. Among other things, resources for the public work programme will

be pooled to ensure maximum impact both in terms of products delivered and employment and skills-training opportunities (Mbeki 2006: 7).

3.8 Sustainable Development

According to National Environmental Act 107 OF 1998 ("NEMA"), sustainable development means the integration of social, economic and environmental factors into planning, implementation and decision making so as to ensure that development serves present and future generation. The International Council for Local Environmental Initiatives (ICLEI) defines sustainable development as development that delivers basic environmental, social and economic services to all residents of a community without threatening the viability of natural built and social systems upon which the delivery of these systems depends. It is clear that ICLEI focused specifically at local level (Urquhart and Atkinson 2000: 17).

South Africa is firmly committed to the goal of sustainable development. The government has formally adopted Agenda 21. According to Urquhart and Atkinson (2000: 19), the principles underpinning sustainable development are fundamental to Local Agenda 21. Sowman and Young (2002:1) write that Local Agenda 21 provides a useful framework for incorporating sustainability principles in IDPs. Agenda 21 is the document developed at the 1992 United Nation Conference on Environment and Development. It is a global plan of action to stop environmental degradation and promote equitable development.

3.9 Implementation of socio- economic rights by municipalities

Municipalities are enjoined, together with other organs of the state, to give effect to the socio-economic rights in the Bill of Rights. The promotion of socio-economic development is not just a policy issue. It has been given more weight as a human rights issue. There is a jurisprudence dealing with the judicial

interpretation of the socio-economic rights and the obligations of municipalities. According to Johnson (2004: 2), local government is bound by the Bill of Rights and thus has a duty to respect, protect, promote and fulfill the rights set out in the Bill of Rights. Fulfilling these constitutional duties could take many forms, including “refraining” from doing something (such as *not* evicting someone from their home without a court order) to having a positive duty to act like supplying water and sanitation services – this being both a socio-economic right and an exclusive local government competence.

In the case of *Government of the Republic of South Africa and Others V Grootboom and Others* 2000 (11) BCLR 1169 (CC), the Constitutional Court held that the State is obliged to act to achieve the intended result and legislative measures will invariably have to be supported by appropriate, well-directed policies and programs implemented by the Executive. These policies and programs must be reasonable both in their conception and their implementation. The formulation of the program must also be reasonably implemented. An otherwise reasonable program that is not implemented reasonably will not constitute compliance with the State’s obligation. Iles (2004: 456) is of the view that the Court is not evaluating whether the state could have given effect to the right in a different way. It is simply examining whether (a) there is a plan for the realisation of that right; (b) whether there plan is reasonable and (c) whether the implementation of that plan is reasonable.

In the case of *Port Elizabeth Municipality V Various Occupiers* CCT 53/03 the Constitutional Court was dealing with eviction of 69 persons by the municipality. In terms of section 6 of the Prevention of Illegal Eviction from and Unlawful Occupation of Land Act 19 of 1998 there are circumstances in which a municipality may apply to evict unlawful occupiers. A court may order eviction if it is just and equitable to do so, taking account of all the circumstances. The Court concluded that although the municipalities were not under a constitutional

duty in all cases to provide alternative accommodation or land, their failure to take all reasonable steps to do so would generally be an important consideration in deciding what was just and equitable.

In *Residents of Bon Vista Mansions v Southern Metropolitan Local Council*, 2002 (6) BCLR 625 (W) the Council disconnected the water supply to the residents of a block of flats in Hillbrow because of non-payment of arrears. The residents obtained an interim order against the municipality to restore their water supply. Budlender D J summarised the effect of the right of access to water, as entrenched in the Constitution and the Water Services Act, as follows:

If a local authority disconnects an existing water supply to consumers, this is *prima facie* a breach of its constitutional duty to respect the right of (existing) access to water, and requires constitutional justification.

The Water Services Act requires that:

the water service provider must set conditions which deal with the

- circumstances under which water services may be discontinued, and the procedures for discontinuing water services.
- those conditions and procedures must meet the requirements of
- In particular, the procedures must be 'fair and equitable'. In the context of a case such as this, they must provide for reasonable notice of termination and for an opportunity to make representations. They must not result in a person being denied access to basic water services for non-payment where that person proves, to the satisfaction of the water services authority, that he or she is unable to pay for basic services.

This judgment was handed down after the *Grootboom* judgment. Importantly, the *Bon Vista* judgment confirms the principle that disconnection is a *prima facie* breach of the constitutional right of access to water. The onus is on the state to justify the disconnection. Kidd (2004:136) submitted that the disconnection of an existing water supply is *prima facie* a limitation of a person's right to water, especially in the light of section 7(2) of the Constitution which requires the state to respect existing rights.

The courts have confirmed that they will not readily ratify a municipality's action if the fundamental rights of the people (such as the right to basic water services or housing) are infringed. The formulation by the court should be welcomed as a step forward towards realisation of the socio-economic rights by municipalities. Wesson (2004: 307) remarked that if the Court were to exercise supervisory jurisdiction in cases of this nature-by asking the state to report back to it at a later stage with an outline of the measures that it regards as appropriate, that would then be evaluated by the Court-but would be able to ensure that judgments such as *Grootboom* are given their full effect. In this way, the initially vague prescriptions of such cases would become increasingly concrete. Certainly, this is a more realistic option than, in such cases, handing down orders that are more detailed and specific or expecting a new case to be brought if the state does not implement order in good faith.

3.10 Conclusion

A municipality must structure and manage its administration and budgeting and planning process to give priority to the basic needs of the community, and to promote the social and economic development of the community; and participate in national and provincial government. The national government and provincial governments, by legislative and other measures, must support and strengthen

the capacity of municipalities to manage their own affairs, to exercise their powers and to perform their functions.

The basis for the current LED policy framework was set down in the Constitution and elaborated in the RDP and subsequent policy documents and legislation dealing with local government since the new dispensation.

Provincial governments have a duty to ensure this and develop a framework for economic growth. Municipalities are also required to participate in various economic development programmes of provincial and national government. In order to foster developmental and co-operative governance, integrated multisectoral planning and development has to be actively nurtured and the local sphere needs to gain greater authority and discretion over interventions by departments within its jurisdiction.

Expanded Public Works Programme (EPWP) is one of government's short-to-medium term programmes aimed at alleviating and reducing unemployment. The EPWP will achieve this aim through the provision of work opportunities coupled with training. It is a national programme covering all spheres of government and state-owned enterprises.

Every municipal council needs a planning process to help it formulate objectives for the development of municipal area, set priorities, and decide how to structure the municipal budget and administration to realize the council's developmental objectives. Local government is bound by the Bill of Rights and thus has a duty to respect, protect, promote and fulfill the rights set out in the Bill of Rights.

The courts have confirmed that they will not readily ratify a municipality's action if the fundamental rights of the people (such as the right to basic water services

or housing) are infringed. The next chapter focuses on the constraints facing municipalities in the Free State in fighting poverty.

CHAPTER 4

CONSTRAINTS TO POVERTY ALLEVIATION BY MUNICIPALITIES IN THE FREE STATE

4.1 Introduction

The previous chapter dealt with the legal framework of local government in promoting local economic development. In this chapter the focus will be on constraints to poverty alleviation by municipalities. Both national and provincial constraints will be discussed as they have a direct bearing on municipalities. The informal sector plays an important role in local economic development and the problems facing the informal economy are applicable to local government.

Infrastructure is one of the key elements of local economic development. The recent Free State summit on infrastructure will be discussed. The electrical, sewer and water backlogs are serious impediments to economic development. The mere fact that municipalities are placed under a Project Consolidate because they lack capacity and that they cannot as result deliver required services to the communities indicates that there is a problem for the constitutionally entrenched developmental mandate of local government.

It will be clear that constraints are both financial and non-financial. Factors like communication, lack of skills, policies and strategies which impact negatively on service delivery and local economic development are, relatively speaking, non-financial constraints. There are also national and provincial constraints which impact negatively on the municipalities. These can be found in the National policy. Alignment

of the municipal planning and the provincial one is one of the contributing factors toward realisation of local economic development.

It is important to note that 12 municipalities out of 25 municipalities in the Free State are placed under Project Consolidate because of lack of capacity and service delivery backlogs. This in itself indicates that there are serious impediments on service delivery and local economic development in the Free State Province. The impediments outlined above provide serious constraints and challenges faced by the affected municipalities and will be discussed in detail.

4.2 Administrative Problems

According to Nel (2004:4) problems experienced by municipalities include:

- Insufficient funds to complete projects.
- Non-payment of many of loans made to small-businessmen as a result of their limited success and inadequate financial knowledge.
- The lack of external, private-sector investment.
- General problems of a lack of resources, poor infrastructure, unemployment and low skills that impede the process of transformation.

4.3 Informal Sector

According to LED-World Bank (2002:23), the informal economy is based on a description of the location within which actors operate. Four categories of the actors are:

- home based workers, both dependent and independent;
- dependent home-base workers have the following characteristics:
 - they work at home outside the establishment that buys their products;

- they agree by prior arrangement to supply goods or services to a particular enterprise;
- their remuneration consists of the prices paid for their products;
- they do not employ workers on a regular basis.
- Interdependent home-based workers are those who work in their home and deliver their products or services to any prospective buyer. Their characteristics are those of the self-employed and are classified as part of the group “own-account workers”.
- Street traders and street vendors.
- Itinerant or seasonal or temporary job workers.
- Those in between the street and home, e.g, waste collectors.

LED-World Bank (2002: 24) identifies the main problems in the informal economy, as they affect local government as follows:

4.3.1 Infrastructure Issues

- Poor infrastructure affects street vendors and home-based workers differently. For street vendors, deeded infrastructure includes formal markets and other street furniture such as benches and storage space. For home- based workers, poor infrastructure pertains to hard infrastructure services provided within the home such as water and electricity. Davis and Ryland (2005:9) argued that Apartheid created separate local government structures, both urban and rural, most of which were under-sourced and unable to service the needs of the communities. These are unequal rates bases, backlogs in service infrastructure in historically disadvantaged areas and spatial separations and service disparities between towns and townships. The resulting urban sprawl increases service provision costs.
- Crime and violence. This particularly affects street traders.

- Lack of access to transport. Cost of urban transport has a negative affect on access to markets as well as water access to products inputs. Both affect profit margins.

4.3.2 Resource Issues

- Access to finance and banking. Micro-credit availability is crucial to the development of those in the informal economy. However, banking facilities that cater to small actors are often absent.
- Lack of training. Basic math and accounting skills, as well as business management skills, are key to all successful businesses, including those located in the informal economy.

4.3.3 Economic Issues

- Lack of access to economies of scale. Many informal actors cannot afford to buy in bulk. They are thus forced to pay retail prices for their goods.
- Demand factors. Structural issues such as low cash flow in many of the communities, small size of the community market and shortage of customers lead to low and irregular business cash flow.
- Poor productivity due to regulations, transport issues.
- Thin profit margins relative to time invested and high running cost relative to turnover lead to difficulties with paying for supplies.
- Households engaged in informal activities often have difficulties in retaining working capital against urgent household demands for cash.

4.3.4 Other

- Development interventions. Sometimes development interventions have a negative impact on those in the informal economy .e.g., formalizing garbage

collection can result in the loss of employment in the informal economy; school feeding schemes can have negative impact on food vendors outside schools.

- Institutional climate of the areas within which the business operates as an important determinant of success for the economy actors, particularly home-based workers.

4.4 National Constraints relevant to Free State

National Spatial Development Perspective (NSDP)(2003:10-15) outlines some of the impediments which can also be attributed to the Free State Province. These are the main points that need to be taken into consideration:

- Macro-economic constraints (low level of domestic savings, limited foreign direct investment and a high propensity to import, especially technology) indicate that economic growth is likely to be limited to 2-4% over the next five or more years. These constraints are likely to limit the level of new investment and the ability of the economy to restructure in the face of increasing globalization, and they are likely to impose significant fiscal limits.
- These fiscal limits will restrict further increases in infrastructure and/or development spending and suggest that existing budgets will largely be re-prioritised rather than expanded. Only Gauteng Province has been able to re-prioritize at this stage.
- Infrastructure and development spending has favoured economic rather than social infrastructure over the past 10 years and this has largely occurred through public corporation.
- The spatial analysis of infrastructure and development spending indicates that in most instances it favours large population concentrations in urban areas with the exception of the provision of water to households that focuses equally on urban and rural areas.

- Non-metropolitan areas can be distinguished between a relatively small number of localities that have the economic potential to restructure and a significantly large number that are ultimately likely to decline since they seem to possess limited resources to generate sustainable economic activity.
- Recent government policy and the greater integration of South African economy into the global economy have seen an acceleration of these trends with the metropolitan areas growing at an even faster pace than non-metropolitan areas.
- Analysis of professional scientific and managerial employment shows that this remains highly concentrated in the metropolitan areas and associated university towns, representing both a relative and absolute concentration of these skills in these localities.
- Economic growth in the formal sector, even in the metropolitan areas, appears to be largely 'jobless' growth and unemployment remains high even in these areas.

Hemson and Owusu-Ampomah (2005: 513) write that there are, and there have been, three critical constraints to delivery: the resources committed to fiscus; economic policy; and the instrument of delivery, the civil service and municipalities. South Africa has been variously appraised as the first possible developed country in Africa, a country rich in resources, and simultaneously, as a developing country that has to beware of the effect of globalisation. Meyer-Stamer (2003:5) is of the view that LED initiatives in developing countries suffer from four typical inherent problems, namely;

- A strategy- and planning driven approach to LED, driven by local authorities whose capacities are already overstretched.
- Confusion between community development and LED. Any successful LED initiative is based on the involvement of the local community. But LED is about creating favourable conditions for business and alleviating local market failure, whereas community development is about health, housing, education, crime and support for the disadvantage.

- An unclear theoretical and conceptual background for LED, and confusion between business and LED. LED initiatives ought to enable private business; they must not substitute for it.
- A profound confusion about good practice in terms of governance of LED: Should there be a dedicated agency? What is the respective role of the public and the private sector?

4.5 Free State Provincial Constraints

With regard to the creation of infrastructure for small business development initiatives in South Africa, the Free State has not performed well. This poor performance occurs despite the intention of the Free State Development Plan (1999-2004) to create a network of business advisors in the Free State. The overall picture is one which the Free State has probably not received its fair share of support institutions-especially with regard to micro-finance and manufacturing support (Davies 2006:15). In the Free State Local Economic Development (LED) Summit held in Bloemfontein, a number of constraints that hamper the effective implementation of LED were highlighted. These are:

- Too much emphasis on projects- a project constitutes a small part of LED, hence there is a need to think beyond projects
- Projects versus business-existing LED projects are not managed with business ethos and practice and therefore the probability of failing is great.
- Projects are not transferred to business entities and efforts are not expended for the development of SMMEs,
- New projects and business are created but their success rate is not great, given the lack of experience, capital and marketing
- Lack of LED strategy in municipalities

- LED function is not institutionalized in relevant provincial sectoral departments (DLG&H 2004: 7).

Some of the constraints identified by the Summit (DLG&H 2004: 13) are:

- Funding sources
- Mentorship on projects
- Marketing
- Capacity building
- Partnership
- Implementation of Policies/Strategies
- Control mechanisms
- Sustainability
- Lack of skills
- Involvement
- Diversity economy
- Business entities
- Information centre

Atkinson et al (2003:20) observed that most municipalities are still too engrossed in amalgamating the administrations of the erstwhile Transitional Local Councils (TLCs) to think through the far reaching implications-in particular, the developmental tasks and staff-required for the implementation of their IDPs. At a more fundamental level, however, there is lack of political clarity about the merits of devolution of function. Clearly, some investigation and debate are required about the merit and problems associated with spatial distribution of municipal capacity and function. Meyer-Stamer (2002:2) is of the view that is not clear who is supposed to play which role in LED. Provincial government tends to perceive that it should be involved with LED for two reasons. First, there are provincial level organizations with tasks which overlap with

LED issues. Meyer-Stamer (2003:4) further noted that LED is often understood in a very different way from elsewhere in the world:

- It is often confused with territorial planning (in particular as Integrated Development Plans claim to address, among other things, LED).
- It is often entangled with community development, which tends to lead to a situation where, due to conflicting rationales and goals, neither social nor economic objectives are actually achieved.
- LED is often focusing primarily on black empowerment and the promotion of emerging entrepreneurs.
- LED is often driven by “projects” which are not really projects, fixed-term, territorially limited activities, but rather quasi-business, which are not sustainable but rather driven by government grants, while creating unfair competition for existing business which have to survive without grants.

4.5.1 Interdepartmental Infrastructure Summit

Recently Free State Province held the Intergovernmental Infrastructure Summit to deal with infrastructure development and sustainable socio-economic development in the Province. Some of the constraints/backlogs identified by the summit are as follows:

Free State does not have internationally renowned tourist attractions such as the Kruger National Park, Table Mountain, and the recreational amenities of Sun City (Free State Province 2005:31).

The current position with regard to service delivery can be summarized as follows:

- departments operate in “silos”, that is they do not have proper communication between departments.
- no sharing of information between and within government institutions;
- the burden is placed on the citizen to identify services and the responsible department for each service offered;
- the citizens has to act as the integrator for government services; and
- information relating to citizens is duplicated across a number of government systems (Free State Province 2005:37).

The infrastructure backlog consists of 24 891 households without purified water, and 91 895 households water supply pipe networks in the townships provide communal taps further than 200 meters from the dwellings. Thabo Mofutsanyana and Lejweleputswa district municipalities have a large number of households, 46% and 24% respectively, that are mainly dependent on water from nearby dams or other stagnant water. This poses a serious threat to those communities if they do not have any form of sanitation or the proper maintenance of sewerage purification works. A few households in the following municipalities have no piped water as indicated in the table below (Free State Province 2005:50).

Table 4.1 Households without piped water

Local Municipality	Percentage	Number of Households
Phumelela	8.4	1 016
Maluti a phofung	7.1	6 540
Dihlabeng	5.9	1 979
Letsemeng	5.1	611
Matjhabeng	4.7	6 008
Setsoto	4.7	1 571

Tokoloho	4.7	438
Mangaung	4.2	7 938
	TOTAL	26 101

Source: Free State Province (2005:51), Intergovernmental Infrastructure Summit

4.5.1.1 Electricity Backlog

The backlog in 2001 was 256 133 households without electricity of which 189 640 were located in municipal boundaries.

Table 4.2 Electricity Backlog

District: code and name		Total number of households	% (in District)	No of House with no electricity
16	Xhariep	39 235	23,47	9 208
17	Motheo	210 398	15, 94	33 541
18	Lejweleputswa	196 612	45.14	88 755
19	Thabo Mofutsanyana	186 114	36,36	67 669
20	Fezile Dabi	124 836	19.23	24 006
Total		757 185	100	223 179

Source: Free State Province (2005:55), Intergovernmental Infrastructure Summit

4.6 Municipalities under Project Consolidate

DPLG (2004:4) the key tasks of the Consolidation phase focus on entrenching the core developmental systems of municipalities and extending and accelerating service delivery. The current assessment in 2004 suggests that greater attention

and urgency must be given to these matters, but also to critical tasks of the other phases. Project Consolidate focused on the following areas:

- Public empowerment, participation and community development
- Institutional development: systems and capacity building, human resource development and improved organisational culture
- Free basic services targeting poor households; efficient billing systems and reduction in municipal debt
- Local economic development and job creation
- Anti-Corruption
- Special interventions in rural and urban nodes
- Performance monitoring and evaluation
- Communication (DPLG: 2006:3)

The following provides a summary of the municipalities chosen under Project Consolidate and focus areas being addressed.

Table 4.3

Project Municipality	Consolidate Focus Areas being Addressed
1. Maluti-a-phofung Local (in Phuthaditjhaba)	<ul style="list-style-type: none"> ▪ Poverty alleviation – development and implementation of poverty alleviation plan; ▪ Resource mobilization; ▪ Effective land development; ▪ Effective service delivery – replacement of service delivery fleet;

	<ul style="list-style-type: none"> ▪ Strengthening of ward committees
<p>2. Phumelela Local (in Vrede)</p>	<ul style="list-style-type: none"> ▪ Resource Mobilisation ▪ Understaffed financial and technical departments; ▪ Enhancement of treasury and financial management skill and competencies ▪ Provision of Housing; ▪ Overhaul of financial information and control systems (revenue collection and billing system) ▪ Provision of services – water and sanitation, and effective water management, grading of roads, patching potholes, attending to the problems of shallow graves at Warden cemetery; ▪ Maintenance of service delivery infrastructure – electricity transformers; ▪ Effective service delivery – replacement of service delivery fleet; ▪ Implementation of PMS and finalisation of placement of employees; ▪ Adoption of the Organogram and filling of positions; ▪ Staff development; ▪ Institute governance mechanisms for ensuring engagement between the MM and the Mayor and mediating tension between the administration and council;
<p>3. Setsoto (In Ficksburg)</p>	<ul style="list-style-type: none"> ▪ Resource Mobilisation ▪ Effective implementation of projects using EPWP

	<p>principles;</p> <ul style="list-style-type: none"> ▪ Effective Project Management ▪ Effective implementation of LED ▪ Provision of Housing; ▪ Provision of services – water; ▪ Conducting a social survey.
<p>4. Xhariep District (in Trompsburg)</p>	<ul style="list-style-type: none"> ▪ Limited revenue base ▪ Resource mobilisation to enable the municipality to perform its assigned powers and functions; ▪ Local Economic Development; ▪ Acquisition of personnel for community development, technical and LED departments
<p>5. Kopanong Local (Trompsburg)</p>	<ul style="list-style-type: none"> ▪ Revenue collection and effective accounts managements; ▪ Capacitating in using financial management system; ▪ Inherited onerous financial liabilities; ▪ Provision of Housing; ▪ Provision of services – sanitation and development of water services and sanitation delivery plans, Free Basic Electricity; ▪ Water availability and effective water management; ▪ Mechanisms for implementing and accounting for council decisions; ▪ Development of system of delegation to ensure

	<p>effective functioning of section 79 committees;</p> <ul style="list-style-type: none"> ▪ Effective ward committee system; ▪ Effective project management; ▪ Empowerment of councillors; ▪ Effective implementation of policies – MFMA, indigent, Supply Chain Management (SCM) and establishing Internal Audit and Audit Committee; ▪ Effective financial management – assets and fleet management, compilation of Annual Financial Statements ▪ Limited revenue base ▪ Implementing new system of local governments – IDPs, PMS and LED; ▪ Staff development ▪ Short-staffed technical department
<p>6. Mohokare Local (Zastron)</p>	<ul style="list-style-type: none"> ▪ Water availability ▪ Provision of services – sanitation (eradicating the bucket system; ▪ Effective provision of services; ▪ Effective service delivery – replacement of service delivery fleet; ▪ Provision of Housing; ▪ Effective implementation of policies; ▪ Understaffing in technical and finance departments; ▪ Implementation of PMS; ▪ LED.

<p>7. Matjhabeng (Welkom)</p>	<ul style="list-style-type: none"> ▪ Billing system ▪ Effective revenue collection; ▪ Provision of Housing ▪ Finalise organisational PMS and conclude performance agreements; ▪ Provision of services – sanitation (and eradicating the bucket system); ▪ Upgrading of service delivery infrastructure – eradicate gravel roads, install storm-water drainage system, upgrade pump stations and sewer systems and strengthen electricity network; ▪ Effective implementation of services – replacement of critical plant vehicles and equipments ▪ LED ▪ Effective land development ▪ Stabilize the institutional framework by closing the impasse between the council and the municipal manager; ▪ Leadership development ▪ Effective management of MIG
<p>8. Naia Local (Bothaville)</p>	<ul style="list-style-type: none"> ▪ Implementation of PMS ▪ Provision of Housing; ▪ Provision of services – sanitation (and eradicating the bucket system), community lighting ▪ Effective service delivery – replacement of service delivery fleet ▪ Upgrading of service delivery infrastructure

<p>9. Tswelopele Local (Bultfontein)</p>	<ul style="list-style-type: none"> ▪ Provision of services – water, sanitation (and eradicating the bucket system); ▪ Upgrading of service delivery infrastructure; ▪ Provision of Housing; ▪ Effective service delivery – replacement of service delivery fleet;
<p>10. Tokologo Local (Boshof)</p>	<ul style="list-style-type: none"> ▪ Water availability (bulk water supply) ▪ Provision of services – water, sanitation (and eradicating the bucket system); ▪ Effective water management; ▪ Provision of Housing; ▪ Effective revenue collection; ▪ Effective service delivery – replacement of service delivery fleet; ▪ LED
<p>11. Naledi Local (Dewetsdorp)</p>	<ul style="list-style-type: none"> ▪ Financial viability; ▪ Effective management of service delivery infrastructure; ▪ Resource mobilisation; ▪ Effective service delivery – replacement of service delivery fleet; ▪ Provision of services – water and sanitation; ▪ Provision of Housing; ▪ LED;

	<ul style="list-style-type: none"> ▪ Effective implementation of IDP; ▪ Leadership Development.
<p>12. Moqhaka Local (Kroonstad)</p>	<ul style="list-style-type: none"> ▪ Effective water management; ▪ Upgrading of service delivery infrastructure (refurbishment of sewerage treatment plants); ▪ Provision of services – sanitation (and eradicating the bucket system); ▪ Electrification of RDP houses; ▪ Effective IGR; ▪ Effective service delivery – replacement of service delivery fleet.

Source: (DLG&H 2005:13-16) A brief of the State of Municipalities in the Free State Municipalities

4.7 Fezile Dabi District

Fezile Dabi District Economic Strategy (2004:42) has identified some weaknesses which are common in the Free State Province. Here are some of those weaknesses/impediments for Local Economic Development in the District:

- Structured Training opportunities
- Roads and Water availability
- Lack of Infrastructure
- Lack of skills
- No factories
- No recreation centres
- Lack of Information Centre
- Limited entrepreneurship possibilities
- HIV/AIDS prevalence

- Crime
- Undeveloped Land
- Council not committed
- Lack of recreational facilities
- Poor Town planning
- No partnership between black and white businesses.
- High taxes

4.8 Constraints Beyond Funding

Hemson (2004:19-21) is of the view that the key constraints on delivery are both to be found in sufficient capacity and in funding. In a number of sectors of delivery, but particularly in water and sanitation there has been a history of developing institutional arrangements for delivery but a number of problems in terms of ensuring smooth funding and steady application to completing the task at hand. The following points are made in relation to bottlenecks and incapacity:

4.8.1 Policy and strategy

The priorities in spending are not easily reached and often take the form of long debates between councilors and among officials. There is often confusion over procurement policies with unresolved contending views. Municipal strategies can be contradictory: where there is a limited amount of funding the spending is spread among various constituencies and villages rather than dealing with one area at a time. In one instance the funding for 100 VIPs was spread among 20 villages even though this would eventually be much more expensive. This satisfied the councilors who needed to be seen to be bringing delivery to their constituencies, but drives up the time to complete and cost.

4.8.2 Spending

Most of the institutions are new and there is not enough experience for officials to make confident decisions. The capacity problem generally takes the form of municipalities not being able to manage their finance. Despite established budgetary procedures there is always some uncertainty about how much money is available at any time. Uncertainty about budgets can have human resource implications for contractors and delay delivery. Invoices are not met within a reasonable amount of time because there is uncertainty about their financial standing and slow delivery. At times this can lead to legal action being threatened against municipalities, as a result of dishonoured cheques.

4.8.3 Institutional

The Department of Provincial and Local Government (DPLG) has provided a series of support initiatives for local government including training, IDP funding, additional 'hands-on' support as well as the Planning, Implementation and Management Support (PIMMS). On occasion these interventions do not reach local government and at other times there appears to be some resentment of external intervention.

4.8.4 Human Resources and Communication

Staff turnover particularly in rural municipalities is high; it is reported that after two years a contractor could find that he or she deals with entirely different people. Few professionals appear to be prepared to work in deep rural areas as the case of medical practitioners has shown. There is a problem of effective communication between line departments and local government officials. This will occur when the provincial departments want to have development in the municipal area but the municipality will have something else in their IDP. For

example, the municipality will intend to build a clinic in a particular area but the Department of health will intend to build a clinic in a different area.

4.9 CONCLUSION

The apartheid mindset is characterized by an excessive emphasis on physical planning, top-down planning, lack of consultation, heavy hierarchical systems, outdated information technology, cumbersome red-tape and bureaucratic procedures, and few concerns with economic development. These fiscal limits will restrict further increases in infrastructure and/or development spending and suggest that existing budgets will largely be re-prioritised rather than expanded.

Municipal strategies can be contradictory: where there is a limited amount of funding the spending is spread among various constituencies and villages rather than dealing with one area at a time. It will be clear that constraints are both financial and non-financial. Factors like communication, lack of skills, policies and strategies which impact negatively on service delivery and local economic development are, relatively speaking, non-financial constraints.

A number of the municipalities placed under project consolidate indicates that there are serious challenges facing the Province with regard to service delivery and local economic development. It is not clear whether or not LED managers in the Free State have necessary skills and expertise to meet challenges posed by new dispensation. In view of the interventions like Project Consolidate it is safe to say that there is a need for training of the LED officials as they lack capacity. National constraints are relevant to Provincial constraints.

It is often confused with territorial planning (in particular as Integrated Development Plans claim to address, among other things, LED). It is often entangled with community development, which tends to lead to a situation

where, due to conflicting rationales and goals, neither social nor economic objectives are actually achieved. LED is often focusing primarily on black empowerment and the promotion of emerging entrepreneurs. LED is often driven by "projects" which are not really projects, fixed-term, territorially limited activities, but rather quasi-business, which are not sustainable but rather driven by government grants, while creating unfair competition for existing business which have to survive without grants.

Having discussed the constraints facing municipalities in fighting poverty, the next chapter will focus on the LED strategies of municipalities in the Free State.

CHAPTER 5

EVALUATION OF POVERTY ALLEVIATION STRATEGIES AT MUNICIPAL LEVEL IN THE FREE STATE

5.1 Introduction

In the previous chapter the analysis was about some constraints facing municipalities in fulfilling their developmental mandate of eradicating poverty. It is clear from these constraints that the mission of better life for all is not an easy one. However, it is important that municipalities use their limited resources to fulfill their constitutionally enshrined mandate. This can no longer be postponed otherwise municipalities will be sidelined because of these constraints.

This chapter deals with poverty alleviation strategies of municipalities in the Free State. These strategies cannot be discussed in vacuum. They have to be linked with the national and provincial strategies. For this reason both the national and provincial strategies will be evaluated as a prelude to discussion on municipal strategies. There has also been an attempt to align the provincial strategy and the municipal IDPs. This is in the spirit of intergovernmental relation and co-operative governance. The importance of this alignment is to ensure that there is a synergy between the municipal strategies and the provincial one. This will in turn simplify the budget process because the resources will be directed to coordinate plans and strategies.

The Alignment Summit of the Free State government sought synergy between the municipal IDPs and the provincial strategy. The importance of this summit was to realise the reality that planning and strategies do not operate in isolation. Job creation and poverty alleviation are highly featured in the strategies.

It is acknowledged that most of local municipalities in the Free State do not have LED strategies. In absence of LED strategy, IDPs of municipalities have formed a base for evaluation of LED strategies in this chapter. This is based on the fact that IDPs of municipalities in the Free State have economic strategies.

This chapter is also aimed at giving an account of the questions raised in chapter 1. The completion of this chapter depended on the co-operation of 12 municipal officials in the Free State municipalities and other respondents from the provincial and national government.

5.2 METHODOLOGY

Researchers examine data and their sources critically so that the basic research response to provocative statements. Because research is a time-consuming process, non-researchers often become impatient while waiting for research results. Researchers go to great lengths to get systematic, valid and reliable data. Data can be in many forms, e.g. pictures, text and numerals. The aim of researchers is to interpret and understand what the data mean. Such interpretation and understanding is based on the researcher's knowledge of existing theory and the literature in the field, as well as the researcher's personal experience and perspectives (Struwig and Stead 2001: 3).

According to Welman and Kruger (1999: 2), research involves the application of various methods and techniques in order to create scientifically obtained knowledge by using objective methods and procedures. It seems appropriate at this introductory stage to briefly explain how research methodology differs from research methods, such as opinion polls, and techniques, such as attitude scales. Different studies use different methods or techniques because they have different aims. The technique must be appropriate for the tasks.

5.2.1 Interviews

According to Shnettler and Geldenhuys (1989: 138), the researcher has full control over the planning process up to the completion of planning for the fieldwork. After all, it is he who has chosen the data collection method (postal or telephone survey, personal interviews or group sessions), drawn the sample with the assistance of the statistician, compiled the questionnaire and done the planning and organisation.

Dixon (1989: 167) is of the view that although some degree of skill can be acquired during training, competence depends mainly on the experience that an interviewer already has.

5.2.1.1 Telephonic Interview

In case of telephonic interview, the interviewer asks the questions from the interview schedule over the telephone and records the respondent's responses. Telephonic interviews are mainly in survey research. Obviously, standardised tests and attitude scales cannot be administered telephonically. Because the respondents do not have the questions in front of them, telephonic interviews are less suited to complicated questions (Welman and Kruger 1999:165). According to Collis and Hussey (2003:167), interviews are a method of collecting data in which selected participants are asked questions in order to find out what they do, think or feel. Interviews make it easy to compare answers and may be face-to-face, voice-to-voice or screen-to-screen; combined with individuals or a group of individuals.

5.2.1.2 Structured Interview

In a structured interview, the interviewer puts a collection of questions from a previously compiled questionnaire, known as an interview schedule to a respondent face to face and records the latter's responses. The interviewer is restricted to the questions, their wording and their order as they appear on the schedule within relatively little freedom to deviate from it (Welman and Kruger 1999:166).

5.2.1.3 Unstructured Interviews

Because of the unfamiliarity of the area being entered, it is usually impossible to compile a schedule for interview in such instances (Welman and Kruger 1999:166).

5.2.1.4 Semi-Structured Interviews

Between the completely structured interview, on the one hand, and various degrees of how it is structured are possible. Interviews between these two extremes are usually called semi-structured interview. Semi-structured interview is considered when:

- The topics are of a very sensitive nature;
- The respondents come from divergent background; and
- Experienced and expert interviews are available for conducting interviews.

Semi-structured interviews offer a versatile way of collecting data (Welman and Kruger 1999:167).

5.2.1.5 Face to Face Interview

Face-to-face interviews are enormously time-consuming. The actual time spent interviewing is the least of it: If more than the hour expended on the interview was involved then you could conceivably do a hundred of them, even as a lone researcher working in spare time. The time-cost factor is emphasised because it is often grossly under-estimated, particularly by the novice researcher, the reality only dawning once you are irretrievably committed (Gillham 2000: 9).

5.2.2 Literature Review

The first step to take in tracing relevant literature on a particular topic, is to list the headings or key words under which it may be classified in a library catalogue or in a computer retrieval system. Nowadays university libraries usually have staff available to assist researchers in conducting a computer search for references on relevant research on the basis of such a list of key words (Welman and Kruger 1999: 34). Welman and Kruger (1999: 35) further noted that libraries are no longer the only sources of information. The development of the Internet and electronic publishing has had an enormous impact on research supervision, peer review of publications and general communications capabilities, and have changed the way researchers work.

The literature review should not consist of a mere compilation of separate, isolated summaries of the individual studies of previous researchers. It should clearly be indicated how these studies relate to one another and how the proposed research ties in with them (Welman and Kruger 1999: 35). According to Collis and Hussey (2003: 84), the literature search should increase one's knowledge of the subject area and the application of different research methodologies as well as help you to focus on your own research topic, develop and support it. The aim of the literature search is to identify as many items of

secondary data as possible which are relevant to your research topic. Secondary data is data which already exists. Examples of sources of secondary data include:

- books
- articles in journals, magazines and newspapers
- conference papers
- reports
- archives
- published statistics
- companies' annual reports
- organisation's internal reports and accounts
- organisations' internal records
- newspapers
- films, videos and broadcasts
- electronic databases
- the Internet

5.2.3 Data Collection

The researcher, having decided upon the survey method, finalised the questionnaire and drawn the sample, and should plan and organise the fieldwork. It is particularly important that the researcher should bear in mind that the planning and organisation of the fieldwork:

- Not only the quality of the data collection, but also that of the questionnaire and sample design will determine the quality of the eventual research findings.
- The data collection phase is the only opportunity the researcher will have of interacting with the respondents. Due to this interaction an

opportunity arises for the researcher and the researchee to enter into a partnership (Herbst 1989: 179).

Data can be collected from questionnaires, observation, experiments, interviews, documents, photographs and film. The historical method of research involves the collection of published or secondary data from research reports, dissertations, theses, periodicals, textbooks, and so on.

The survey method of data collection requires:

- the application of questionnaires for data gathering. In this technique the data are obtained from questionnaires completed by the respondents.
- That the population being studied should be accurately described and that the sample should be representative of the population. The reliability of survey data is dependent on the care taken in selecting a sample.
- That the scientific character of the data should not be adversely influenced by imbalance or bias.
- Systematic organisation of the data gathered in order to make valid and accurate interpretation (Struwig and Stead 2001:41-42).

5.2.4 Participant Observation

According to Collis and Hussey (2003:171), participant observation is a method of collecting data where the researcher is fully involved in the participants and the phenomena being researched. The aim is to provide the means of obtaining a detailed understanding of values, motives and practices of those being observed. According to Welman and Kruger (2002: 184), in participant observation, we do not observe the experiences of individuals involved as

detached outsiders, but experience them firsthand as insiders. The participant observer thus becomes a member of the inner circle of the group or event that is being studied.

5.2.5 Survey Methods

Here tests to measure, *inter alia*, intelligence, aptitude, ability and achievement, as well as standardized questionnaire for measuring interest, study habits and attitudes, and various personality characteristics. These instruments are usually standardized for a particular norm group, for example school standards and age group (Dixon 1989: 14). According to Welman and Kruger (2001:84), variables such as age, gender (or sex), socio-economic status, manufacturing sector and so on, are of great importance, especially to non-experimental research in the business and administrative sciences, and it is impossible to randomly assign participants who are already members of the various levels of such variables, to them.

5.3 National Framework

In its efforts to address the spatial consequences of national investment and development programmes, several spatial co-ordinating and integrating mechanisms were initiated in the national sphere, the most recent of there being the National Spatial Development Framework (NSDF). The National Spatial Development Perspective (NSDP) included a mechanism aimed at aligning spatial choice around government investment and development spending across all spheres of government (NSDP 2003:3).

The key objectives of the NSDP are to:

- Provide a framework within which to discuss the future development of the national space economy by reflecting the localities of severe deprivation and need, of resource potential, of infrastructure endowment and of current and potential economic activity by describing the key social, economic and natural resource trends and issues shaping the national geography.
- Act as a common reference point of national, provincial and local governments to analyse and debate the comparative development potentials of localities in the country by providing a coarse-grained national mapping of potential
- Identify key areas of tension and/or priority in achieving positive spatial outcomes with government infrastructure investment and development spending.
- Provide national government's strategic response to the above for a given time frame (NSDP 2003:36).

The NSDP (2003:37) provides that the relationship between a national planning perspective such as the NSDP, provincial plans such as Provincial Growth and Development Strategies (PGDS) and IDPs should be determined in the context of a set of intergovernmental planning principles. Such principles could include:

- National development guidelines and principles should inform planning for development in all spheres.
- Each sphere has its own distinct development tasks and related planning tasks corresponding to the scale of operations and the area of jurisdiction.
- Integrated development planning by municipalities is a tool to integrate and co-ordinate implementation in terms of geographical space and time in that locality. They have to inform, and be informed

by, the planning of other spheres of government, including sectoral/departmental planning of line agencies.

- The necessary mutual alignment between national principles/guidelines, sectoral planning requirements (standards, provincial strategies) and local needs, conditions and resources, must be conducted in the spirit of co-operative governance whereby the plans of one sphere should support those in another.

The enormous efforts by the democratic Government since 1994 to develop a new policy framework for steering and planning the transformation process as well as social and economic development resulted in at least 25 white and green papers and framework documents. These sectoral papers, policies and strategies-which are further detailed in development plans at provincial and local levels-provide guidance on the developmental priorities of the country. Central to the overall steering of the transformation process are the Reconstruction and Development Programme (RDP) of 1994 and the Growth, Employment and Redistribution (GEAR) macro-economic strategy of 1996, which form a twin strategy, aimed at poverty alleviation and development and economic growth respectively. The GEAR strategy reiterates the need for a competitive fast-growing economy which creates sufficient jobs for all work seekers, a redistribution of income and opportunities in favour of the poor, a society in which sound health, education and other services are available to all, and an environment in which homes are secure and place of work are productive (Davis and Ryland 2005:10).

According to Deputy President Phumzile Mlambo-Ngcuka, the government has come with another intervention that will elaborate on the Accelerated and Shared Growth Initiative of South Africa-ASGISA-whose ultimate objective is to halve unemployment and poverty by 2014 (Mlambo-Ngcuka 2006: 1). ASGISA will push for government to implement and respond better to the public. A key role

of ASGISA is better management and response by government as against thorough going policy reforms. All spheres of government, State Owned Entities and social partners will be engaged. On Local Government and Service Delivery the Government is focusing on addressing the skills problems identified in Project Consolidate (Mlambo-Ncguka 2006: 8).

Government Programme of Action for 2006 entails, *inter alia*, to pay special attention to strengthening local government:

- Continued co-operation of all spheres of government to ensure that each and every District and Metro has:
 - a realistic Integrated Development Plan
 - a credible Local Economic Development (LED) programme
 - the material and human resources, as well as the management and operational systems, to implement these IDPs and LEDS.
- Better integration of planning and implementation across the three spheres of government as a priority for the term of the new local government.
- Empower local government to meet its development and service-delivery obligations, drawing on the lessons of Project Consolidate. This includes urgently dealing with the shortage in many of our municipalities of properly qualified managers, and professional and technical personnel.
- Deploy by March 2006 3 000 community development workers to help local government to meet the needs of the people (GCIS 2006:8).

NSDP is a national framework seeking to co-ordinate planning in all spheres of government. It is important that all spheres of government are enjoined to

support each other on planning issues. This will minimise unnecessary duplication and the state resource be will be effectively utilised.

5.4 Free State Provincial Strategy

In its endeavour to harmonise planning across the three spheres of government, the national government mandated the Department of Provincial and Local Government (DPLG) to develop a planning tool that would align the processes at national and local government spheres, that is the NSDF as well as the IDPs respectively. This process gave rise to the Growth and Development Strategy at the provincial level. In 2002, the Free State Provincial Government in pursuance of its developmental mandate of creating a prosperous province and fulfilling the social needs of all its people, embarking on creating a comprehensive plan called the Free State Development Plan (NSDP). The overarching role of the Free State Growth and Development Strategy (FSGDS) is to align the provincial and national policies and programmes and to guide development in terms of effective and efficient management and governance to achieve growth and development (FS PGDS 2005: 5).

Free State Provincial Growth and Development Strategy (2005:128-133) lists the strategies for economic development and employment creation. These strategies are to:

- Strengthen the competitive advantage of the province.
- Support the creation and expansion of SMME.
- Add value to Free State products.
- Expand manufacturing industries in the province.
- Optimize tourism production.
- Optimize agricultural production.

- Develop and expand the transport and distribution industries.
- Facilitate land reform.
- Maximize economic potential of municipalities in the Free State.
- Facilitate provision of an environment conducive to accelerating infrastructure development.
- Address the backlog with regard to social infrastructure.
- Improve safety net and livelihood.
- Accelerate community development support.
- Engage and promote participation in cultural activities.
- Accelerate performance in sport.
- Provide special programmes for the survival, development, care and protection of the vulnerable.
- Restore morals.
- Reduce the burden of disease.
- Improve access to and quality of health service.

5.5 Alignment of Municipal IDPs and Provincial Strategy

One of the challenges facing the municipalities in the Free State was to align the IDPs and the Provincial Growth. This was caused by the mere fact that the two process were not running concurrently and that there was lack of input from the municipalities in formulating the Provincial strategy or the Provincial departments did not make contribution in the formulation of the municipal IDPs. The Free State Government held its Alignment Summit on 27 and 28 October 2005 to seek a synergy between the municipal IDPs and The Provincial Growth. The first Commission dealt with the Economic Growth and Employment. The mandate of this commission was to:

- Discuss the needs and development potential of each Municipal District.

- Agree on which opportunities/projects/areas to be prioritized for infrastructure and development spending.

The table below captures some of the opportunities/projects as identified in the presentations by the District Municipalities, namely:

Table 5.1

	Motheo	Lejwelepu tswa	Fezile Dabi	Thabo Mofutsan yana	Xhariep
Value Adding/benefi ciation		Salt pans; Mining products; Leather tanning; Agricultural products;	Leather tanning; Agricultura l products; Down streaming of chemical products;	Beneficiati on of agricultural products;	
Manufacturing and/or producing	Brick and tile manufact uring in Wepener;	Jewellery manufacturi ng	Pharmaceu ticals – Export Processing Zone;	Expansion of existing Furniture and Coffin Manufactu ring in Qwaqwa and Harrismith;	Wines

Tourism	Tourism Corridor (N8 and N26)	Goldfields Tourism Route; Winnie Madikizela –Mandela’s House in Brandfort; Wine Cellar in Welkom; Eco-Tourism opportunities;	World Heritage status for Vredefort Dome; Information offices at the District Municipality Building and N1 & N3 Highways at Engen One Stop complexes ; Tourism Awareness Campaigns ; Training for B&B’s; Development of a Craft Route; Hiking Routes; Develop a	Seekoeivlei Development & Cultural Village in Memel; Development along the Maluti transfrontier;	Lake Gariep Environmental Development Zone; The Horizon Route (including watching wild life and the big hole)
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			business plan for Tourism Information and trade centre in Vredefort;		
Agriculture	Farming commodities; Commonages; Management plan for tribal authorities; Agri-villages;	Small scale farming; Vet and Sand River Irrigation Schemes; Land Reforms claims;	Vegetable farming and packaging plants; Establishment of new farmers;	Establishing of a fresh produce market; Land for commonages;	
Mining		Gold mining; Salt mining;	Gold & Coal mining	Establishing of sandstone mining projects in Qwaqwa;	
Transport and	Centrally	Matjhabeng	Aircraft	Warehouses	

Distribution	situated and access to Lesotho	Cargo Airport	Landing Strips; Well established Railway Lines; Formulatio n of a district transport manageme nt plan;	ng facilities and truck stops on the N3;	
Advanced enabling infrastructure	Quality infrastruc ture in Bloemdus tria; Upgradin g of secondar y and tertiary gravel roads (Rural Tourism Route)	Airfield in Bothaville; Upgrading of R34 linking Bloemfontei n and Klerksdorp	Vaal Dam, including the tourism potential; N1 & N3 Highways;	Possibility of a Cargo Airport in Harrismith;	Gariep Dam (Lake Gariep); Jagersfon tein Water Supply;

SMMEs	Establishing of Food Gardens in rural areas;	Small scale mining; Leather Tanning;	Mayoral Empowerment Session to promote SMMEs; Preferential Procurement Policy in support of BBBEE; District Municipality's Entrepreneurial Support System; SMME Database; LED Learnerships; Baseline Study for potential food co-ops;	Exhibition area for roadside crafts (Clarens);	
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			Business Grow Villages;		
Other	Capital of the Province; Developm ent Corridor – N8 Route between Kimberly, Bloemfon tein, Ladybran d, Maseru & Wepener, Mafeteng ;		Compilatio n of LED Strategy;		

5.6 Evaluation of the Municipal Economic Strategies

This paragraph evaluates the economic strategies of various municipalities as encapsulated in their IDPs and LED strategies. Almost all municipalities concentrate on job creation and poverty eradication as part of their Local Economic Development strategies. Most of the strategies also emphasise on the small business development, investment and tourism attraction. There is also

an emphasis on human resource development. Infrastructural development and town planning are important factors in job creation and land development. Recently, National Resource Institute has successfully evaluated LED Strategies and IDP's in the Free State and this chapter is also aimed at emphasising on their sterling work well done.

As the general objective of this research is to establish the possible approach in dealing with the alleviation of poverty through the local economic development strategies as well as to develop and test a casual model of national development guidelines versus the Free State Provincial Growth and Development Strategy; a questionnaire was developed and administered to some municipalities in the Free State in order to obtain the information needed to attain the above objective. Interviews have been conducted with the senior municipal officials and councillors from respective municipalities in order to obtain the information needed to attain the specified objectives.

5.6.1 Fezile Dabi District Municipality

Fezile Dabi District (formerly Northern Free State District) comprise of the four local municipalities, namely; Metsimaholo (in Sasolburg), Mafube (in Frankort), Ngwathe (in Parys) and Moqhaka (in Kroonstad). Its headquarters are in Sasolburg. This district is an important agricultural production area. The most important towns are Sasolburg and Kroonstad. Sasolburg is the location of large chemical and synthetic fuel plant. Kroonstad is an important agricultural centre of the district.

IDP of Fezile Dabi (2004) provides for the following key objectives and principles:

- LED strategies must prioritise job creation and poverty alleviation;

- The LED programme must target previously disadvantaged communities;
- LED should promote local ownership, community involvement, Local leadership and joint decision making;
- For LED to be successful stakeholder involvement is imperative. This includes forming partnerships with local, national and international partnerships;
- The LED programme should ensure it includes local resources and skills to maximize opportunities for development;
- The programme must integrate diverse economic initiatives into a comprehensive programme.

Accordingly the following six approaches will guide the District:

- attract investment into the local area;
- Supporting local businesses through research, loans, grants, premises, and technical infrastructure.
- Lowering the costs of living in the areas;
- Developing human resources to improve local skills base;
- Community-based approaches;
- Linking profitable growth to distribution.

According to the IDP of Fezile Dabi District Municipality, the developmental LED strategies are:

- Development and maintenance of infrastructure and services;
- Retention and expansion of existing business;
- Preventing a drain of resources from the local economy;
- Development of human capital and productivity;
- Focusing on community-based economic development;

- SMME development;
- Investment attraction and place marketing.

To translate the above strategies into implementation the Fezile Dabi municipality focuses on specific areas of small business, telecommunication, and tourism. These will be outlined in the sections below:

5.6.1.1 Regional Economic Development Within the planning Framework

In terms of this strategy integrated planning is envisaged among municipalities in the district. This includes their potentials and capacities in the field of town planning.

- Identify the town planning competencies within each of the municipalities, including the local and district.
- Organise a Planning and Economic Development Workshop I (government) to work out how regional economic development will fit within the planning framework.
- Organise Planning and Economic Development Workshop II (government, land developers and private business) to identify where the future economic and local employment centres will be. Focus will be on five geographic areas outlined in this document.
- Audit all planning related roles and functions to work out capacity versus actual market needs. Make sure that the town planning function is adequately staffed, and is separate to the planning approvals function.
- Integrate key economic information into Geospatial Information (GIS) data such as commercial/industrial zones (including estate sizes, permitted uses and estimated property taxes).

- Link with the strategic planners at the local municipalities. If no strategic planner is employed, work with major regional stakeholders to facilitate a solution to problem.
- Conduct audit of future workforce requirements using current and desired industry sectors as a benchmark.

5.6.1.2 Small Business Assistance-A Collective Approach

This involves the promotion and assistance of the small business in the District. It also calls for the seminars and workshop to promote business in various municipalities. One of the challenges identified in this arena is the alliance with the organised business.

- Use the economic Development Forum as forum for the development of ideas and projects. Use the forum as a means to share information and collaborate on economic initiatives.
- Promote the support services and assistance through business forums, business breakfasts, seminars, expos and workshops run by the District and Local Municipalities.
- Use existing centres (shopfronts) in strategic locations as business support centres. Promote the centres for their service and business assistance offerings and integrate training provision and job link service.
- Induct each local and municipal employee into the role and function of economic development and use them as "the extended Economic Development workforce".
- Produce targeted marketing material looking at specific components of economic development. These involves investment attraction material, business support service material, advertising of the Business Support Centres, specific training programs, local alignment with provincial

schemes, précis of the larger Economic Development Strategy and skills development programs. Further, the strategy involves the support service and assistance through business forums, breakfast meetings, seminars, expos and workshops run by the District and Local Municipalities.

- Adapt the Business Centre (SMME Desk) in Metsimaholo into a Small Business Support Centre (SBSC) offering business planning assistance, notifying people of all available government help, computer training courses, business investment assistance, “household debt management courses”, Chamber of Commerce links and Economic Fieldworker contact.
- Work with local Chambers of Commerce Associations such as the Sasolburg Chamber, the Kroonstad Chamber, the Parys Development Forum and their membership to address any issues and challenges in relation to hard and soft infrastructure in industrial areas.

5.6.1.3 Telecommunications

Telecommunication is an important means of accumulating knowledge. Globalisation has posed a critical challenge in the field of communication. In order to face the challenges brought about by globalisation communication techniques need to be above board. A clear communication strategy will enable municipalities in the district to share information on issued of economic development.

- District and Local Municipalities should form a working group with appropriate local small business representatives to address the issues of telecommunications availability, accessibility and affordability. A separate forum could include telecommunications carriers and other service providers.

- A survey should be conducted in four municipalities to gauge the level of concern regarding affordable telephone and Internet access by the small business sector.
- A case should be made (supported by all stakeholders) and put to the telecommunications industry regarding possible small business solutions. Including low cost options and better coverage. SMME Research teams at the local Universities would be able to assist in making the business case.

5.6.1.4 Agricultural Economy

Agriculture is one of the main economic activities in the District and the Province as a whole. There is a need to introduce the young entrepreneurs in this field and to make agriculture more economically viable.

- Support initiatives that assist training of people in the agricultural sector.
- Work with planning agencies and other relevant agencies to determine a sustainable balance between urban and rural land uses.
- Investigate the possibility of an agricultural Support Centre, incorporating start-up and small farmer training on farm management, and include a farmer-mentor program.
- Investigate ways to bring youth into farming, and equip them with adequate knowledge through training.
- Promote the agri-tourism opportunities of the region, e.g. Farmstays and Festivals.

5.6.1.5 Tourism Development

Tourism development is one of the key economic activities in the district. FSGDS has identified tourism as one of the sectors that need special focus.

- Establish a Northern Free State Tourism Group comprising tourism-related businesses and government representatives.
- Develop a Tourism Strategy for the Northern Free State, incorporating eco-tourism, quality local NFS craft made locally by artisans, and 'experience attractions' for the day-trip and weekend markets.
- Develop a Northern Free State Tourism Brand and identity and market uniformity throughout South Africa and abroad.
- Link product with places and develop a database of outlets such as Bread and Breakfast, Guesthouses and Hotels where local craft is displayed and sold.
- Investigate linking places of historical interest, places to stay, potential tourism trails and services (such as fresh produce, local storytelling, local health products, local craft) into a single offering featuring and uniqueness of the locality.
- Continue to use tourism Information Officers to message of tourism options, places to go and as promoters of unique Northern Free State craft and product.
- Investigate potential export markets and promote products and places once brand is established.

5.6.2 Motheo District Municipality

Motheo is Sesotho name meaning "foundation". The reason for the naming of this district is based on the fact that the African National Congress was found in this district in 1912. This District comprises of three municipalities, namely

Mangaung (in Bloemfontein), Mantsopa (in Dewetsdorp) and Naledi (in Ladybrand).

In terms of the Local Economic Strategy of Motheo District Municipality (2003:5-3), the Municipality needs to undertake the following developmental principals:

- Form appropriate partnership with different spheres of local government, Development Agencies, Local Chambers of Commerce, Non-Governmental Organisations and parastatals to ensure economic development.
- Secure funding and investments for prioritised projects.
- To ensure that resources are being equitably distributed throughout the District.
- Give political support and understanding to the local municipalities in the district. This means that the success of Motheo strategy will depend on the co-operation with the local municipality in the district.
- Coordination of skills and human resource development in the district.
- Integrate the local projects identified by the local municipalities in the Districts.

5.6.3 Mangaung Local Municipality

Mangaung Local Municipality consists of the towns of Bloemfontein, Botshabelo, Thaba Nchu and its head offices are in Bloemfontein, the Free State Capital City. Mangaung economy plays a significant (92.5%) role in the Motheo District economy as well as the Free State Economy (25.5%) but is relatively small (1.6%) when compared to the national economy.

Mangaung Local Municipality (Annual Report 2002-2003:37) indicated that the challenges facing the Mangaung Local Municipality were:

- Growing the local economy, distributing wealth and reducing unemployment;
- Arresting decline in critical sectors, diversifying the economy and stimulating emerging sectors;
- Creating conditions to attract investment and retain business;
- Positioning the city to become a centre that attracts business;
- Positioning the city to become a centre that attract tourists;
- Building the human resource capacity of the city;
- Ensuring orderly and economically and environmentally sustainable development within the municipality; and
- Ensuring an adequate public transport system for the community of Mangaung

In terms of Mangaung IDP 2002-2007: Development Plan (2002:1) the municipality intends to have improved economic growth, increased formal jobs and improved the livelihoods of the poor by 2006. Its strategies are:

- To promote Mangaung as an investment opportunity for national and international investors.
- To encourage the community of Mangaung to promote and buy local products and services.
- To assist key sectors in Mangaung to develop (health, education, agriculture, tourism, sport and recreation, legal, manufacturing).
- To support development of a well established and sound SMME sector.
- To ensure a skilled and well-trained workforce in the Mangaung area.
- To improve access to finance for all levels of society.
- To improve people's livelihoods through participating in a range of community-based services.

- To develop a Mangaung Economic Partnership involving all relevant stakeholders.

Mangaung Development Strategy (2003:83) has identified four strategic thrust to guide the implementation of the Economic Development Strategy, namely:

- Economic diversification,
- The creation of an environment conducive to economic growth,
- The development of Mangaung into a regional economic centre
- Employment creation

In terms of the economic diversification thrust, the municipality seeks to address the principle of developing a sustainable economy. The creation of an environment conducive to economic growth thrust addresses all the stated principles in the vision but specifically relates to the principles of creating an investor friendly environment as well as creating a vibrant economy. The thrust relating to developing Mangaung into a regional economic centre addresses the principle with the same name. The employment creation thrust relates to two principles: sustainable economy and investor friendly environment (Mangaung Development Strategy 2003: 83).

LED strategy is strategy came before the Free State Growth and Development Strategy. It is clear that it is not necessarily aligned to the latter.

5.6.4 Lejweleputswa District Municipality

It is also known as the Goldfields, it is accessible from Johannesburg, Cape town, Klerksdorp and Kimberley. It comprises of the following municipalities: Masilonyana Local Municipality, Matjhabeng Local Municipality, Nala Local Municipality and Tswelopele Local Municipality. The district comprises of a high-

density urban area focusing on the mining sector, and surrounding low-density rural agriculture sector. Chapter 4 of Lejweleputswa LED strategy deals with strategic objective of the municipality to promote Local Economic Strategy. The strategy seeks, *inter alia*;

- to promote urban lifestyles, by improving the quality of life and equitable opportunity for all the residents;
- to promote competitiveness

Chapter 5 of Lejweleputswa strategy, identified projects to the local municipalities in the district to support LED strategy of the District.

5.6.5 Matjhabeng Local Municipality

Matjhabeng means 'where the nations meet' and is derived from the labour needs of the mines which resulted in people from different countries arriving to work on the mines. The economy of the Matjhabeng Municipality area centres on mining activities located in and around Allannridge, Odendaalsrus, Welkom and Virginia. The capital of Matjhabeng is Welkom.

According to Daffney (2004: 222), key development objectives and strategies of Matjhabeng are:

- To have a sustainable SMME development and monitoring programme-have a procurement policy that will ensure 30% of all procurement will be directed towards SMMEs; Ensure specific incentives aimed at developing SMMEs;
- Identify and access external funding sources for the implementation of projects-Liaise and negotiate with local and foreign donor and institution.

Pillay www.ksp.org.za/holores-seccity.htm is of the view that although not all the priority areas will directly contribute to economic growth, it will ensure a strong, conducive and enabling environment that will convince investors and developers that Matjhabeng has matured into a safe and well managed centre of excellence where they can invest.

- A champion to drive the economic growth was created by putting together the Department of Economic Development and Spatial Planning. Within the Department, a Section 21 Company namely the Free State Goldfields Development Centre will exist to fulfil the developmental role by becoming a direct developer, creating own or serving on other Trusts and outsourcing funds for development.
- The main duties of this dedicated structure are:
 - Structuring and implementing relevant parts of the Integrated Development Plan;
 - Strategic marketing of the development potential of the Matjhabeng region locally, nationally and internationally;
 - Local Economic Development: Initiation, project identification and establishment as well as after care services;
 - Networking with a vast number of role players, stakeholders, institutions and government;
 - Initiating, structuring and implementing a comprehensive incentive package to approved applicants;
 - Expansion and diversification of the local base;
 - Initiation and implementing a sustainable SMME development and monitoring plan;
 - Identification and accessing of external funding sources;

- Establishment of flagship projects to fast-track economic development;
- Finalising and establishing all other developmental projects in the region;
- Promoting and sustaining communication with the community, council and all investors;
- Orderly spatial planning initiatives to ensure timeous provision of enough serviced sites for all land uses;
- A developmentally orientated Land Utilisation Plan that will predominantly address the utilisation of redundant mining land and infrastructure in Matjhabeng;
- Drawing up of a uniform Town Planning Scheme to control land usage in an orderly fashion for all six towns in Matjhabeng;
- Manage the new structure on the principles laid down with good governance principle, both in terms of human resources and finances.

5.6.6 Metsimaholo Local Municipality

The Sasolburg, Deneysville and Oranjeville and a section of the Vaal Dam are included in Metsimaholo Local Municipality. Its head offices are in Sasolburg. Sasolburg is located in the heart of world-renowned coalfields. This modern and predominantly industrial town is further located in close proximity (20 km) to the well-known Gauteng industrial areas of Vereeniging and Vanderbijlpark. Sasolburg, Vanderbijlpark and Vereeniging are also known as Vaal Triangle, as they form triangle around Vaal River. Vaal Triangle is also known for its protracted Rent Boycott in the 1980s.

The strategic objectives of Metsimaholo Local Municipality are as follows:

- Attracting investment through concessions such as tax breaks, cheap land, reduced rates and direct financial rewards in return for locating in the area.
- Identifying actual or potential growth sectors and directly supporting local businesses through research, loans, grants, premises and technical infrastructure.
- Identifying the economic strengths and promoting this strength.
- Identifying and promoting opportunities for SMME, through infrastructure projects and primary production of e.g. wool, meat and other agricultural products for local consumption.
- Raising urban productivity, in part by lowering the costs of living and doing business in the locality.
- To ensure active town planning rather than passive town planning that will promote land development rather than merely seeking to control it.
- Promote a diverse combination of land uses.
- Contribute to the correction of the historically distorted spatial patterns of settlement.
- Human resource development through skills and initiative training by local accredited training consultants.
- Ensuring active participation from the local community in development by supporting community development organizations.
- Ensuring that a progressive approach with the aim to link profitable growth and redistribute development is followed.
- Investing in infrastructure to increase job creation, incomes and business opportunities.
- All infrastructure projects identified in the IDP must be labour based, of the total number of people employed by the project at least 45% must be women.

Local labour employment through infrastructure projects must be equally divided thought the working age groups.

- Developing of a progressive tender selection policy to ensure more opportunities for SMME.
- Ensuring a functional partnership between local government and SMME.
- Promote land reform to increase the ability of rural people to become economically productive.
- Establish a sustainable commonage in all nine units to empower local small farmers.

5.6.7 Thabo Mofutsanyana District Municipality

Thabo Mofutsanyana District Municipality is situated in the north-eastern section of the Free State province and it comprises five municipalities: Setsoto, Dihlabeng, Maluti-a-Phofung, Nketoana and Phumelela. The main centres in the district are Harrismith, Bethlem, Ficksburg, Senekal, Reitz, Frankfort, Warden, Memel and Phuthaditjhaba (Capital). The most populated municipality is Maluti-a-Phofung (Phuthaditjhaba) which has 54% of the district's total population, and a density of about 88 people square km. This district was named after the African National Congress and South African Communist Party stalwart.

Gaffney (2004:253) identifies some of key developmental objectives of Thabo Mofutsanyana District Municipality which are:

- To ensure that tourist attractions and facilities meet and maintain industry standards, tourism is promoted on a regional level in order to enhance economic growth and sustainable livelihoods, and decrease unemployment and to identify a set of standards for tourist attractions and facilities and monitoring it.

- To stimulate the agricultural development of the region through the protection of unique and value adding products and to ensure the development of small-scale and emerging farmers in order to enhance economic growth and sustainable livelihoods, and decrease unemployment

In terms of the Local Economic Development Plan of Thabo Mofutsanyana (2003:10-12) the municipality will involve in these projects objectives:

- To have an effective policy indicating clear principles for land development in the region as well as strict monitoring mechanisms for the implementation of projects.
- To ensure that unemployed people with farming skills are given the opportunity to become self sustainable and economically active.
- To identify all unique farming activities within the district per local municipality area, to distribute information to the local communities in this regard and to ensure widespread training, specifically based on the unique farming activities.
- To establish a variety of business and industries that can add additional value to the agricultural sector in terms of the processing of goods.
- To strengthen the operations of the Land Care Committee through forming further Public – Private – Partnerships (PPPs) who will then have the responsibility of product marketing.

- To improve the working relationships, communication and trust between emerging and commercial farmers to ensure a better cooperative farming community.
- To continue ensuring that cost effective sanitation systems are implemented, using less water and reducing the impact on the environment.
- To engage with communities, municipalities and other role players to implement mechanisms ensuring an acceptable clean environment and the preservation of valuable resources.
- To provide effective and acceptable cemeteries for all communities.
- To have well maintained roads.
- To establish tourism routes throughout the Eastern Free State.
- To produce crafts and arts of a high quality.
- To broaden and strengthen the economic base of Thabo Mofutsanyane District Municipality in the following sectors tourism, commerce, industry, agriculture.
- The District is able to provide a comprehensive coordinating and marketing service with regard to LED and tourism.
- To establish tourism routes throughout the Eastern Free State.
- To encourage and help local people to be creative and market their products.
- To produce crafts and arts of a high quality in Thabo Mafutsanyane.
- To have sustainable industrial development in the area focusing on niche markets.

5.7 Research Finding

The purpose of this paragraph is to give a description of the respondents' experience of the LED strategy as applicable in their municipalities. Most of the respondents are municipal managers from different municipalities in the Free State. Some of the respondents are senior councillors, example Mayors and Speaker, in the Free State.

Item	Scaled Responses	Number	Percentage
Does your municipality have LED strategy?	Yes	3	25
	No	9	75
	Don't Know	0	
There is a need for a separate section in the municipality dealing with LED	Strongly disagree	0	
	Disagree	2	16.7
	Neither agree nor disagree	0	
	Agree	0	
	Agree strongly	10	83.3
	Don't Know	0	
DPLG guidelines should always be observed in	Strongly disagree	0	

formulating LED strategy			
	Disagree	5	41.7
	Neither agree nor disagree	2	16.7
	Agree	5	41.7
	Agree strongly	0	
	Don't Know	0	
There is lack of human resource capacity in the municipality to deal with LED.	Strongly disagree	2	16.7
	Disagree	0	
	Neither agree nor disagree	3	25
	Agree	0	
	Agree strongly	7	58.3
	Don't Know	0	
LED strategy is not linked to IDP	Strongly disagree	2	16.7
	Disagree	2	16.7
	Neither agree or disagree	3	25
	Agree	1	8.3
	Agree strongly	3	25
	Don't Know	1	8.3
LED projects are not adequately	Strongly disagree	0	

budgeted for			
	Disagree	0	
	Neither agree nor disagree	1 0	8.3
	Agree	3	25
	Agree strongly	8	66.7
	Don't Know	0	
LED is not a function of municipality	Strongly disagree	3	25
	Disagree	1	8.3
	Neither agree nor disagree	3	25
	Agree	3	25
	Agree strongly	0	
	Don't Know	2	16.7
LED strategy is adequately catered for in the IDP	Strongly disagree	2	16.7
	Disagree	5	41.7
	Neither agree nor disagree	2	16.7
	Agree	3	25
	Agree strongly	0	
	Don't Know	0	
Municipalities should play a leading role in the	Strongly disagree	0	

development of LED strategy			
	Disagree	2	16.7
	Neither agree nor disagree	3	25
	Agree	4	33.3
	Agree strongly	2	16.7
	Don't Know	1	8.3
LED strategy must have a political oversight	Strongly disagree	0	
	Disagree	0	
	Neither agree nor disagree	0	
	Agree	10	83.3
	Agree strongly	2	16.7
	Don't Know	0	
Community participation is always necessary in formulating LED strategy	Strongly disagree	0	
	Disagree	2	16.7
	Neither agree nor disagree	2	16.7
	Agree	7	58.3
	Agree strongly	1	8.3
	Don't Know	0	
LED strategy	Strongly disagree	0	

must always have clear targets			
	Disagree	2	16.7
	Neither agree nor disagree	1	8.3
	Agree	7	58.3
	Agree strongly	1	8.3
	Don't Know	1	8.3
LED strategy must be reviewed annually	Strongly disagree	0	
	Disagree	1	8.3
	Neither agree nor disagree	3	25
	Agree	5	41.7
	Agree strongly	3	25
	Don't Know	0	
There is a need to legislate LED for municipalities	Strongly disagree	4	33.3
	Disagree	2	16.7
	Neither agree nor disagree	2	16.7
	Agree	4	33.3
	Agree strongly	0	
	Don't Know	0	
All sphere of government must be involved in the	Strongly disagree	0	

LED processes.			
	Disagree	0	
	Neither agree nor disagree	2	16.7
	Agree	5	41.7
	Agree strongly	5	41.7
	Don't Know	0	
Private Sector plays an important role in the LED processes	Strongly disagree	0	
	Disagree	0	
	Neither agree nor disagree	2	16.7
	Agree	7	58.3
	Agree strongly	3	25
	Don't Know	0	
LED falls within Town Planning Department	Strongly disagree	5	41.7
	Disagree	2	16.7
	Neither agree nor disagree	1	8.3
	Agree	3	25
	Agree strongly	1	8.3
	Don't Know	0	
LED strategies are realistic	Strongly disagree	3	25

	Disagree	1	8.3
	Neither agree nor disagree	2	16.7
	Agree	2	16.7
	Agree strongly	0	
	Don't Know	4	33.3
The is no clear role of the Provincial Government in formulating municipal LED	Strongly disagree	2	16.7
	Disagree	1	8.3
	Neither agree nor disagree	4	33.3
	Agree	3	25
	Agree strongly	2	16.7
	Don't Know	0	
LED must be aligned to the Provincial and National Government	Strongly disagree	1	8.3
	Disagree	2	16.7
	Neither agree nor disagree	0	
	Agree	5	41.7
	Agree strongly	4	33.3
	Don't Know	0	

It is clear from the interviews with different municipalities that there are no LED strategies in the local municipalities in the Free State. It is important to note that only 25% confirmed that their municipalities have LED strategy. In other cases it is evident that the respondents were not sure whether or not LED strategy should be driven by municipalities. Others are of the view that LED strategy should be driven by the office of the Municipal Manager or IDP Manager. In the situation where the LED strategies do exist it is either they are outdated or they are not realistic. It is also evident that in view of the fact that there is lack of capacity in the municipalities the LED strategies were driven by the consultants. It is also not clear whether there is a political support or political will in the LED strategies of the municipalities in the Free State.

Most respondents were not even aware of the National Guidelines on LED strategy. 41% of respondents agree that National Guidelines should be followed in formulating LED strategies for municipalities. It is clear that one of the challenges facing municipalities in the Free State is capacity building. 58% of respondents alluded to this issue as one of the constraints for LED. Alignment of IDP and LED on one hand and LED and Budget on other hand is still a problem. 58% of the respondents confirmed that their LED projects are not adequately catered for in both operational and capital budgets. Another problem which exists is that the three processes of LED Strategy, IDP and budgeting did not run concurrently and that in most cases they were facilitated by different service providers. This resulted in the lack of alignment and therefore unrealistic. The mere fact that the LED strategy is not linked to budget means that the projects in the LED will not be funded and therefore not realistic.

There is general consensus that political oversight is necessary in the LED strategy. Majority of respondents (66.6) also agree that community participation is important in the formulation of the LED strategy. In most cases the roles

played by the National and Provincial spheres of governments were not clear. This leaves a mammoth task of economic development in the hands of local government alone. Obviously, LED strategy will also cover issues like tourism and housing which are not necessarily core competencies of municipalities. They will in turn commit the national or provincial government. In reality the National and Provincial Government will not be aware of such commitments.

It was evident from the interviews conducted with the municipal officials that there is confusion on what it means by Alternative Service Delivery (ASD). Does it mean privatisation or Public-Private-Partnership (PPP)? Notwithstanding the aforesaid, what is even dangerous is that most of the officials were not aware of the legal implications and time constraints of PPP.

In his analysis of the IDP of Dihlabeng Local Municipality, Davies (2006: 26) wrote that it elaborates a strategy for poverty alleviation but not a specific set of poor programmes. The multidimensionality of poverty is in fact, neglected. It is laudable that the IDP dedicates an objective to gender equality, since women are more likely to be poor and with fewer employment opportunities, but this objective is not linked to the poverty reduction. Davies (2006: 26) further indicated that the IDP also ignores a number of measures such as subsidies and safety nets. It lists objectives for housing, health, social services, sport and recreation but there is no evidence presented of pro-poor outcomes. The participation of the poor is a precondition to the success of poverty alleviation programmes, primarily to identify their needs and provide opportunities to strengthen their presentation through their associations and organisations.

LED in the IDP of Dihlabeng is not fully incorporated. It is likely that financial constraints limit the capacity of the municipality to pursue effective LED strategies. However, the importance of the city of Bethlehem is probably overstated. That the IDP considers the city as one of the main source of growth

does not seem to reflect an analysis of the composition of local GGP. On other hand, in Xhariep partnerships between the municipality and private sector play an important role in organizing and training emergent small scale farmers. Xhariep highlights difficulties in terms of timeframe to co-ordinate the IDP with department provincial strategic plan. Overall the IDP in Xhariep is coherent and integrated, but it does not have an effective monitoring and evaluation system. The same applies to Dihlabeng (Davies: 2006: 26).

Davies (2006: 27) summarised the evaluation of IDPs of Dihlabeng and Xhariep as follows:

- The IDPs highlight the importance of creating employment opportunities and helping the poor take advantage of these opportunities. However, more detail about the plans and monitoring and evaluation of resources to be deployed to meet the objectives needs to be included in the IDP.
- Both IDPs need to improve key performance indicators for monitoring and evaluation.
- Both IDPs need to identify key economic drivers. The Dihlabeng IDP highlights tourism as a key economic driver but somewhat neglects the importance of agriculture; focusing instead on the manufacturing and service sectors. Xhariep has highlighted tourism and agriculture as potential drivers of growth. However, the district IDP may need to exert some caution regarding their tourism plan.

5.8 Conclusion

NSDP provides a framework within which there is discussion on the future development of the national space economy by reflecting the localities of severe deprivation and need, of resource potential, of infrastructure endowment and of

current and potential economic activity by describing the key social, economic and natural resource trends and issues shaping the national geography.

Integrated development planning by municipalities is a tool to integrate and coordinate implementation in terms of geographical space and time in that locality. It is clear that there was no clear alignment between the provincial planning and municipal IDPs. The recent summit on alignment is hereby commended. A number of municipalities do not have LED strategy. To be specific, out of 20 local municipalities only Mangaung has LED strategy although it is outdated. Both Metsimaholo and Maluti a Phofung have recently started with their LED strategies. Formulation of LED strategies in the Free State should be seen as a priority.

There is lack of capacity to deal with LED in the municipality. Other spheres of government need to assist the municipalities on this aspect in the spirit of cooperative governance as discussed in chapter 3. Most LED strategies do not have evaluation and monitoring systems. The lack of appropriate synergy between the public and private sector is one of the main shortcomings in the Free State. The link between business infrastructure and LED is not always explicitly stated in most IDPs and LED strategies.

Municipalities are not actively fostering the development of business organisations. Racial issues seem to be prominent when business needs are considered. There is no link between the emerging entrepreneurs and big business in the IDPs and LEDs plans. A number of municipalities do not have the provision and maintenance of infrastructure related to the creation of a favourable business in their IDPs. The next chapter will deal with the summary, findings and recommendations.

CHAPTER 6

SUMMARY, FINDINGS AND RECOMMENDATIONS

6.1 Introduction

This mini-dissertation seeks to find answers to the question as to the developmental role of local government fighting poverty, with specific reference to Free State. To evaluate LED strategies of municipalities in the Free State, a number of themes needed to be dealt with. Firstly, what is meant by the concept of development or underdevelopment and secondly what is the legal duty of the municipalities in fighting poverty?

6.2 Summary and Findings

Summary and findings of this study can be outlined as following:

6.2.1 Problem Statement and Research Methods

In chapter 1, it was submitted that municipality is an important sphere of government facing a mammoth task of fighting poverty. The roles of the provincial and national spheres of government were also emphasised.

6.2.2 Development and underdevelopment

In chapter 2, the concepts of development and underdevelopment were discussed. It was also indicated that South Africa still experiences high levels of poverty and extreme disparities in income, wealth and opportunity. This can best be understood as the result of the confluence of two distinct processes: first, South Africa's own particular history up to 1994, and second, the changes

in the global economic environment in the second half of the twentieth century, including the emergence of "ideological globalization"

Underlying history is the much more fundamental process of contradiction, the continuous tension within class struggle. But this historical formation is within totality and is subsequently, through the dialectical logic, teleological. Thus, the analysis of development operates within a metanarrative.

The high and growing rate of unemployment reflects the increasing vulnerability of South Africa workers and their families. Substantively, data from household survey in 1995 and 2001, reflected in income quintiles, show that 87 per cent of the bottom 40 per cent of South African households had no or no working family member and relied heavily for their livelihoods on pensions or remittances in 2001.

These extremely high levels of unemployment may detract attention from the fact that being employed does not necessarily mean having full or adequate employment. Africans are heavily over-represented among the underemployment, and more women than men are time-related underemployed, as they are more heavily represented in part-time work. Low-quality jobs are prevalent in the economy and are associated with low individual and household income.

Without rising real output per capita (i.e., economic growth) little progress in the reduction of poverty is likely. This could exacerbate social conflict, which in turn could further undermine economic growth, and so on. Rebuilding and strengthening the economy is thus one of the key foundations of the government's Reconstruction and Development programme

Historically, the economy of the Free State has been based on mining and agriculture, with other sectors developing largely in support of these two primary activities. However, the contribution of agriculture and mining to GDP has decreased since 1981. Not only did the contribution of these two sectors to the GDP decline, but both sectors also recorded large-scale job losses. In the case of agriculture, the contribution to GDP decline from a contribution of 26.5% in 1980 to 18,8% in 2001. This decline comes despite a moderate increase in growth between 1996 and 2001. In the mining sector a decline occurred from 27.3 % of GDP in 1980 to 8.1% in 2001. Sectors that have shown a steady increase since 1980 are the manufacturing industry, trade and catering, finance and real estate and community services

6.2.3 The legal framework

Chapter 3 dealt with the legal framework of the municipalities in fighting poverty. Roles of different spheres of government in poverty alleviation were outlined. The legislative imperatives and other policy considerations enjoin local government to promote local economic development and fight poverty. The constitutional court jurisprudence enforces the socio-economic rights of the inhabitants by the municipalities and other organs of state.

The municipalities are enjoined, together with other organs of the state, to give effect to the socio-economic rights in the Bill of Rights. The promotion of the socio-economic development is not just a policy issue. It has been given more weight as a human rights issue. There is a jurisprudence dealing with the judicial interpretation of the socio-economic rights and the obligation of the municipalities.

As legislative bodies, local authorities have the power to make and administer by-laws. These by-laws are the laws passed by municipal councils either to

manage local government affairs or to ensure that the policies, resolutions and development plans are implemented. These by-laws form part of the development law framework for local development and are essential mechanisms in the hands of local government leaders and managers responsible for the success of development projects and programmes.

Local Economic Development is based on the idea that local mobilization of actors and resources, building a convergence of interest around the competitive advantages of localities, and building the capacity for economic actors to take up economic opportunities may arrest the damaging effect, and enable exploitation of the opportunities, created by new market conditions.

Different levels of government cannot operate in isolation. The activities of local government must be aligned with the activities of National and Provincial spheres of government. This means that local government must take policies and programmes of other spheres of governments into account, but also that these spheres of government must take into account the policies and programmes of local government. The element of choice entails that the choice and preference exercised at local level must be channeled upwards through the local government unit. This principle requires horizontal and vertical integration of planning so as to achieve bottom-up development.

6.2.4 National, Provincial and Local Constraints

Chapter 4 deals with constraints facing the municipalities in promoting local economic development. These constraints impede the municipalities to fulfill their constitutionally entrenched developmental mandates. Lack of resources (human and otherwise), lack of capacity, are some of the difficulties facing the municipalities in promoting local economic development. It was argued that there are, and there have been, three critical constraints to delivery: the

resources committed to fiscus; economic policy; and the instrument of delivery, the civil service and municipalities. South Africa has been variously appraised as the first possible developed country in Africa, a country rich in resources, and simultaneously, as a developing country that has to beware of the effect of globalisation.

6.2.5 Evaluation

Chapter 5 deals with municipal Local Economic Development strategies in the Free State. All District Municipalities do not seem to have LED strategies. It is clear that LED strategies of the District Municipalities in the Free State need to be reviewed in view of the challenges like alignment with the Provincial strategy. Capacity is still a challenge in the local municipalities. The Provincial Government must not just play a monitoring and evaluation role, but it must also assist with capacity building and also make funds available.

The issue of capacity building of the LED official was also reiterated as it is clear that there is a need for training of those officials to meet the required standard.

6.3 Findings and Recommendations

This mini-dissertation relies heavily on the assumption that municipalities in the Free State have to comply with their developmental mandate of fighting poverty and promoting local economic development. Further study on the subject is hereby recommended. An instructive work of Junior Davies on the same subject deserves to be reiterated. Davies (2006:29-37) made the following remarks:

6.3.1 Creating an enabling environment

Overall, IDPs and LED strategies lack detail when considering the importance of creating an enabling environment for SMME development. Furthermore, the operationalisation of the concept of an enabling environment is limited.

Some IDPs mention the importance of Public Private Partnerships (PPPs). However, the concept in terms of LED is not well conceptualised. In some cases, it refers to the way in which municipalities will outsource services. A large number of municipal IDPs only mention the importance of the concept. Some progress with regard to the establishment of such initiatives has been made in Lejweleputswa and Matjhabeng. In the case of Lejweleputswa, a Local Development Agency is currently being established. In Matjhabeng, the Matjhabeng Investment Company (MIC) has been established. All shares in the MIC belong to the Matjhabeng Council. Although these initiatives are important to the Free State as a whole, their relevance to LED is somewhat limited.

In view of the above it is recommended that a proper structure of the LED in the municipalities is required to cater for issues of economic development and poverty alleviation.

6.3.2 Create adequate mechanisms

With regard to the three municipalities with whom the in-depth interviews were conducted, a number of comments need to be made: firstly, that racial issues seem to be prominent when businesses needs are considered. Very little progress has been made in bringing formal black African and white owned businesses together. Secondly, little has been achieved by trying to organise formal businesses. Thirdly, in only one of the three municipalities were initiatives to organise the informal business sector attempted. However, they were not

organised per sector (for example all the spaza shops together). Fourthly, a database of businesses was created in all three of the municipalities interviewed – specifically for the SMME sector. This provides a reasonable baseline from which enterprise support and development can be facilitated. Fifthly, it also seems that attempts were made to bring businesses together and to promote business networks. In one of the municipalities mention was made of mentorship having taken place – referring to the mentorship programme of German Technical Operations (GTZ) through the Department of Labour in Kroonstad. However, there was also some scepticism expressed as to whether these mentorship programmes were assisting the emerging businesses. Sixthly, the involvement of business in the development of the IDP or LED strategy varied in the three cases. In one case big business was fairly involved but small enterprises were excluded. In the other two cases the involvement of business in general was minimal.

It is recommended that the both small and big business should play a mayor role in the formulation of LED strategy. Close co-operation between black and white businesses should be addressed as a matter of urgency.

6.3.3 Promote active private-sector institutions and links

Linked to the above cornerstones, cornerstone 3 considers the types of links which exist between the emerging entrepreneurs and big business. Most IDPs and LED plans are fairly restricted in this regard, with only the larger urban municipalities reflecting any significant progress in this respect. Despite these initiatives, none of the municipalities considered a business satisfaction survey. Although the costs involved might have been a stumbling block, it means that the view of formal and informal businesses might not be captured accurately. In principle making markets work for the poor or emerging businesses requires

effective linkages with big business. This is a role which can be facilitated by the municipality.

6.3.4 Create effective and functioning infrastructure

Infrastructure provision is high on the agenda of the residential environment. However, not one municipality could be found which related the provision and maintenance of infrastructure to the creation of a favourable business environment in their IDPs. Furthermore, it is usually businesses in the informal economy which suffer through the lack and inefficient maintenance of infrastructure. Recent societal upheavals in the Free State have been related to poor infrastructure and the poor maintenance of it. Although this has mostly been related to the residential environment, it can be expected to also have a negative influence on business opportunities and confidence.

As most municipalities are unable to address the infrastructure constraints of businesses effectively, it is unlikely that new infrastructure programmes that will benefit business development will be considered. However, at the same time municipalities could develop a better understanding of the infrastructure requirements of different business groupings. The newly-established Municipal Infrastructure Grant (MIG) could potentially fund some infrastructure related efforts.

6.3.5 Promote access to integrated and open markets

In general, it seems that most IDPs and LED plans do not reflect these issues to any significant degree. The peripheral reference to integrated and open markets in some of the IDPs and LED plans relate, firstly, to specific sectors in which possible employment creation could take place. Secondly, some reference is

made to the link between training and the requirements of the market. Overall, this is probably a major obstacle for reducing poverty and encouraging growth.

From the in-depth interviews the following aspects were highlighted:

- Many of the initiatives considered the agricultural markets and did not necessarily focus on the RNFE (Rural Non Farm Economy).
- Some concerns were also expressed with regard to state contracts which only benefit businesses in the larger urban areas.
- Some comments were made with regard to the value of local procurement.
- What seems to be absent is a creative assessment of business activities and helping these businesses to improve market access (some good examples in the agricultural sector are available).
- If a number of businesses also formed a business organisation, they could engage in bulk purchasing which might improve their business performance and market access.

A special focus in promoting RNFE is recommended. Training should meet the requirements of the agricultural market.

6.3.6 Promote access to effective and efficient support services

A number of IDPs / LED plans emphasise the importance of supporting SMMEs. However, very little is available on the specific services that are being provided to these SMMEs. Support services in the Free State were mainly been conducted in Bloemfontein (Mangaung) and Welkom (Matjhabeng). GTZ, through a programme in the provincial department of labour is currently attempting to provide mentorship and support to individuals in the informal economy. A pilot project was initiated in Kroonstad, while a roll-out programme is envisaged for Bloemfontein and Botshabelo.

SMME support systems in the Free State have not always worked well. Far more can be done to provide adequate support to entrepreneurs. It is recommended that a clear programme of supporting SMME should be developed.

6.3.7 Promote management capacity of emergent entrepreneurs

Except for the limited SMME business advice initiatives which do exist in the Free State, no specific attempt is made with regard to building the management capacity of emergent entrepreneurs. From the interviews conducted a few comments need to be made. Some managerial training does take place. This managerial training usually coincides with some of the other initiatives mentioned. However, once again this training seems to be done more on an *ad hoc* basis and not as part of an overall programme.

The main sources of growth are different in the two municipalities. For the IDP of Xhariep agriculture retains its central role and the contribution to the local economy should be improved. However, the municipality will try to develop tourism as well as a programme of infrastructure development, which should both create employment opportunities in the area and alleviate poverty. Mining and manufacturing (linked to rural areas) are also considered as priority sectors. In Dihlabeng the IDP plans to enhance agriculture, potentially implementing value adding manufacturing processes, to improve the manufacturing sector, to promote the city of Bethlehem as a service centre, and to boost tourism in the area.

However the IDPs require thorough monitoring and evaluation systems are absent or inadequate. The system should provide an institutional framework and processes to actively involve all stakeholders. The IDP of Dihlabeng provides a very detailed system of evaluation. However, evidence of evaluation is not

provided and a concern about the effective capacity of local government to evaluate the operational aspects of LED has been questioned.

In view of the fact that most of the local municipalities in the Free State do not have LED strategy, it is recommended that the Provincial Government and the District municipality must assist the local municipalities in the formulation of the LED strategies. National sphere of government should play an oversight role. The councillors must take a lead in driving the LED process. The so-called oversight role of the council is key where the council will have to adopt the framework for the LED. Municipal Managers must drive the process of the LED and be held accountable for it.

There must also be a yardstick to monitor and evaluate the strategies of the municipalities in the implementation of the LED strategies in the Free State. There is a need to link the LED strategies with the National initiatives, Provincial Strategy, Municipal IDPs and Budget. Annual review of the LED strategies must be done. Legislation is silent on this. This can be cured by entrenching the annual review of the LED in the legislation or by directives from the National Department of Provincial and Local Government.

Communities need to be consulted in the formulation of LED strategies. The same applies to labour, business and other stakeholders. Special focus should be paid on the training of municipal officials dealing with LED. All municipal projects should be located within the context of local economic development. There is also a need to conceptualise LED. This will assist in understanding the process and also indicate which direction the municipalities wish to take.

Tender process should be aimed at addressing the imbalances created by the apartheid system and also promote local labour. It is clear that municipalities

lack capacity in other LED initiatives. The partnership with the private sector and other state organs is recommended.

The role of the private sector must be clearly defined in LED. Municipalities LED must be unequivocal when coming to the outsourcing of some of the services and confusion between PPP and outsourcing should also be cleared.

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