

**Implementation of LED initiatives in the Siyanda District Municipality-  
Northern Cape.**

**By**

**Molebogeng Hildah Motabogi**

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**Supervisor: Prof. Lubbe**

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## **Declaration**

I, the undersigned, hereby declare that this thesis '**IMPLEMENTING LOCAL ECONOMIC DEVELOPMENT IN THE SIYANDA DISTRICT**' is my own effort and that all sources that I have used or cited have been acknowledged and I have not previously submitted it in any university for a degree.

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MOLEBOGENG HILDAH MOTABOGI

Date: May 2011

## **Abstract**

Inadequate human and financial capital led to LED units to be stagnant. Taking all these issues into account, the purpose of the study was to investigate the non-performance of LED initiatives and departments in the district. A qualitative approach was use to collect data. The data was discussed and recommended actions were made. These include the use the current initiatives to assist municipalities and to re-establish the LED fund.

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# Chapter One

## Overview of the study

### 1.1 Introduction

In the past (pre-1994), South Africa's local government's functions was only limited to the provision of municipal services, with a minimum economic involvement (Nel and Binns, 2001). The system changed or kept on evolving and during the second democratic local government elections then the new era in the administration of municipalities in the country arrived. This gave municipalities functions and Local Economic Development (LED) was one of the Key Performance Areas (KPAs) with the aim of promoting or creating employment.

National Framework for Local Economic Development (LED) in South Africa (2006-2011) the Local Government System Bill (RSA, 2000a) whereby the principles of LED are layout, LED in municipalities is still non-existent, and LED Officials have a problem in doing their role.

This study seeks to investigate what challenges are faced by these officials in implementing LED in their respective municipalities in Mafikeng based in the North West province. This chapter introduces the problem to be explored, the research questions as well as the aims of the research study.

### 1.2 Background to the Problem Statement

The Northern Cape is not only the largest province by land surface (372 890 km<sup>2</sup> or 31 per cent of the total land area of South Africa), but it also has the smallest population (currently 880 000 people, which is equivalent to 2, 3 persons per km<sup>2</sup>, compared to South Africa's average of about 40 persons per km<sup>2</sup>, about 42 per km<sup>2</sup> in the Western Cape and 532 per km<sup>2</sup> in Gauteng) The Northern Cape Provincial Growth and Development Strategy( 2004-2014).

With few exceptions (Kimberley and Upington) the 32 local municipalities have very small populations and cover relatively large areas, distances between individual towns within municipalities are large, which complicates service delivery and staff co-operation. The small size and isolated nature of towns hinders meaningful economies of scale in local economic activities and the provision of services.

Business interaction between the towns is costly and often difficult, the isolated nature of places and limited business opportunities encourage more dynamic people to move to larger towns and more densely populated areas, thus boosting the exodus of skills (The Northern Cape Provincial Growth and Development Strategy, 2004-2014).

The critical LED forces in the Northern Cape are: mineral deposits and mining-related developments, local agriculture-related activities, activities related to road-transport routes or corridors (like the N 7, N 14, N 10 and N 12) and active rail links, coastal locations (like Port Nolloth) and major rivers (e.g. the Orange River), unique physical or other features (like the Augrabies Falls and Sutherland's observatory), tourism-related activities (The Northern Cape Provincial Growth and Development Strategy, 2004-2014).

Though there are LED forces in the Northern Cape, most of these are not explored by the municipalities and not aware that they are potentials to address LED, thus creating employment for their communities.

### **1.3 Problem Statement**

LED is the third Key Performance Area (KPA) in the municipality, which makes it an important function that determines its performance. This KPA in most municipalities (municipalities falling under Siyanda in particular) is not given a priority, it will comprise of only one official and in other municipalities there will be no official at all responsible for it.

It is not budgeted for and officials responsible for driving it find it difficult to perform their duties, there is also minimum LED support by government departments and private sector. Though the LED fund was launched in 1999 by the then Department of Local of Local Government which was providing financial support of up to the maximum of 1.5 million for each LED initiative, in the first round out of 346 out of a national total of 800 municipalities submitted 827 project applications, only 48 initiatives were allocated funds (Nel and Binns, 2001:355).

The fund showed government seriousness about LED but the main problems with it was that it generated a crisis of expectations as it only funded six percent in 1999 and complainants often were frustrated as the application was very long and time consuming but the DPLG did not give out reasons for non-funding to the applicants (Binns and Nel, 2002:19-20).

The study will examine the reason for the discontinuation of the LED Fund, the non-budgeting in municipalities for LED initiative and to find out where LED officials can get support for LED initiatives.

## **1.4 Aim**

The aim of the study was to investigate the non-performance of LED initiatives in the Siyanda District Municipality.

## **1.5. Research design**

The study will be using both empirical and non-empirical research methods. The methodology that will be used will be in the form of questionnaire.

Gilbert (2001); Bell (1999) in Beiske (2002) explains that questionnaires allows the researcher to gather a significant amount of data at relatively little costs and can be the most appropriate method used to obtain quantitative data.

As aforementioned the aim of the study is to investigate the non-performance of LED initiatives in Siyanda District Municipality with special reference to Tsantsabane Local Municipality, questionnaire will be distributed to the LED Officials including their Managers in the municipality in order to find out how their municipality function; whether they have initiatives that fail; are they having operational and capital budgets in their departments and how they think about the disbandment of the LED fund.

## **1.6. Layout of the study**

The chapters for the study are structured in the following way:

### Chapter 2: Literature Review

This chapter provides the theoretical background of LED, various models and LED in emerging, developed and in the country (South Africa).The critics of LED will be discussed and also policies available that promote LED in municipalities.

### Chapter 3: Research methodology

This chapter examines the reasons for applying quantitative strategy in this research study, the research design and the data analysis methods used. The chapter provides the “how” of the study and what procedures were followed to address the research questions, aims and objectives of the study.

### Chapter 4: Results and analysis

The data that was collected from the research survey was analysed and the analysis results are presented in this chapter.

### Chapter 5: Conclusion, recommendations and implications

The chapter summarises the conclusions that were drawn on the research problem from the research study.

## 1.7. Conclusion

In this chapter the overview of the study was reviewed, the problem statement, aims and research design were highlighted. In the next chapter LED will be discussed in context, looking at the theoretical background, the legislative requirement, various theories and the LED fund and other recent developments will be highlighted.



# Chapter Two

## Overview of the Literature

### 2.1. Introduction

Local Economic Development (LED) emerged in the global North as a response to the march of liberalisation and privatisation (Simon, 2003). In South Africa LED was explored by government and different organisations in the mid-1990's post-election phase, the policy was drafted by the South African National Civics Organisation (SANCO) which was based on grass-roots development and small business development and the Urban Foundation policy was based on urban entrepreneurial and regeneration experiences of cities in Western Europe and North America (Nel and Rogerson, 2007). The Reconstruction and Development Ministry developed a parallel draft policy in LED which focused mainly on housing, the paper failed as it did not define the local policy requirements and strategies (Nel, 1997 in Nel and Rogerson, 2007).

Though the LED fund was launched in 1999 by the then Department of Local of Local Government which was providing financial support of up to the maximum of 1.5 million for each LED initiative, in the first round out of 346 out of a national total of 800 municipalities submitted 827 project applications, only 48 initiatives were allocated funds (Nel & Binns, 2001:355). The fund showed that government seriousness about LED but the problems with it was that it generated a crisis of expectations as it only funded six percent in 1999 and complainants often were frustrated as the application was very long and time consuming but the DPLG did not give out reasons for non-funding to the applicants (Binns and Nel, 2002:19-20).

The search for the relevant literature keywords were: Local Economic Development. The themes below are to find out different definitions of LED in order to come up with a relevant definition for the purpose of the study, analyse different theories that lays the foundation of LED, identify how international countries practice LED versus South Africa in order to give suggestions to the country on dealing with LED, find out the critics of LED and analyse their criticism for the purpose of the study in order to

understand why they criticise LED, find out what challenges are there in the implementation of LED in municipalities as it is a mandate as per Republic of South Africa (2000a)- Local Government Municipal Systems Act: Act No 32 of 2000 and find out possible assistance available for LED practitioners in the implementation of LED.

## **2.2. Local Economic Development**

Local Economic Development is a “process in which local governments and/or community based groups manage their existing resources and enter into partnership arrangements with the private sector, or with each other to create new jobs and stimulate economic activity in an economic area” (Zaaijier & Sara, 1993 in Rossouw-Brink, 2007).

Nel (2001) describes LED as an applied economic development strategy which seeks to address site-specific needs through locally appropriate solutions (Fosler, 1991 in Abrahams, 2003) defines LED as the process of creating wealth through the organised mobilisation of human, financial, capital and natural resources in the locality with the aim of improving the quality of life, to alleviate poverty, the creation of more and better jobs, to advance skills and to build capacity for sustained development in the future.

According to the World Bank, 2004 (in Quan, Davis and Proctor, 2006) LED is defined as “local people working together to achieve economic growth that brings economic benefits of life improvements for all in the community”.

The World Bank defines LED as a “process by which public, business and nongovernmental sector partners work collectively to create better conditions for economic growth and employment generation” (Hindson and Vicente, 2005).

The Department of Land Affairs, (1997) defines LED as “the locally inspired efforts that seek to accelerate growth and development and to create opportunities for local communities to be reintegrated into the national economy” (Monakhisi, 2008).

In Davis (2006) the draft South African Policy and Strategy, (2003) defines LED as “local people working together to achieve sustainable economic growth and development for the benefit of all the people in the local area. It aims to promote and develop all sectors and dimensions of the country. The retention and expansion of the existing economic activities in a local area receives as much attention as new growth and the diversification of the economy (Davis, 2006).

The German Agency for Development Cooperation, defines LED “as an on-going process by which key stakeholders and institutions from all spheres of society, public and private sector as well as civil society, work jointly to create a unique advantage for the local businesses and strengthen the competitiveness of local firms (Reueker and Trah, 2007 in Patterson, 2008).

### **2.2.1. Theories/Different Approaches laying the foundation of LED**

There are regional and local inequalities and poverty gaps due to SA’s past though the regional and industrial policies were abandoned in 1994 for the trade-oriented macro-economic policies that were meant to facilitate globalisation of the country, this led to the development gap between regions and localities (Naude and Janseon Van Rensburg, 2002). In the early stages of LED (Patterson, 2008), the focus was attracting external investors by marketing the locals by use of incentive schemes, the second phase was based on the promotion of entrepreneurs by use of training and business support programmes.

Ackron (2003) in Rossouw-Brink (2007) states that there are two broad perspectives in which LED can be defined, that is:

- The LED approach (“a way you do things”), whereby is the collection of policies, strategies and other instruments that are applied as tools to achieve LED outcomes. It can be seen as a partnership between all players having an impact on the local economy including local government, the community and the private sector in order to stimulate the economy in a local area, which means that LED is not a separate function of local government but is also a responsibility of the community and departments within local government.
- The LED outcome (“a thing you do”), whereby LED is the outcome pursued by the LED approach, that is creation of employment opportunities, poverty alleviation and the redistribution of resources and opportunities that benefit the locals.

Quan *et al* (2006) state that the refinement in LED using the Rural Economic and Enterprise Development (REED) approach which aims at enterprise development, economic diversification and innovation of the rural economy, increasing its market orientation and fostering value addition to rural products.

Patterson (2007) explains that there are three ways/approaches to LED; traditional, progressive and sustainable.

- The Traditional LED - The goal in this approach is to increase quantifiable business activity by increasing the tax base through economic revitalization and new land development.
- The Progressive LED - Focus is more on beginning social equity, government interventions to support minority firms and market development, provision of housing, schools and day care.
- The Sustainable LED - This approach includes environmental responsibility and social justice to the responsibility of LED.

Xuza (2007) explains that the traditional LED approach was tried in SA, that which aims at business attraction, attracts foreign direct investment and is dominated by the Industrial Development Zones (IDZ) whilst the top-down approach which is aimed at triggering local economic activity is a challenge in municipalities as they are not “in the business of doing business”, and in the SADC region, in this case Swaziland, LED is for “self-reliance, utilising indigenous skills and seeking primarily to survive” (Sihlongonyane, 2003).

A ‘bottom-up’ approach complement with SA’s national and regional planning processes (Pakes, 1998), rather than the top-down’ which is commanding and controlling.

The current thinking of LED is around the Institutional theory, which means institutions should support LED, and should be development oriented (Monakhisi, 2008). Institutions in this case include government, private sector and development agencies.



Simon (2000) argues that the Green Paper on Development and Planning (RSA 1999) put more emphasis on facilitation (LED Officials as facilitators ) rather than on direct state-led or interventionist development, whereby is a shift from bureaucratic, rule and regulation based planning to normative planning based on policies and principles.

The subnational economic development policy has three practices/designs/tools/programmes that can be utilised to undertake LED (Bloch, 2000). They are:

- Business Climate: A municipality should determine attractive areas that business can occur, components like Land, Labour and Plant are the three main components when opening, expanding or operating a business.
- Business Attraction: or investment promotion, a municipality should induce new direct or indirect investment (foreign or domestic) into a locality.

- Business Support: Retaining business is a problem in most municipalities; therefore municipalities should come up with special programmes that can modernise the Small Medium and Micro Enterprises (SMME's) by providing technical assistance, export assistance, access to finance information.

The two approaches in LED that is Developmental and Non-Developmental LED; The Developmental LED encourages community empowerment initiatives, human resource development, poverty targeting, and redistribution of resources, promotion of local creativity and innovativeness and the mobilisation of resources (Abrahams, 2003) and the Non Developmental LED - encourages urban efficiency, urban attractiveness and the offering of incentives to industries and place marketing. The South African Government is advocating the latter (Abrahams, 2003).

The Lewis model: Lewis is a dual economist theorist who explains that economic development in economies with small capitalists sectors and large subsistence sectors; He further explains that low productivity levels in the subsistence sector means that labour supplies to the capitalist sector would be unlimited at a fixed wage tied to earnings in the subsistence sector and growth in the capitalist sector is fuelled by reinvestment of the capitalist surplus which derives from the difference between the marginal productivity of labour and the wage rate in the capitalist sector (Hindson and Vicente, 2005).

There has been a rich international literature developed on the linkages between tourism and LED even though South African-based research has focused explicitly on tourism and development strategy (Visser, 2004) therefore tourism is a tool for development (Meyer, 2007) and there are conditions under which tourism can positively impact upon poverty alleviation (Mograbi and Rogerson, 2007). It can also be used as a tool to re-image and redevelop cities by attracting capital and people (Ferreira, 2007).

Meyer describes three paradigms in LED and sustainable development. The first one is by focusing on economic sustainability through the maintenance of the tourism industry, through advocating small-scale tourism that is sensitive to cultural and environmental conditions and on ecotourism and community based tourism approach. Sustainable Development and LED cannot be mentioned without mentioning Infrastructure Development. Hao (2007) explains that the effect of infrastructure on economic activity has tended to use the value of regional investment as the measure of infrastructure, forcing researchers to regress infrastructure against aggregate regional variables, Africa is known for poor infrastructure, for example, Guest (2005) argued that the most important thing that is holding back Africa is the abysmal quality of governance giving the experience of West African road maintenance budget, as the bridge had collapsed, road unpaved and took him a distance equivalent from “New York to Pittsburgh” when he hitched ride on the beer truck to Cameroon rainforest and (Byahuranga, 2007) ‘s experience in Uganda, whereby he took a communal mini-bus from the airport to his home and took him 125 miles due to the” absence of efficient infrastructure in rural Uganda”.

Small, Medium and Micro Enterprise (SMME) or the informal economy cannot be left out in LED hence the government via the Department of Trade and Industry (DTI) introduced three main small business support programmes that is; Khula Enterprise Finance-offers bank guarantee in order to reduce the risk SMME’S loans, Manufacturing Advice Centres – offer advisory services to the manufacturing sectors in order to increase their productivity and Ntsika Enterprise Promotion Agency offer among others business development programmes and technology transfer schemes (Devey, *et al.*, 2006), NGO’s can support LED through their facilitation, support, training and networking with funders (Nel, 1997).

Though there are support sectors for SMME’s there is still an inadequate access to finance linked to inappropriate financing institutions and instruments (Rogerson, 2007), the ‘phased approach’ as per White Paper on Local Government, 1998 was developed by the Midrand authority for policy development and the implementation components of LED, thus approach linked the Midrand’s LED planning to new initiatives that is, procurement (Rogerson, 2003).

SMME programmes are biased towards small and medium enterprise in South Africa neglecting the micro enterprises and the informal economy (Rogerson, 2005) which once contributed 15% of the (GDP) Gross Domestic Product (Mantle, Harold & Nel, 1992 in Ferreira, 2007), thus can be concluded that development of social capital “social resources upon which people draw in pursuit of their livelihoods”, (Mubangizi,2003) might be necessary but it does not mean there will be a successful LED process (Nel and McQuaid, 2002).

A classic example of a three-step approach in LED is of the Unjindi Jewellery project in Barberton, whereby they identified three steps in the development process i.e. started an enterprise, trained staff and apprentices and took care of the trainees after completion of their apprenticeship (Hage, 2006).

The other approach that most municipalities use as the vehicle to drive LED are the use of Local Economic Development Agencies (Trah, unknown), the land-based LED is also encouraged as a tool to fight poverty, this approach, through government and agencies can be used to encourage people to make use of the opportunities arising (Parker, 2004).

### **2.2.2. LED: The International perspective**

LED started in wealthy countries i.e. United States and the United Kingdom (Parker, 2004) in the 1980's responding to the unemployment levels that were growing and industrial decline in the old areas (Geddes, 2004 in Parker, 2004).Internationally, LED includes a combination of all key stakeholders, that is: the local government, public sector, community voluntary sector; business sector (Rogerson, 1996).

Nel (2001) in Rossouw-Brink (2007) states that internationally, LED has been recognised as a key to respond to major contemporary trends such as; increasing decentralisation of power and decision-making to the local-level, which parallels the neo-liberal era reduction in the role of the central state in the economy, globalisation forces, which in a context of the diminishing importance of the nation-state compel a local-level response, economic change within localities, varying from de-

industrialisation to innovation which requires local leadership initiative, response and direction and the dubious results achieved by macro-level planning and regional development interventions.

The research on international experiences in LED suggests that opportunities deriving from economic globalisation have been restricted in the middle-income countries like South Africa (Hindson, 2007 in Triegaardt, unknown). In the United States, Europe and Australia the bottom-up approach to LED, in that way communities becomes participants of their development (Pretorius and Blaauw, 2008) in that way the community take control of the initiatives and also earn a living, and now due to globalisation LED is viewed in the world as a sustainable development as well as a poverty alleviation objective (Rogerson, 2006). Countries that use the top-down approach are to mention a few; Norway, Switzerland, China and South Africa (Swanson & Pintér, 2006).

### **2.2.3. LED: The South African perspective**

In South Africa LED has been promoted for more than two decades and the thinking is to promote the bottom-up approach instead of the top-down approach hence it can be defined as a 'process in which local governments and/or community based groups manage their existing resources and enter into partnerships arrangements with the private sector, or with each other, to create new jobs and stimulate economic activity in an economic area' (Zaaijier & Sara, 1993:129 in Triegaardt, unknown) but even though the strategy meant good intensions there are constraints with respect to funding and human capacity (Bek *et al.*'2004).

The decline in the economic growth, which started in the 1970's in the global economy made it necessary for the local authorities to be entrepreneurial (Municipal Service Project, 2001 in Parker, 2004).

According to Harrison and Naidoo (2000), the thinking of LED in South Africa was influenced by the experiences of the British United States and Australia. In the latter it was because of the literature that was preached on the subject and in the former was due to the declination of small towns which was also happening in South Africa.

During the first decade of democracy the focus on municipal LED was based on community development initiatives/projects and many of these projects failed as they were proved to be economically unviable (Hindson and Vicente, 2005).

The country's LED context at the moment it that it is associated with pro-poor orientation, whereby it refers to actions initiated at the local level by different partners to address the socio-economic problems or to respond to economic opportunities, and there is a growing recognition that LED should be socially inclusive if it is to be sustainable (Monakhisi, 2008), the four variants of LED that is applied in South Africa are: Local Government-led LED where the elected local authority becomes the active change agent; NGO-or Community-led LED; Development Corporation or Section 21 initiatives that is, Development agencies like the Northern Cape Economic Development Agency, which pursue LED-type initiatives and 'Top-down' LED whereby external resources target a specific area to catalyse LED (Nel, 2001).

In 2002 the LED Fund was established by the South African Government in order to promote the municipal efforts of promoting SME (Small & Medium Enterprises) for job creation. The aim of the fund was to support projects which dealt with providing business facilities, those supporting agricultural industries, tourism and human resource capacity (Quan *et al.*, 2006) though most tourism related projects were funded due to their bottom-up community economic development and fostered entrepreneurship (Rogerson, unknown).

The fund was discontinued due to poor monitoring report and weak policy (it was unclear whether LED should be a welfarist or entrepreneurial in approach) and programme implementation (Atkinson & Ingle, 2003 in Quan *et al.*, 2006) but thus

poses a challenge in the municipalities as they are required to drive LED initiatives but the reality is that an estimated fifty percent of the local authorities are bankrupt or in serious financial crises (Nel, 1998 in Nel and Binns, 2001).

The discontinuation of the fund led to the DPLG (Department of Provincial and Local Government)'s LED Framework which shifted the dependency from government towards creating employment opportunities (Patterson, 2008) after that numerous strategies were developed, the National Spatial Development Perspective (NSDP) which emphasised alignment within the three spheres of government that is National, Provincial and Local, the Accelerated Shared Growth Initiative (ASGISA) with the aim of halving unemployment and poverty by 2014, the Regional Industrial Development Strategy (RIDS) with the same principles as the NSDP.

South Africa has been described as one of the most committed country with respect to LED policies in the world (Pretorius and Blaauw, 2008) though the lack of experience and facilitation and role models hinders the application of LED, and serious socio-economic disparities still persist in the country (Binns and Nel, 2002). It is suggested that, in order for LED to work in SA, private sector firms which are locally dependent should have a greater commitment to LED processes rather than those who are non-dependent (Rogerson, 1996) as it is a basic response to the crises at the local level (Nel, 2001).

Davis (2006) explains the role of key stakeholders in LED that National Government provides a framework and a supportive role, and local government plays the developmental effort and other sectors should also play a participatory role in the form of IDP planning phase.

#### **2.2.4. LED: The African perspective**

In Africa, the disproportionate levels of poverty are found mostly in rural areas whereby the highest percentage of people reside (Quan *et al.*, 2006). Poverty eradication is in the priority list of each African country, but need to understand the

local developmental problems and solutions (Halaby *et al.*, 2006). The Southern African Development Community (SADC), describes LED as a new phenomenon as compared to South Africa whereby LED is well established (Nel, 2006 in Sihlongonyane, 2003).

LED needs to be more visible in rural areas to combat the inequality levels. In Zambia, Lusaka, LED initiatives was introduced in the form of policies almost similar to that of South Africa, but there is still poor performance of the national economy (Hampway, 2008) as they followed the traditional top down approach. The major employer in Zambia is the government employing 24 percent of the formal labour force (LCC, 2000 in Hampway, 2008). Uganda, like most African countries is not different, economic growth only occurs in the urban and capital cities (Mukwaya, 2004:2 in Byaruhanga, 2007), thus leading to the high population growth in cities than rural areas.

#### **2.2.5. Criticism of LED**

LED as a Key Performance Area (KPA) 3 of municipalities is the most underperforming KPA of all. This is due to it not been budgeted for as referred to as an 'unfunded mandate'. In Rossouw-Brink (2007), Tomlinson (2003) argues that South Africa's focus on small businesses and poverty relief only parallels with the international perspective whereby it's a community-based LED rather than focusing more on mainstream varieties.

He further states that LED is being marginalised by lack of available resources and the dominance of large scale state interventions that is Industrial Development Zones (IDZ) and that LED is being used by the Central Government to shift its responsibility to local Government to deal with unemployment and poverty.

Nel and Binns (2001) argue that LED is a new responsibility in the local government and most councillors even officials need training and support from higher spheres of government. Nel (2001) argues that 'although LED has become an established

feature of the development, the number of LED projects is small' and thus is because of inadequate resources and lack of strategic guidance.

### **2.2.6. Challenges of LED**

Most municipalities (particularly rural municipalities) are faced with challenges in implementing LED within their locals. There are list of projects on the Integrated Development Plan (IDP's) - a 5-year strategic plan of the municipality that will not have funds allocated to it and LED officials are expected to implement those projects within a set period by looking for private sector to assist and this is impossible in rural municipalities as there is either minimal or no private sector involvement.

The other challenges are that projects or LED initiatives that are politicised, politicians use political control and interference (Cousin & Kepe, 2004 in Parker, 2004), thus hinders development; rural municipalities find it difficult to draft their own LED strategies and plan as required, and this is mostly due to lack of the relevant officials with relevant qualifications to drive LED and they rely on consultants to draft their strategies; the absence of LED Strategies leads to inappropriate LED initiatives implemented in the area; though Government has various funding, there is a lot of red tape in accessing them. According to Nel, (2002) and Tomlinson (2003) in Rossouw-Brink (2007) there are other challenges/key issues concerning LED, they are:

- The failure rate of LED initiatives is very high;
- The role of private sector is minimal in smaller municipalities;
- The initiatives are politicised, thus hindering development;
- LED initiatives are mostly seen as projects rather than businesses therefore there is a life-cycle for most of them, in most cases, therefore the most potential projects have an end date;
- Sustainability of projects becomes a problem as the beneficiaries become dependent to grant funding;

- LED is regarded as an 'unfunded mandate', meaning local government is expected to pursue it but in most cases there are lacking due to the unavailability of resources;
- There is lack of coordination and cooperation between five entities, non-governmental, LED Forums, the Municipal LED units, Donor agencies and developmental agencies (Xuza, 2007), instead of formation of partnerships amongst themselves to drive LED.

There are numerous district and smaller local municipalities that have weak or declining economic bases in South Africa and they have increasing numbers of unemployed and under-employed people (Hindson & Vicente-Hindson, 2005 in Triegaardt, unknown). An example is the De Beers mine in the Northern Cape which closed two diamond mines which provided employment for many people in Kimberley (Triegaardt, unknown). Human Capital (inhabitants with tertiary education) has been found to be significant in LED (Naude' & Krugell, 2003) but LED policies indicate only locational choices forgetting that the long-term developmental patterns are shaped by human capital choices (Clarke, 1993, p.87 in Naude' and Krugell, 2003).

## **2.2.7. Policy Context and its implication to the Siyanda District and Tsantsabane Local Municipality**

### **2.2.7.1. National Framework for LED in South Africa**

The National Framework for LED in South Africa (2006-2011) is intended to build a shared understanding of LED in South Africa and put into context the role of local economies in the national economy. It seeks to mobilise local people and local resources in an effort to fight poverty.

The focus of the ramework is to improve competitiveness of municipal regions in South Africa by providing an approach to developing local economies with the participation of all relevant stakeholders, rendering economic growth compatible with social equity and safeguarding the environment, what the state can do to support and

reward citizens who organise locally and operate in local level partnerships to engage in greater economic activity, spreading economic activity in an even manner and how the state can be a platform to facilitate the inclusion of all to participate in the economy.

**Implications for Tsantsabane Municipality:** The Framework sets out the following three key roles, which Local Government can play in the LED process that is

- To provide leadership and direction in policy-making,
- To administer policy, programmes and projects,
- To be the main initiator of economic development programmes through public spending, regulatory powers and their promotion of industrial, small business development, social enterprises and cooperatives.

#### **2.2.7.2. The Constitution of the Republic of South Africa**

The overarching piece of legislation is the Constitution of the Republic of South Africa (Act 108 of 1996). Section 152 of the Constitution outlines the objectives of local government. These objectives are to provide democratic and accountable government for local communities; ensure the provision of services to communities in a sustainable manner; promote social and economic development and a safe and healthy environment and to encourage the involvement of communities and community organisations in the matters of local government.

All of the objectives listed above can be associated with Local Economic Development. Local authorities have a legal mandate to promote social and economic upliftment within their areas of jurisdiction. These objectives form part of an integral set of principles from which LED strategies are formulated and implemented.

Furthermore, a municipality is required in terms of section 153 of the Constitution, to structure and manage its administration, and budgeting and planning processes to give priority to the basic needs of the community, and to promote the social and economic development of the community.

### **2.2.7.3. Accelerated and Shared Growth Initiative for SA (ASGISA)**

Through ASGISA, government has set an economic growth target of 5% GDP growth per annum from 2004 to 2014 (Patterson, 2008). This target has been broken down into two phases, namely a target of 4.5% p.a. between 2004 and 2009 and 6% p.a. from 2010 until 2014. This growth must be managed in such a way that employment opportunities are generated (labour-intensive growth) and the fruits of economic growth contribute to poverty alleviation in an equitable manner.

Economic growth constraints highlighted by ASGISA are:

- Volatility and level of the currency,
- The cost, efficiency and capacity of the national logistics system,
- Shortage of suitably skilled labour amplified by the impact of apartheid spatial patterns on the cost of labour,
- Barriers to entry, limits to competition and limited new investment opportunities,
- Regulatory environment and the burden on small and medium businesses,
- Deficiencies in state organisation, capacity, and leadership.

The framework includes guidelines for National, Provincial and Local government on topical issues such as infrastructure investment, sector investment strategies, education and skills development, and eliminating the second economy through leveraging the first economy (major interventions include the economic upliftment of women and the promotion of youth development).

### **2.2.7.4. The White Paper on Local Government**

According to the White Paper on Local Government (1998) local authorities have the following responsibilities:

- In terms of their obligation to economic development are to provide marketing and investment support in order to attract potential investment to their locality,

- Small business support services should be provided to assist small entrepreneurs,
- To support the Local Business Support Centres Programme launched by the Department of Trade and Industry (now SEDA).

The purpose of these centres is to assist local entrepreneurs with issues relating to skills, premises, information, networking, marketing and credit, to provide targeted assistance (such as market research and technology provision) to a particular sector in the local economy that has the potential to expand, by supplementing and tailoring to local needs, the services provided by the Department of Labour in the supply of training and placement services. This is necessary towards ensuring that people acquire skills and find jobs.

#### **2.2.7.5. The Municipal Systems Act**

The Municipal Systems Act (No. 32 of 2000) lists the duties of a Municipal Council, within its financial and administrative capacity, as follows in Section 4(2): Exercise the Municipality's executive and legislative authority and use the resources of the municipality in the best interests of the local community, provide, without favour or prejudice, democratic and accountable government, encourage the involvement of the local community, strive to ensure that municipal services are provided to the local community in a financially and environmentally sustainable manner, consult the local community about—the level, quality, range and impact of municipal services provided by the municipality, either directly or through another service provider; and the available options for service delivery, give members of the local community equitable access to the municipal services to which they are entitled, promote and undertake development in the municipality, promote gender equity in the exercise of the municipality's executive and legislative authority, promote a safe and healthy environment in the municipality, contribute, together with other organs of state, to the progressive realisation of the fundamental rights contained in sections 24, 25, 26, 27 and 29 of the Constitution.

### **2.2.7.6 Local Economic Development policy paper: Refocusing Development on the poor**

In the policy paper, Refocusing Development of the Poor (2001) in Hindson and Vicente (2005) government identified three main thrusts with regard to the social and economic development of local communities. The main aim of the document was to bring 'the poor to the centre of LED Strategy'.

The thrusts are: establishing a job-creation and economic growth path, embarking upon sustainable rural development and urban renewal and bringing the poor and disadvantaged to the centre of development. The Policy Paper distinguishes between six broad categories of Local Economic Development interventions: community economic development, which refers to municipal assistance at the grass roots level and benefiting community businesses (SMMEs), organisations, urban farming projects, micro financing institutions etc., linking profitable growth to the redistribution of development-this implies that permission for development or the amendment of a town-planning scheme be linked to a commitment to invest in some way or another in impoverished neighbourhoods, linkages between "living wages", human capital development and productivity - where skills development and training of the local labour component exist, development and maintenance of infrastructure and services, plugging the leaks in the local economy, and retention and expansion of existing businesses.

### **2.2.7.7. National Spatial Development Perspective (NSDP)**

The National Spatial Development Perspective (2006) provides a framework which discusses future developments of the national spatial economy in areas of severe deprivation and in need of certain economic activities.

The purpose of the NSDP is to fundamentally reconfigure apartheid spatial relations and implement spatial priorities that meet the Constitutional imperative of providing basic services and alleviating poverty and inequality. It provides a set of principles and mechanisms for guiding infrastructure investment and development decisions. The NSDP serves as a tool for identifying key areas of tension and/or priority in achieving positive spatial outcomes.

#### **2.2.7.8. Integrated Sustainable Rural Development Strategy (ISRDS)**

The purpose of The Integrated Sustainable Rural Development Strategy (2000) is to enhance the welfare of the poor that inhabit rural areas of South Africa. This is only possible if sustainable economies are created from which they can survive. Successful implementation involves facilitating rural development that is both sustainable and integrated in nature. Municipalities are key players in the implementation of the ISRDS due to their decentralised nature – it is only through direct participation with the rural community that one can correctly identify the developmental needs and opportunities. It is also essential for local stakeholders to be mobilised in order to create an environment in which the IRSDS can be successfully facilitated and sustained.

#### **2.2.7.9. The National Industrial Policy Framework (NIPF)**

The National Industrial Policy Framework (2007) is a framework that aims to provide strategic direction for South Africa's industrial development. It follows the principles of the Reconstruction and Development Programme and plays a fundamental role in achieving ASGISA's goals. The NIPF identifies the following four main sets of policies as necessary conditions for industrial development that is a stable and supportive macroeconomic regulatory environment, skills and education for industrialisation, traditional and modern infrastructure and innovation and technology.

#### **2.2.7.10. Regional Industrial Development Strategy (RIDS)**

RIDS (2006) presents a comprehensive framework for industrial development in South Africa and builds on the outcomes of the National Spatial Development Perspective (NSDP). The NSDP acknowledges the fact that the landscape of economic development is not equal across all regions in the country.

The main intentions of RIDS are that it should help to achieve the national industrial development objectives as set out in the NSDP: to further the goals of the Accelerated and Shared Growth Initiative of South Africa (ASGISA), conform to the principles of the Integrated Manufacturing Strategy (IMS), the Microeconomic Reform

Strategy (MRS) and the current draft National Industrial Policy Framework, enhance the capacities and potentials identified in the Urban Spatial Competitive Framework and the Local Economic Development (LED) framework that seek to address spatial constraints and opportunities related to industrial development in municipalities and conform to the principles of enterprise development and Black Economic Empowerment (BEE) and to the government's environmental and other relevant policies.

#### **2.2.7.11. Industrial Policy Action Plan (IPAP)**

According to the IPAP (2007) the major weakness identified in South Africa's long-term industrialisation process has been that the decline in the share of employment in the traditional tradable sectors, particularly mining and agriculture, has not been offset by a sufficiently large increase in the share of relatively labour-intensive employment in non-tradable goods and services, particularly manufacturing. Consequently, the objectives of the IPAP are:

- To facilitate a shift away from reliance on traditional commodities and non-tradable services, and promote value-added goods and services that competes in export markets (against imports),
- intensify the industrialisation process and move towards knowledge rich economy,
- promote a more labour-absorbing industrialisation path with particular emphasis on tradable labour-absorbing goods and services and economic linkages that enhance employment creation,
- promote a broader-based industrialisation path characterised by increased participation of historically disadvantaged people and marginalized regions in the mainstream of the industrial economy and to contribute to the industrial development of the African continent, with emphasis on building productive capabilities.

### **2.2.7.12. National Strategy for the Development and Promotion of Small Businesses in South Africa**

Small businesses can help South Africa in two significant ways: first, these enterprises are potential engines of growth for the national economy, primary creators of jobs and economic stability, (Ferreira, 2007) and thirdly, they can aid the transformation process. The National Strategy for the Development and promotion of Small Businesses in South Africa (1995) classifies the four categories of small businesses as small, medium, micro- and survivalist enterprises, known collectively as SMMEs.

**Small enterprise:** Less than 100 employees more established than very small enterprises, formal and registered, fixed business premises and owner managed, but more complex management structure.

**Medium enterprise:** Up to 200 employees, still mainly owner managed, but decentralised management structure with division of labour and operates from fixed premises with all formal requirements.

**Micro enterprises:** Between one to five employees, usually the owner and family, Informal that is no license, formal business premises, labour legislation, turnover below the VAT registration level of R300 000 per year, basic business skills and training and potential to make the transition to a viable formal small business.

**Survivalist enterprises:** They operate in the informal sector of the economy, mainly undertaken by unemployed persons. Income generated below the poverty line, providing minimum means to keep the unemployed and their families alive, little capital invested, not much assets, not much training and opportunities for growing the business very small (Ferreira, 2007).

### **2.2.7.13. Broad-Based Black Economic Empowerment Act**

In order to uproot inherited social imbalances, progressive legislature has been passed. One example is the Republic of South Africa- Broad-Based Black Economic Empowerment (BBBEE) Act No.53 of 2003 where systematic measures are in place to uplift the previously disadvantaged community.

Those included in the 'broad-based black' definition are Africans, Coloureds, Indians, women, workers, the youth, disabled persons and those that live in rural communities. The main objective of the BBBEE Act is to transform the South African economy so that it better reflects the South African society whereby commercial enterprises are largely owned and managed by previously disadvantaged individuals. This Act also aims to support the 'broad-based black' population through promoting public and private investment in relevant communities and providing easier access to financial assistance.

### **2.2.7.14. Tourism Growth Strategy (2008-2010)**

The Tourism Growth Strategy (TGS) provides a three year plan (2008-2010) to boost South Africa's competitiveness in the global tourism and travel market. Through increasing global competitiveness, the tourism industry aims to contribute significantly to ASGISA's growth target.

There are some key challenges which include the following; Transformation of the tourism industry through increased participation of the previously disadvantaged community, increased distribution of the industry through promoting less traditional tourism routes and activities, creating an industry that is sustainable. In order to address these challenges, the TGS stresses the need for South Africa to identify and pursue opportunities in the international, domestic and business tourism market while simultaneously developing its existing market.

This suggests that a local tourism strategy is essential for boosting economic development in the area, as the municipality is a connector route, route tourism can be encouraged as it often involves cooperative planning arrangements by a other localities this enabling collective competition in tourism spaces (Rogerson, 2007).

#### **2.2.7.15. The Northern Cape Provincial Growth and Development Strategy (NCPGDS)**

Planning for the promotion of economic growth and social development lies at the core of government's responsibility to provide a better life for all. It is essential to ensure that planning is integrated across disciplines, co-ordinated within and between different planning jurisdictions, and aligned with the budgeting processes of national, provincial, and local governments. The NCPGDS (2004-2014) sets the tone for development planning and outlines the strategic planning direction in the Province.

The main objectives set by the strategy (NCPGDS, 2004-2014) for development planning in the Province are to promote the growth, diversification and transformation of the provincial economy, poverty reduction through social development, developing requisite levels of human and social capital, improving the efficiency and effectiveness of governance and other development institutions and enhancing infrastructure for economic growth and social development.

The development targets for the Northern Cape Province identified by the Northern Cape Provincial Growth and Development Strategy (NCPGDS, 2004-2014) are to maintain an average annual economic growth rate of between 4% and 6%, halve the unemployment rate by 2014, reduce the number of households living in poverty by 5% per annum, improve the literacy rate by 50% by 2014, reduce infant mortality by two thirds by 2014, reduce maternal mortality by two thirds by 2014, provide shelter for all by 2014, provide clean water to all by 2009, provide access to adequate sanitation to all by 2009, reduce crime by 10% by 2014, stabilise the prevalence rate of HIV and AIDS and begin the reverse by 2014, redistribute 30% of productive agricultural land to PDIs by 2015, conserve and protect 6,5% of our valuable

biodiversity by 2014, and to provide adequate infrastructure for economic growth and development by 2014.

#### **2.2.7.16. The Northern Cape Local Economic Development Strategy**

The Northern Cape government has embarked on a process of compiling (The Northern Cape Provincial Local Economic Development Strategy, 2009) to address the challenges presented by poverty and unemployment in the Province. The provincial government of the Northern Cape has specific coordination and facilitation responsibilities, which need to be addressed in an innovative manner to initiate and promote integrated and sustainable LED, as well as to attract investment.

The following broad opportunity themes were identified for the Northern Cape (The Northern Cape Provincial Local Economic Development Strategy, 2009) : agricultural Production, game farming, livestock farming, crop farming, exotic and citrus fruit, mari-culture production, mining Production, exploration of new/additional mineral locations, geotechnical assessment of economic feasibility ,manufacturing, agro-processing, mining beneficiation, SMME and trade support, training, mentorship and skills development, information and support services, investment in infrastructure and technology, agro-processing infrastructure, infrastructure necessary for investment in mining, infrastructure necessary for investment in tourism, infrastructure provision and delineation of industrial parks, hubs, IDZs, infrastructure investment needed for high-technology projects such SALT and the SKA, infrastructure investment in areas of retail business growth, Investment in specialised technologies, tourism, game hunting, eco-tourism, mining/geological tourism (including exhibitions and festivals), adventure tourism, agro-tourism (such as wine production and tasting),tourism routes, cultural and heritage tourism, and science tourism (such as group tours to SALT).

The following opportunities were identified in the Siyanda District; There is potential for diamond mining in the Mier Local Municipality, copper mining near Lutzputs, iron mining near Lutzputs, silver mining near Lutzputs, developing tourism opportunities in and near the Kgalagadi Transfrontier Park (example tour operators, training of guides, etc), game farming throughout the District, commercialisation of goats near

Groblershoop. There are agri-tourism opportunities (that is wine tours, hunting), Orange River tourism opportunities near the Orange River (that is bird watching, water sport, adventure sport, fishing). There is potential for the development of an Industrial Development Zone (IDZ) at the Upington Airport, the development of a cargo hub at the Upington airport. A wide range of agro-processing opportunities exist which include the processing of livestock (that is sheep, goat and cattle) products, fruit and vegetables, olives, and peanuts, renewable energy generation (that is solar generation) near Upington, entrepreneurial initiatives, such as the trade of small scale agricultural produce and the production of arts and crafts for the tourism market, a need for the development of a SMME development strategy, LED web portal for the District, developing a Business Process Outsourcing and Off-shoring (BPO&O) initiative in Upington (that is call centres and data processing). The possible LED anchor projects were considered in the Siyanda DM are Solar Electricity Plant, Aircraft Park and Cargo Hub & IDZ (The Northern Cape Provincial Local Economic Development Strategy, 2009).

#### **2.2.7.17. The Siyanda District Integrated Economic Development Plan (IEDP)**

After an overview of Global, South African and Provincial economic scenarios the Siyanda IEDP (2006) point to the economic sectors listed hereafter as sectors of growth and development opportunity. Municipalities, dependent on the location of natural resources within their areas of jurisdiction, could to a lesser or greater extent, exploit these economic sectors that is mining, agriculture, tourism, manufacturing, information and communication technology.

#### **2.2.7.18. The Siyanda District Integrated Development Plan (IDP)**

The Vision of the Siyanda District Municipality is formulated in the Districts Integrated Development Plan (2007-2008) - (an institutionalised mechanism for local municipalities to achieve their responsibilities (Edoun and Jahed, 2009) is to be a model, economically developed District with a high quality of life for all inhabitants.

Key Priority Issues as well as national and provincial strategic issues have been integrated into the IDP and are defined in terms of the five key performance areas (credible ID DPLG guidelines) are Basic Service Delivery, Municipal Institutional Development and Transformation, Local Economic Development, Municipal Financial Viability and Management and Good Governance and Public Participation .

The following priority needs are identified in the (Siyanda District Municipality IDP, 2007-2008): insufficient provision of housing in the District, insufficient capacity of the category B municipalities falling within the Siyanda District Municipality, lack of IDP alignment on all levels, insufficient capacity of small-scale farmers within the boundaries of the District, insufficient health facilities and services in the District, HIV/AIDS related diseases are one of the main contributors to mortality in Siyanda, insufficient capacity of SMMEs within the municipal boundaries, insufficient promotion and efficient utilisation and integration of the tourism industry.

#### **2.2.7.19. The Siyanda District growth and development strategy (GDS)**

The Siyanda District Municipality Growth and Development Strategy (2008) produced the following summarized development objectives that is; Economic Growth and Development, Skills Development, People development, Infrastructure development, Increase service standards in accordance with IDP objectives.

The following key economic drivers are identified in the Siyanda District GDS that is; developing transport and distribution infrastructure, expanding the manufacturing sector in identified economic sectors, Diversification of Agriculture, Tourism development, Mining beneficiation and empowerment and Development of ICT.

The key economic enablers identified in the Siyanda District GDS are ;Human capital development, Training (technical & theoretical) specific to job creation projects, Business Skills Training for SMMEs and providing the skills for a growing economy will be done by means SETA Learnerships, FET institutions, Internships, ECD and ABET, Business Development, Linkages and Networks, Business Training of

SMMEs, Facilitate access to finance ,Establish a SMME Network Forum ,Encourage SMMEs to affiliate to established business chambers, Creating an enabling environment, Capacity building of business chambers; Increased access to financial and non-financial business services ,Implementation of affirmative procurement practices, Tender advice and information and Increase LED capacity in municipalities.

#### **2.2.7.20. The Tsantsabane Local Municipality Integrated Development Plan**

The Tsantsabane Integrated Development Plan (2005) identified the following development objectives for the Municipality: The stimulation of the local economy and support for formal and informal business, tourism and agriculture during the next 5 years in order to create more job opportunities and to develop skills.

The following strategies were identified (The Tsantsabane Integrated Development Plan, 2005) in order to assist the Municipality in obtaining the development objective mentioned above:

- increasing Economic Growth and decreasing loss of job opportunities,
- develop and implement an LED strategies on a regional base,
- stimulation of the local economy with reference to the informal sector,
- provide skills training, Smaller business erven and business hives,
- provide informal trading areas,
- land and facilities for small-scale farming,
- establishment of private/public partnerships,
- development of the tourism sector

#### **2.2.8. LED Institutional support arrangement in Government**

In early 2006, it was found that only 48% of small municipalities had an LED policy and 56% had established LED units, though 82% of LED Officials were appointed they did not have a LED policy to drive the implementation process mainly due to the fact that only 12% of the municipalities had a LED Councillor (Nel and Rogerson,

2007) even in larger secondary cities, such as East London, there is no LED policy and LED is not formalised (Rogerson, 2004).

Xuza (2007) explains the personal experience had in the municipal LED units; they are under resourced, there are two staff members, an LED Manager and an international volunteer, no budget or office equipment, and in three months the office shifted from one department, from the Planning Department to the Municipal Manager's office. Those staff members are often poorly trained and councillors are not assisting in providing direction on LED (Cousins and Kepe, 2004 in Parker, 2004).

The municipalities' boundaries were redefined thus lead to most municipalities to adopt or manage the large rural nodes urban nodes within their municipal boundaries (Abrahams, 2003) therefore it meant that most municipalities had to come up with LED Strategies and IDP's that included the additional areas which were underdeveloped.

The role of the three spheres of government (National, Provincial and Local) is important in ensuring that there is coordination in the public policies (Hindson and Vicente, 2005) that is: Growth, Employment and Redistribution Strategy (GEAR)- it entails the role government as a facilitator in market expansion with local government in order to stimulate economic development through investment in infrastructure(Nel and Binns, 2001), Reconstruction and Development Programme (RDP) provides a broad statement that development is not of delivery of goods to a passive citizenry but about active involvement and empowerment, the Micro Economic Reform Strategy (MERS) and Broad-Based Black Economic Empowerment (BBBEE), the Expanded Public Works Programme (EPWP) applies the labour intensive methods to upgrade rural infrastructure (Rogerson, 2006) in order to absorb more unemployed and Municipal Infrastructure Grant (MIG).

There are numerous support programmes for LED, the European Union is South Africa's largest donor fund (Patterson, 2008) with the budget of R1 billion annually focusing on education, water and sanitation and the entrenchment of a human rights culture. There are the Industrial Development Corporation (IDC) which focuses on creating business opportunities for investment, the German Agency for technical cooperation (GTZ) the InWent (Internationale Weiterbildung und Entwicklung-Capacity Building International, which is a joint undertaking with the German Federal Government, it offers courses for specialists, executives, politicians and administrators and the Local Competitive Advantage Training Initiative (LOCATI) which is in joint partnership with inWENT, training LED courses (Patterson, 2008) and municipalities use Local Economic Development agencies to drive LED (Trah, 2006).

LED cannot be mentioned without SMME support programmes, there are numerous funding institutions that assist SMME, to mention a few; the Small Enterprise Development Agency (SEDA), it coordinates and implement the support programmes and create service delivery network for small businesses; Sector Education and Training Authority (SETA), provides skills development; Khula Enterprise Finance Limited, facilitate access to finance; Business Referral and Information Network(Brain), website providing information about government incentives and SMME support agencies (Ferreira, 2007).

### **2.2.9. LED used as a Private Public Partnership (PPP) tool**

Government promotes Integrated Development Planning (IDP), which means that not only Government Departments and Municipalities should form partnerships in the development of the area but also Private sector Gibbs and Nel (2007) in Nel and Rogerson (2007) mention the typical example of the Private Public Partnership (PPP) in the small town of Alicedale whereby there was an economic revitalisation that was driven mainly by private sector investment, notwithstanding partnership arrangement with government at different levels, but there is often an unequal distribution of power (Abrahams, 2003) in the PPP but the community needs to be involved in the formulation of the IDP as active participation of the community is vital in LED

becoming a success including the use of PPP in tourism –driven LED as it holds the greatest prospect for the advancement (Monakhisi, 2008).

The LED Forum also should play a role in the PPP initiative, as its main aim as per policy guideline of implementing LED in South Africa (National Framework for Local Economic Development, 2006-2011 ) explains the role of the forum as it should kick-start, Coordinate and oversee the process and provide the technical instruments and “a multi-sourced funding mechanism combining government and off-budget sources” (Hindson and Vicente, 2005) but also the four major categories of LED institutions should be involved that is despite the municipal units, the community development trusts in order to administer the LED initiatives, the section 21 companies-to implement projects and strategies as they have advantage of receiving external funds, non-governmental organisations (NGO) for providing a particular service (Nel and Binns, 2001).

The case of Port Shepstone’s (a town in Kwazulu-Natal) a development office is being managed by a private company (Section 21) and it handles certain developmental projects (Harrison & Naidoo, 2000) is a good example of PPP.

The involvement of private sector in LED should be encouraged as they are the job creators but development should be done in an environmentally manner, for example (European Commission, 2007) advise that other developing countries should mimic’ China in its Science and Technology policies that made them to succeed economically but not to mimic their habit as they did that at the expense of the environment. There are foreign donors and agencies with direct and indirect link to assist LED initiatives (Patterson, 2008), that is the ComMark Trust. It supports and promote institutional initiatives and assist in the improvement of them in order to benefit the poor; the USAID Local Support Programme.

It also provides guidance to municipalities that are under Project Consolidate (municipalities which were not able to manage their finances were put under project consolidate); the Irish Aid programme, it aims to address the needs of the marginalised (Patterson, 2008).

Other PPP initiative examples, driven by private sector are the Anglo Zimele, an enterprise development and empowerment initiative driven by Anglo American aimed at facilitating BEE and providing financing to Black-owned enterprises, it also facilitates procurement opportunities; the Sasol's ChemCity initiative, it identifies entrepreneurs, finance and coach them ;the South African Breweries Kickstart, a competition aimed at inculcating a culture of entrepreneurship amongst the youth aged 18-35 (Ferreira, 2007).

In order for LED initiatives to be a success, there needs to be voluntary work by the business people, government officials and representatives of civic associations and other organisations spending time in meetings and doing work which often is unpaid (Trah, unknown), but municipalities “tend to rely on private sector and market forces to create economic growth” (Parker, 2004).

### **2.3. Research Questions**

From the literature, it has been established that LED is a vehicle that can drive poverty alleviation through PPP, municipalities only play the facilitation role and private sectors are the drivers of the economy. However the question still remains:

1. Why LED initiatives fail in municipalities?
2. What led to the failure of the LED Fund?
3. Where can LED Officials get support without red-tapes?
4. Why LED units in municipalities not budgeted for /receive minimum budgets?

### **2.4. Conclusion**

The literature suggests that the LED is relatively new or not well established in the African states than it is in South Africa (Nel, 2006 in Sihlongonyane, 2003) but there are still problems in its implementation as the municipalities are given that mandate, there are capacity problems; LED initiatives are politicised, that is, politicians use political control and interference (Cousin & Kepe, 2004 in Parker, 2004).

The National Framework on LED is clear that its intention is to build a shared understanding of LED in South Africa and put into context the role of local economies in the national economy by mobilising local people and local resources in an effort to fight poverty.

The value is that LED is an important tool in combating poverty and all stakeholders should be involved in ensuring that poverty levels are reduced especially in rural municipalities where resources are scarce.

The next chapter will look at research methodologies that can be used to establish the LED impact on municipalities. Different methodologies will be discussed and the most relevant methodology will be used not forgetting to explore the advantages and disadvantages associated with each paradigm.

# Chapter Three

## Research Design and Methods

### 3.1 Introduction

In the previous chapter, the research question was stated in terms of four questions that remained unanswered from the literature reviewed. This chapter defines the research methodology used in this study to give answers to the raised questions.

The research questions arrived at were: 1. Why LED initiatives fail in municipalities? 2. What led to the failure of the LED Fund? 3. Where can LED Officials get support without red-tapes? 4. Why LED units in municipalities not budgeted for/receive minimum budgets?

The aim of the study was to investigate the non-performance of LED initiatives in Siyanda District Municipality with a special reference to Tsantsabane Local Municipality and find out ways that can enable the LED initiatives to succeed.

The financial resource access is a problem in Local Municipalities; the aim is to find out where and how this resource can be accessed, and the criteria for different financial resources both in private and public sector.

### 3.2 Research types

#### 3.2.1 Qualitative and Quantitative Research

Leedy and Ormrod (2005) explain that all research can be categorised into qualitative and quantitative or triangulation, that is, If the data is verbal then the methodology is qualitative and if the data is numerical then the methodology will be quantitative.

Miles and Huberman (1994) explain that other researchers also agree that the two methods need each other more often than not. Quantitative research is whereby the researcher is an objective observer as he does not participate or influence the study, qualitative research the researcher participates in the research.

Quantitative analysis involves either identifying the characteristics of a phenomenon or exploring the possible correlation among two or more phenomenon whilst qualitative approach focuses on phenomenon that occurs in natural setting and involves studying the phenomenon in all complexities (Leedy & Ormrod, 2005).

Qualitative research according to Peshkin (2003) can:

- Reveal the nature of certain situations, settings, processes, relationships, systems or people;
- Enable a researcher to gain new sights about a particular phenomenon; develop concepts or theoretical perspectives about the phenomenon; and/or discover problems that exist within this phenomenon;
- Allow a researcher to test the validity of certain assumptions, claims, theories or generalisations within real-world contexts;
- And Provide means through which a researcher can judge the effectiveness of particular policies, practices or innovations
- 

The main points from the table below is that 'Qualitative research involves analysis of data such as words (e.g. from interviews), pictures (e.g. video), or objects (e.g. an artifact) and Quantitative research involves analysis of numerical data. The strength and weaknesses of Qualitative and Quantitative research are a perennial, hot debate especially in the social sciences as the issues invoke classes of paradigm war (Miles and Huberman, 1994).

Table 3.1.Features of Qualitative and Quantitative Research

Qualitative	Quantitative
"All research ultimately has a qualitative grounding"-Donald Campbell	"There's no such thing as qualitative data. Everything is either 1 or 0"-Fred Kerlinger
The aim is a complete, detailed description	The aim is to classify features, count them, and construct statistical models in an attempt to explain what is observed.
Researcher may only know roughly in advance what he/she is looking for.	Researcher knows clearly in advance what he/she is looking for.
Recommended during earlier phases of research projects	Recommended during latter phases of research projects
The design emerges as a study unfolds	All aspects of the study are carefully designed before data is collected.
Researcher is the data gathering instrument	Researcher uses tools, such as questionnaires or equipment to collect numerical data.
Subjective-individuals interpretation of events is important, e.g. uses participants observation, in-depth interviews etc.	Objective-seeks precise measurement & analysis of target concepts that is, uses surveys, questionnaires etc.
Researcher tends to become subjectively immersed in the subject matter.	Researcher tends to remain objectively separated from the subject matter.

Table 3.1 Miles and Huberman (1994, p.40).

### 3.2.2 What Research method(s) Used in This Thesis.

This research study will be approached with a quantitative research methodology as the aim of the study is to investigate the non-performance of LED initiatives in Siyanda District Municipality with special reference to Tsantsabane Local Municipality.

### 3.2.3 What data is required.

#### Primary and Secondary Data

According to Rama Rao (2008) primary data is data gathered for the first time by the researcher; secondary data is data taken by the researcher from secondary sources, internal or external. The researcher must thoroughly search secondary data sources before commissioning any efforts for collecting primary data.

There are many advantages in searching for and analysing data before attempting the collection of primary data. In some cases, the secondary data itself may be sufficient to solve the problem. Usually the cost of gathering secondary data is much lower than the cost of organising primary data. Moreover, secondary data has several supplementary uses. It also helps to plan the collection of primary data, in case, it becomes necessary.

### **3.3 Data Collection methods**

#### **3.3.1 Methods for collecting data**

##### **a. Interviews**

Myers (2007) explains the types of interviews as :

- Structured Interviews

Structured Interviews refers to the use of pre-formulated questions which are strictly regulated with regard to the order of the questions, time available.

- Semi-structured Interviews

Semi-structured interviews are the use of pre-formulated questions

- Unstructured Interviews

Unstructured Interviews is whereby the interviewee is free to say what they want.

##### **b. Survey**

A survey is a potentially powerful assessment, monitoring, and evaluation tool available to organizational scientists (Rogelberg and Stanton, 2007).

Kraut (1996), in Rogelberg and Stanton (2007), explains that the survey purpose includes the following:

- The pinpointing of organisational concerns,
- Observing long-term trends,

- Monitoring program impact,
- Providing input for future decisions,
- Adding a communication channel,
- Performing organisational behaviour research,
- Assisting in organisational change and improvement,
- And providing symbolic communication.

Low response rate is a disadvantage in survey research as it depends on individuals who participate in the research (Rogelberg and Stanton, 2007).

### **3.3.2 Questionnaires**

Questionnaires allow the researcher to gather a significant amount of data at relatively little costs and can be the most appropriate method used to obtain quantitative data (Gilbert (2001); Bell (1999) in Beiske (2002)). E-mail will be used to complete the survey, as the response is faster (Tse, 1998).

The questionnaire would be used as a data capturing tool. This will allow the collection of quantifiable and qualitative data and allow for the analysis of this data to determine patterns and relationships. Emails will include a short disclaimer describing the purpose of the study (Refer to Appendix D). The District LED Manager will be used to ensure that all LED personnel and other key stakeholders in the Mafikeng District Municipality.

A copy of questionnaires, were readily available at different municipalities at their convenience in order to prevent loss of the questionnaire from being cited due to lack of response.

Questionnaire should be as brief as possible and solicit only that information essential to the research project (Leedy & Ormrod, 2005).

In order to help maximise the number of responses to the questionnaire, a number of questions will be limited to no more than 15 questions. The questionnaire will consist of 2 sections (Refer to Appendix C). The first section of the questionnaire will be aimed at gathering biographical data on the respondents including age, gender, qualifications and frequency as well as the level of decisions that are normally made by the respondent and the second section will focus on specific questions with regards to implementation of LED initiatives in Siyanda District Municipality.

Responses are made up of 5-point scales scored so that a high score was indicative of greater uncertainty or complexity. Other questions will require “yes or no” answer and others will be open ended questions where the respondent is expected to support their response by providing detailed information. To ensure that respondents shared common notion of information quality, a definition will be given in the questionnaire. The table below refers to the questionnaire outline.

**Table 3.2: Questionnaire Outline**

A short disclaimer describing the purpose of the study-Refer to Appendix C	
Questionnaire –Appendix C	
Thank you note-Appendix C	
Section 1-Question 1-7	Gathers biographical data on the respondents including age, gender and qualifications
Section 2-Question 8-15	Focuses on specific questions on the implementation of LED initiatives in the Siyanda District.

### 3.3.3 Sampling methods

StatPac [online] explains the following for Survey Sampling Methods:

It is incumbent on the researcher to clearly define the target population. There are no strict rules to follow, and the researcher must rely on logic and judgment.

The population is defined in keeping with the objectives of the study.

Sometimes, the entire population will be sufficiently small, and the researcher can include the entire population in the study. This type of research is called a census study because data is gathered on every member of the population.

Usually, the population is too large for the researcher to attempt to survey all of its members. A small, but carefully chosen sample can be used to represent the population. The sample reflects the characteristics of the population from which it is drawn.

Sampling methods are classified as either probability or nonprobability. In probability samples, each member of the population has a known non-zero probability of being selected. Probability methods include random sampling, systematic sampling, and stratified sampling.

StatPac [online] explains that in nonprobability sampling, members are selected from the population in some non-random manner. These include convenience sampling, judgment sampling, quota sampling, and snowball sampling. The advantage of probability sampling is that sampling error can be calculated. Sampling error is the degree to which a sample might differ from the population. When inferring to the population, results are reported plus or minus the sampling error. In nonprobability sampling, the degree to which the sample differs from the population remains unknown.

StatPac [online] further explains that Random sampling is the purest form of probability sampling. Each member of the population has an equal and known chance of being selected. When there are very large populations, it is often difficult or impossible to identify every member of the population, so the pool of available subjects becomes biased,

Systematic sampling is often used instead of random sampling. It is also called an Nth name selection technique. After the required sample size has been calculated, every Nth record is selected from a list of population members. As long as the list does not contain any hidden order, this sampling method is as good as the random sampling method. Its only advantage over the random sampling technique is simplicity. Systematic sampling is frequently used to select a specified number of records from a computer file.

Stratified sampling is commonly used probability method that is superior to random sampling because it reduces sampling error. A stratum is a subset of the population that share at least one common characteristic. Examples of strata might be males and females, or managers and non-managers. The researcher first identifies the relevant strata and their actual representation in the population. Random sampling is then used to select a sufficient number of subjects from each stratum. "Sufficient" refers to a sample size large enough for us to be reasonably confident that the stratum represents the population. Stratified sampling is often used when one or more of the strata in the population have a low incidence relative to the other strata.

Convenience sampling is used in exploratory research where the researcher is interested in getting an inexpensive approximation of the truth. As the name implies, the sample is selected because they are convenient. This nonprobability method is often used during preliminary research efforts to get a gross estimate of the results, without incurring the cost or time required to select a random sample. Judgment sampling is a common nonprobability method. The researcher selects the sample based on judgment. This is usually an extension of convenience sampling.

For example, a researcher may decide to draw the entire sample from one "representative" city, even though the population includes all cities. When using this method, the researcher must be confident that the chosen sample is truly representative of the entire population.

Quota sampling is the nonprobability equivalent of stratified sampling. Like stratified sampling, the researcher first identifies the strata and their proportions as they are represented in the population.

Then convenience or judgment sampling is used to select the required number of subjects from each stratum. This differs from stratified sampling, where the strata are filled by random sampling.

Snowball sampling is a special nonprobability method used when the desired sample characteristic is rare. It may be extremely difficult or cost prohibitive to locate respondents in these situations. Snowball sampling relies on referrals from initial subjects to generate additional subjects. While this technique can dramatically lower search costs, it comes at the expense of introducing bias because the technique itself reduces the likelihood that the sample will represent a good cross section from the population.

The participants will have to meet the following in order to be included in the sample:

- The participant must be a leader and be involved in decision making
- The participant must be working in an LED related role for at least a year.

The restriction of a year is stipulated because an individual who have no LED experience would find it difficult to raise LED related issues and this could skew the results. To get a fair representation in the sample, a list of names of LED Officials and Stakeholders will be obtained and randomly select the sample to be used in the survey following the stated criteria.

Krejcie and Morgan (1970) have provided a table for the establishment of the appropriate sample size (S) based on the size of the population (N). In terms of this study, for N=40,

S=36, therefore, for this study, S will be taken as 36. Thus, a minimum of 36 completed questionnaires will be required for meaningful conclusions to be drawn from the data gathered from the survey

### 3.3.4 Types of Variables

Statistics Laerd [online] explains that categorical variables which are also known as discrete or qualitative variables can be further categorised as nominal, ordinal or dichotomous:

- Nominal variables are variables that have two or more categories but which do not have an intrinsic order. For example, a real estate agent could classify their types of property into distinct categories such as houses, condos, co-ops or bungalows. So "type of property" is a nominal variable with 4 categories called houses, condos, co-ops and bungalows, different categories of a nominal variable can also be referred to as groups or levels of the nominal variable.
- Dichotomous variables are nominal variables which have only two categories or levels. For example, looking at gender, categorising somebody as either "male" or "female". This is an example of a dichotomous variable (and also a nominal variable). Another example might be if we asked a person if they owned a mobile phone. Here, we may categorise mobile phone ownership as either "Yes" or "No".
- Ordinal variables are variables that have two or more categories just like nominal variables only the categories can also be ordered or ranked. So if you asked someone if they liked the policies of the Democratic Party and they could answer either "Not very much", "They are OK" or "Yes, a lot" then you have an ordinal variable, here you have 3 categories, namely "Not very much", "They are OK" and "Yes, a lot" and you can rank them from the most positive (Yes, a lot), to the middle response (They are OK), to the least positive (Not very much).

### **3.4 Ethical considerations pertaining to the study**

In this study, participants will remain anonymous and the participation will be entirely voluntary. There will be no use of personal details of respondents in the study, as it is considered unethical to do so.

The researcher may delete all names and identifiers from the data and report only on the broad categories of responses for confidentiality purposes (Reinard, 2001). If this study has been conducted before by other researchers, we will ensure that we do not commit plagiarism and credit will be given to all the researchers and authors.

### **3.5 Conclusion**

This chapter addressed or defined the research design and explained the methodology used in this study, how the research will be conducted and what steps will be taken to ensure the validity of data. Further, it looked at the instrumentation, research type, population, sampling method and data gathering methods from theoretical perspective.

A discussion of how these were applied in this study was also presented. Justification for the choices made was also given. Tse (1998) have found significantly faster response times with e-mail surveys, and the same is hoped for this study as Siyanda District has scattered local municipalities which are +/-200 kilometres away from each other. The next chapter presents the study findings that would be used in rejecting or accepting the raised questions.

# Chapter 4

## Data Discussion

### 4.1 Introduction

This chapter discusses the research findings and provides analyses and interpretation of data where certain specific questions were asked and the analysis was done with the use of the targeted respondents i.e. Municipal officials in the Local Economic Development (LED) department.

The survey was conducted to test how LED can be implemented in local municipalities within Siyanda District Municipality, with the aim of investigating the cause-effect of the non-performance of LED initiatives in Siyanda District Municipality with special reference to Tsantsabane Local Municipality and to find out ways that can enable the LED initiatives to succeed, the lack or minimum financial resource allocation with regard to LED in municipalities and the disbanding of the LED Fund which could have addressed the latter problem.

The chapter opens with a descriptive introduction based on the demographical profile of the respondents and the next section reflects the findings of the target market's perceptions regarding the implementation of LED initiatives in Siyanda District Municipality with a special reference to Tsantsabane Local Municipality.

### 4.2 Response rate

The survey had a response rate of forty respondents representing the Siyanda District Municipality LED Officials with the four local municipalities falling under the District. The data was summarised on a spread sheet and the statistics were calculated using SPSS. The researcher has tried many times to show that she had met the requirements for the sample. The following statistical sample will show that the sample met the strict rules and that it was randomly selected. All names were allocated a number and numbers were drawn.

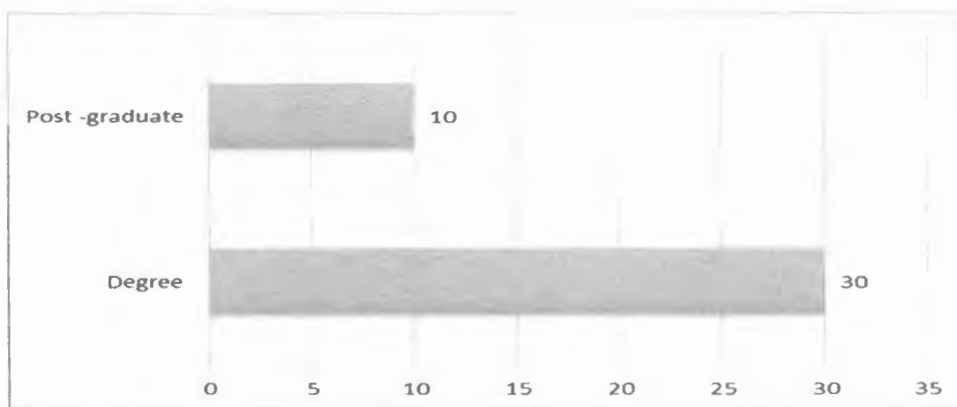
If somebody did not complete a questionnaire, the next number was drawn and the person used. In this way the sample could be regarded as being representative. It is also acknowledged that, should somebody else want to use the results, they first test the results before it is used to confirm the results.

### 4.3 Demographics

This section explains the demographic profile of the targeted respondents whereby same questions were asked to individuals concerning their level of qualification, years of experience in the LED field, age and gender and their race.

All targeted respondents were black and they were all managers in their respective job status and all worked for the local government. The limitation on the latter will be the graphs for the respondent's job status and race that is, graphs will not be drawn.

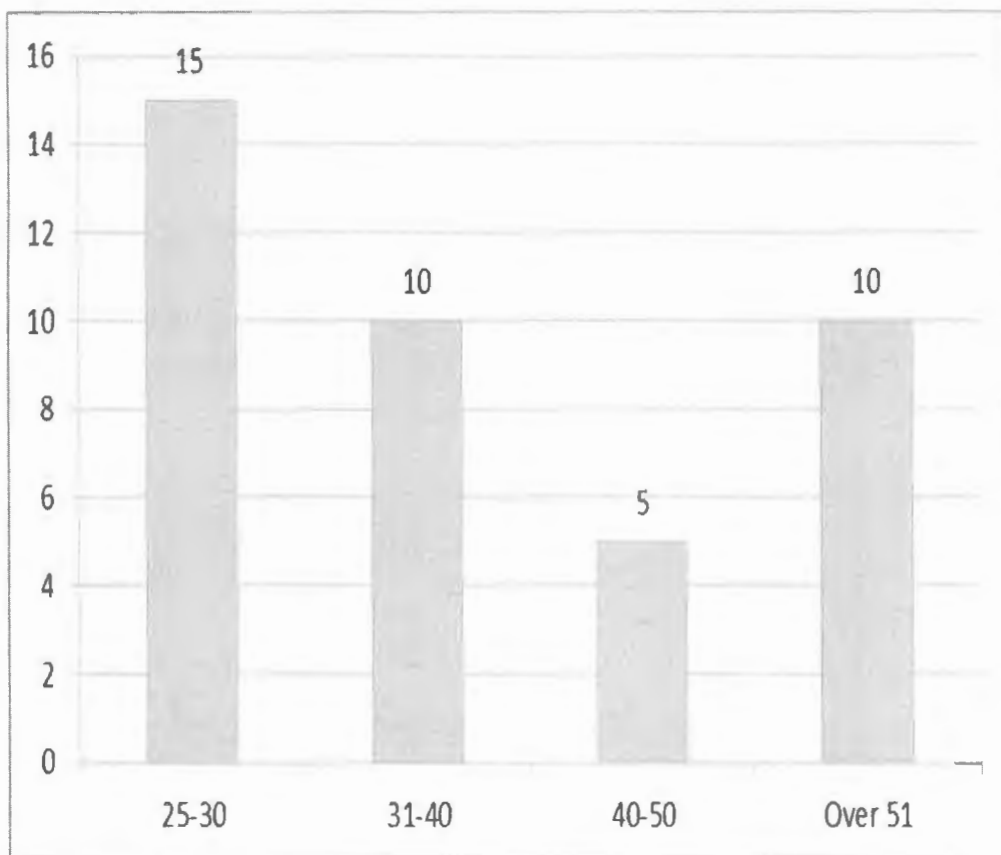
**Figure 4.1** Qualifications of the Respondents



The total number of respondents was 40, out of the 40 respondents, only 10 (25%) had post-graduate qualifications; and 30 (75%) had degrees. This indicates that the majority of employees occupying LED roles are educated, which is an disadvantage to the organisation to have LED custodians that are not well trained and skilled to understand their role in effective implementation of LED initiatives only few that is 10 respondents have post-graduate qualifications and they are in managerial positions. Cousins and Kepe (2004) in Parker (2004) explained that their experience that LED staff members often were poorly trained and councillors were not giving them strategic direction.

At least a person in management should have a post-graduate qualification in order to master-mind his own department and to give out strategic direction to his/her subordinates.

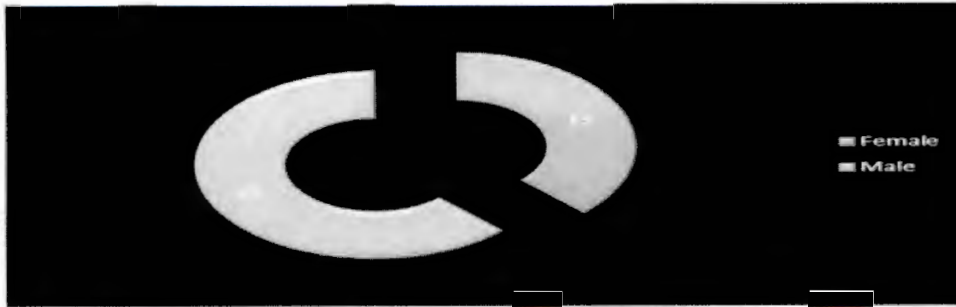
**Figure 4.2** Age



From the 40 respondents, 15 (37.5%) were aged between 25 and 30 years; 10 (25%) were aged between 31 and 40 years; 5 (12.5%) were aged between 41-50 and 10 (25%) were aged over 51 years.

The majority of respondents were between the age of 25 and 30 years. The reason for the age implies that because LED is young in municipalities therefore new recruits are being appointed; the other reason might be that LED initiatives failure rate may be influenced by the lack of experience as these respondents are mainly fresh from tertiary institutions and do not understand what is expected from them in terms of implementing LED.

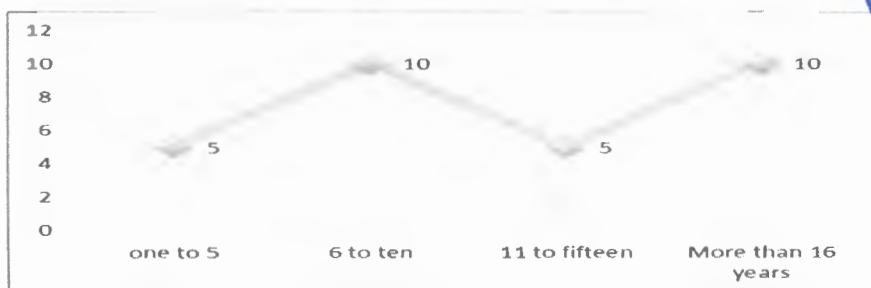
**Figure 4.3** Gender



Out of the total sample of 40 respondents, 15 (37.5%) were female, and the remaining 25 (62.5%) were male. The sample breakdown is considered not to be a fair representation of the demographics of the LED role.

These figures indicate that the employees that occupy LED management positions are dominantly male employees. The male dominance may be due to the fact that the LED role is a management role and given the historical background that supported male employees into managerial roles, this could be the reason for their dominance.

**Figure 4.4** Years of service do you have in current LED post.



Of the 40 respondents, 5 (12.5%) have less than 6 years' experience within the LED role; 10 (25%) have between 6 to 10 years' experience in the role; 5 (12.5%) have between 11 to 15 years' experience in the role and 10 (25%) have more than 16 years of experience in the role. The number of years served in LED is vital in implementing LED initiatives; Nel and Rogerson's (2007) findings in early 2006 was that 82% of LED Officials appointed did not have the LED policy, therefore it shows that experienced staff will assist in drafting of policies and the implementation thereof.

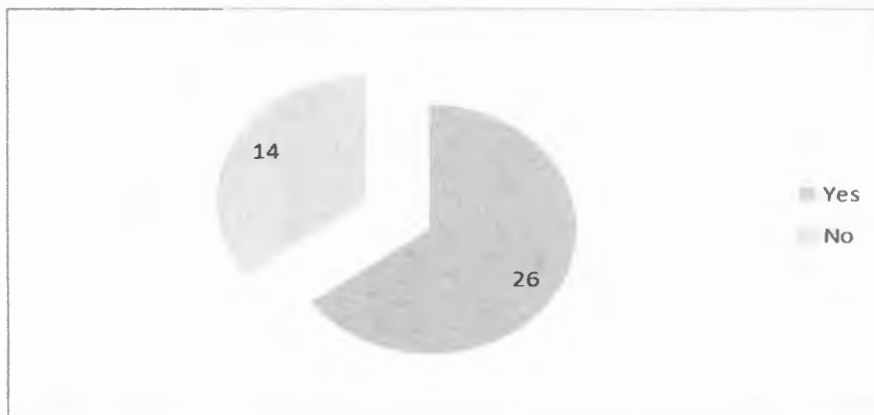
The figure indicates that respondents with less experience were fewer than those with more experience. Lower experience may imply that LED employees may have limited understanding of implementing LED initiatives in their respective municipalities.

#### 4.4 Results of Investigation

This section will reflect the questions asked and answers of the target market's perceptions regarding Local Economic Development implementation in the Siyanda District. The questions emanate from the research questions the researcher wanted to find out that is:

- Why LED initiatives fail in municipalities?
- What led to the failure of the LED Fund?
- Where can LED Officials get support without red-tapes?
- And Why LED units in municipalities not budgeted for /receive minimum budgets?

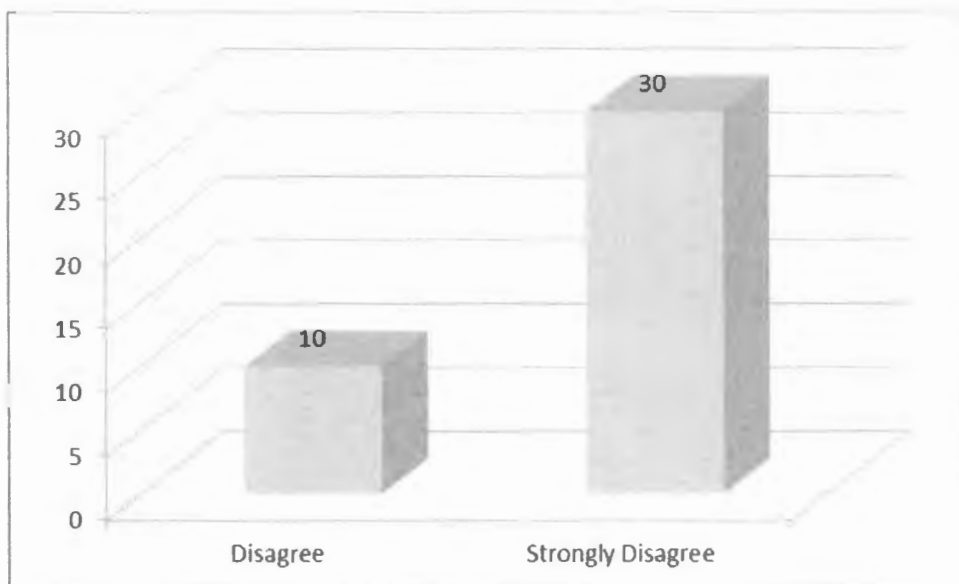
**Figure 4.5** Do you think LED initiatives fail in municipalities?



The other question that was asked to the participants was what where did they think LED initiatives failed in municipalities, out of 40 respondents, 26 (65%) thought LED initiatives failed in municipalities, and only 14 (35%) thought LED initiatives did not fail. According to Nel, (2002); Tomlinson (2003) in Rossouw-Brink (2007) there is a high failure rate of LED initiatives as these initiatives are politicised and not sustainable.

The negative response implies that the respondents have experienced a lot of LED initiatives that have failed in municipalities either due to lack of the technical know-how in executing the initiatives or lack of capacity (i.e. financial and human). Similarly, the low positive response of 35% implies that there are some few LED initiatives that are effective and sustainable in municipalities that the respondents know of that should be benchmarked against in order to ensure that others follow suit and LED initiatives become real and benefit the community in their respective municipalities as they are the only way in which municipalities can curb the unemployment rate.

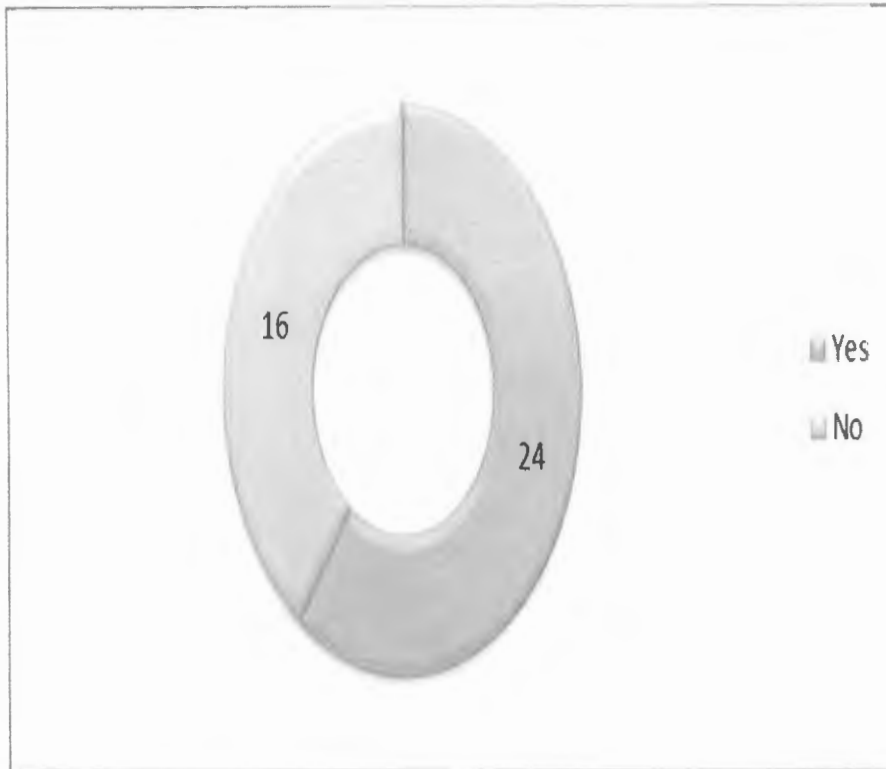
**Figure 4.6** Do you think the current approach, LED Officials only enabling private sector to do business should be taken in driving LED initiatives in municipalities?



Here the respondents were asked whether they agree with the current approach of local municipalities only providing an 'enabling environment' for businesses to do what it does best that is creating employment. Out of the 40 respondents, 30 (75%) strongly disagreed with the current approach and 10 (25%) disagreed with the approach.

The high negative response implies that the respondents disagree with the Department of Local Government's current approach, there may be mixed reactions on how LED should be implemented i.e. bottom-up approach or top-down approach even though Parker (2004) argues that municipalities tend to rely on private sector and market forces to create economic growth.

**Figure 4.7** Do you have a successful LED project running at the moment?



Out of the 40 respondents, 24 (60%) agreed that they had successful LED projects and only 16 (40%) respondents faced a challenge of implementing or having any successful LED project running in their municipalities respectively.

The high positive response implies that the respondents are good in managing projects as they have successful LED projects regardless of the LED challenges faced by municipalities all over South Africa.

The low negative response implies that there are at least few municipalities that cannot sustain or implement LED projects possible constraints might be due to financial constraints and/or unqualified personnel with poor project management skills but the challenge is that the sustainability of projects are those ones that are dependent on grant funding (Nel, 2001; Tomlinson, 2003) in Rossouw-Brink, 2007).

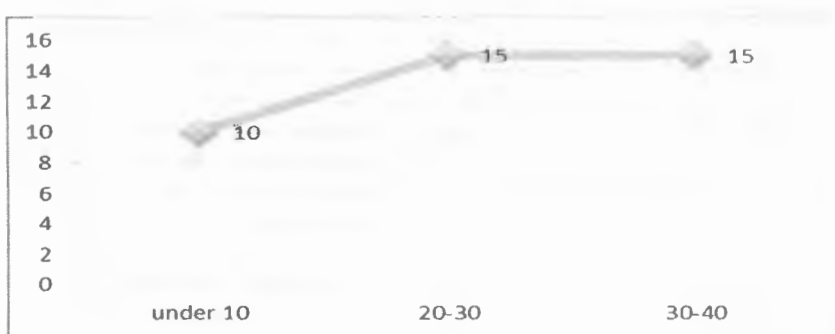
**Figure 4.8** If yes, which measures did you use to ensure its sustainability?



In order for LED initiatives to be implemented successfully and be sustainable there needs to be coordination and cooperation between government entities and private sector. Here respondents were asked whether their successful projects mentioned in 4.7 succeeded by taking which approach or measure.

Out of the 40 respondents 30 (75%) took the measure or approach of involving or engaging both the private and local government in order for them to have a buy-in and support the initiative; 5 (12.5%) engaged only public sector in their approach and another 5 (12.5%) did not engage any sector in their implementation of LED initiatives or projects.

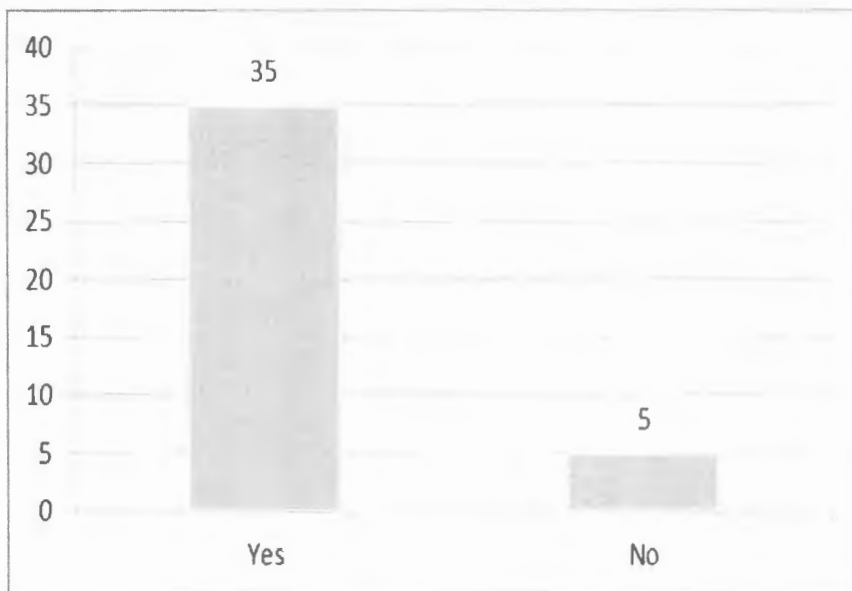
**Figure 4.9** How many jobs did the project create?



Out of those who had successful LED projects, the question was posed on how many jobs did their LED projects create, 10 (25%) responded that only jobs below 10 were created in their projects; 15 (37.5%) responded that between 20 to 30 jobs were created in their successful projects and another 15 respondents indicated that between 30 to 40 jobs were created.

LED is a job creation tool and the good response in the respondents that at least their successful projects created jobs indicates that the theory is true that municipalities should create an enabling environment for business or private sector to do business (National LED Framework-DPLG, 1999-2004) thus creating employment. These people who have successful projects can be referred as true entrepreneurs as they started as an initiative to a project then a business that can employ more than 30 people.

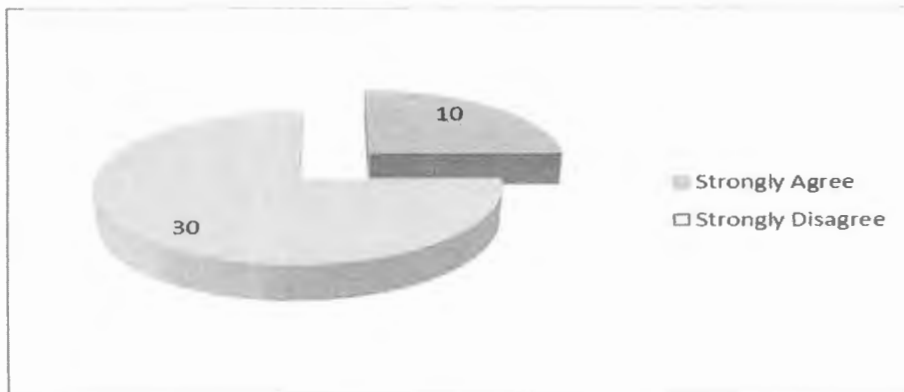
**Figure 4.10** Do you know about the National LED fund?



The other question that was posed to the respondents was that of their knowledge of the National LED Fund, 35 (87.5%) indicated that they had knowledge about the fund and only 5 (12.5%) indicated their lack of knowledge about the fund.

The National LED Fund became popular in 2002 but launched in 1999 when it was established by the South African Government in order to promote the municipal efforts of promoting Small Medium Enterprises: Therefore it is not unexpected that 87.5% of respondents would know about the fund as most of them occupied the LED role more than 10 years and it became unpopular as since its inception it only funded six percent in 1999 that is out of 827 projects applications only 48 projects were funded (Binns and Nel, 2002:19-20).

**Figure 4.11** Do you agree with the disbanding of the National LED Fund?



The National LED Fund was discontinued due to poor monitoring report and weak policy i.e. it was unclear whether LED should be a welfarist or entrepreneurial in approach and programme implementation (Atkinson & Ingle, 2003 in Quan *et al.*, 2006). Most respondents, 30 (75%) disagree with the disbanding of the fund and 10 (25%) agree. This implies that most respondents depended on the fund to implement LED projects in municipalities.

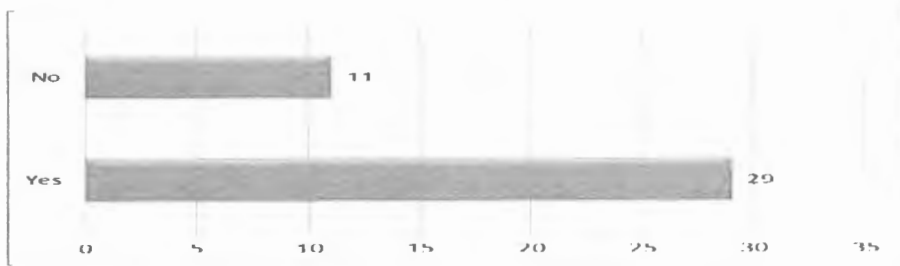
**Table 4.12** Do you think LED initiatives are supported by other stakeholders in municipalities except when they are driven by social and labour plans (SLP)?

Strongly Agree	9
Agree	20
Disagree	11

The Mineral and Petroleum Resources Development Act, No 28 of 2002's purpose is to transform the mining and production industries. In order to ensure effective transformation the Act requires the submission of the Social and Labour Plan as a pre-requisite for the granting of mining or production rights. The Social and Labour Plan requires applicants for mining and production rights to develop and implement comprehensive Human Resources Development Programmes including Employment Equity Plans, Local Economic Development Programmes and processes to save jobs and manage downscaling and/or closure.

In most municipalities SLP is the main driver of LED initiatives even though most of the respondents disagree with that notion that LED is still supported whether there is SLP or not.

**Figure 4.12** Do you have a capital budget for LED?



A capital budget (A plan to finance long-term outlays, such as for fixed assets like facilities and equipment) is key in the implementation of LED projects in municipalities, the equitable share from the National Treasury does not include LED in its allocation, thus leaving municipalities to do its own internal budgeting of which they depend on the community to pay services. LED Capital budget can assist the custodians of the department in implementing capital projects that needs a bigger budget. Nel (2001) argued that the LED project's numbers are small even though LED has become a strong feature in development mainly due to inadequate resources and lack of strategic guidance.

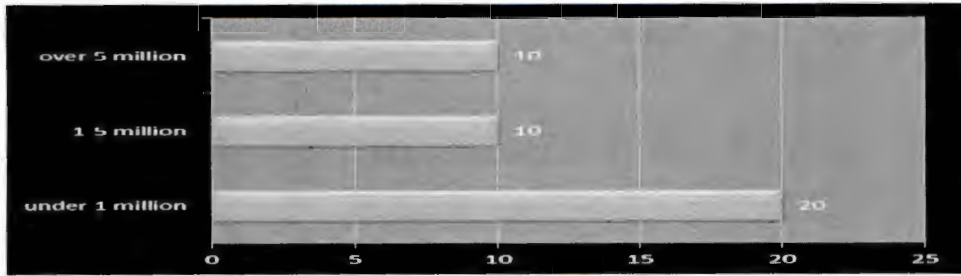
At least the figure above shows that 29 (72.5%) of respondents have the capital budget, only 11 (27.5%) do not have that budget. The question remains if they don't have the budget where do they get the funds to implement their LED initiatives.

**Figure 4.13** Do you have an operational budget for LED?



The operational budget assist the LED Unit or Department to achieve all of its required resources in order to perform its duties or mandate, LED is regarded as an 'unfunded mandate' meaning local government is expected to pursue it but in most cases they are lacking due to the unavailable resources (Nel, 2002; Tomlinson, 2003 in Rossouw-Brink, 2007). Out of 40 respondents 25 (62.5%) have the operational budget and 15 (37.5%) do not have the budget. A high positive rate (i.e. available operational budget in most departments) means that LED is recognised.

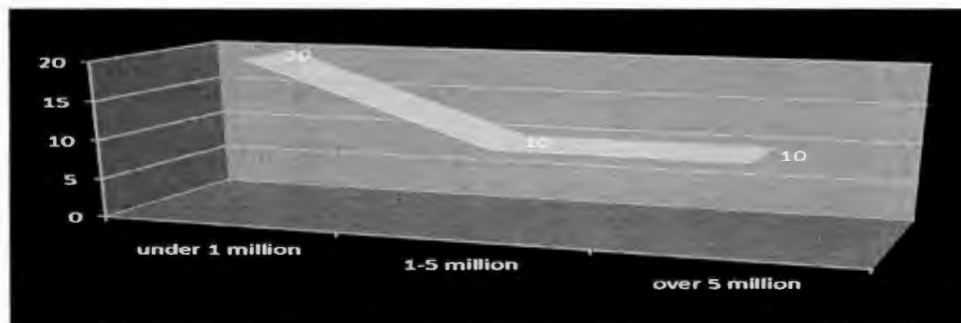
**Figure 4.14** What is the total capital budget?



As mentioned in Figure 4.13, that a Capital budget is a plan intended to finance long-term outlays, such as for fixed assets like facilities and equipment, the respondents were asked a follow up question after being asked if they had the capital budget that is asking them how much their total capital budget allocation was.

According to the respondents it is clear that most of their capital budgets are less than a million that is 50% rendering them unable to perform on their mandate. How can they ensure that there is adequate bulk infrastructure i.e. water, electricity and roads for them to create an enabling environment for business (National LED Framework-DPLG, 1999-2004) if provision is not made for such?

**Figure 4.15** What is the total operational budget?



The same follow up question was posed on the participants concerning how much their total operational budget was. Out of 40 respondents, 20 (50%) have an operational budget of less than 1 million; 10 (25%) from 1 million up to 5 million and the remaining 10 (25%) with over 5 million budget.

Though all of the participants have operational budgets, 50% have a small budget allocation which can make their visibility in communities minimal in assisting them in acquiring access to opportunities especially Small and Medium Enterprises.

## 4.5 Measures of association

Correlation is a single number that describes the degree of relationship between two or more variables. The measurement scales used should be at least interval scales, but other correlation coefficients are available to handle other types of data. Correlation coefficients can range from -1.00 to +1.00. The value of -1.00 represents a perfect negative correlation while a value of +1.00 represents a perfect positive correlation. A value of 0.00 represents a lack of correlation. This section will reflect the relationship between different variables.

If you are a qualified person then the chances are that you will be older with a correlation of 0.77. According to the criteria, those with an absolute value of 0.6 will be considered to show a strong relationship, therefore person's qualification is the determinant of whether LED is implemented in municipalities.

If you are a qualified person then the chances are that you will have years of experience with a correlation of 0.759. According to the criteria, those with an absolute value of 0.6 will be considered to show a strong relationship, therefore the person's qualification has a significant impact on the years of experience he has.

If a person is a certain age then the chances are that the gender will have a correlation of 0.867, a positive correlation. According to the criteria, those with an absolute value of 0.6 will be considered to show a strong relationship. The positive correlation suggests that age of a person has a significant impact on his gender.

If a person is a certain age then his years of experience will have a correlation of 0.99. According to the criteria, those with an absolute value of 0.6 will be considered to show a strong relationship, this suggests that person of a certain age will be the determinant of whether LED is implemented in municipalities.

A person with a certain gender will have chances that his years of experience will have a correlation of 0.867. According to the criteria, those with an absolute value of 0.6 will be considered to show a strong relationship. This suggests that gender of a person will have a significant impact on his years of experience.

The LED initiatives failure rate and the person's qualification will have a chance of a correlation of 0.759, a positive correlation between the two variables. This implies that a person's qualification have a significant impact on whether the LED initiatives fail or succeed. According to the criteria, those with an absolute value of 0.6 will be considered to show a strong relationship.

The LED initiatives Failure and the age of a person, the correlation is 0.87. The positive correlation suggests that the failure rate in LED initiatives has a significant impact on the age of a person. According to the criteria, those with an absolute value of 0.6 will be considered to show a strong relationship.

The LED initiatives Failure and Years of experience have a correlation of 0.878. This suggests that years of experience by LED Officials have a significant impact on LED initiatives' failure rate. According to the criteria, those with an absolute value of 0.6 will be considered to show a strong relationship.

The current LED Approach and age of a person have a correlation of 0.65. According to the criteria, those with an absolute value of 0.6 will be considered to show a strong relationship, therefore it can then be suggested that the current approach in LED has a significant impact on the person's age.

The correlation of the current LED Approach and gender is 0.65. According to the criteria, those with an absolute value of 0.6 will be considered to show a strong relationship. The correlation is statistically significant and suggests that the current LED Approach has a significant impact on the person's gender.

The number of jobs created in LED and the person's level of qualification has a correlation of 0,682. According to the criteria, those with an absolute value of 0.6 will be considered to show a strong relationship, suggesting that there is a significant impact on the number of jobs created in LED and the person's level of qualification.

The number of jobs created in LED and the age of a person has a correlation of 0.913. According to the criteria, those with an absolute value of 0.6 will be considered to show a strong relationship. This suggests that the number of jobs created is the determinant of whether or not LED implementation takes place in municipalities.

The number of jobs created in LED and the gender of a person has a correlation of 0.766. According to the criteria, those with an absolute value of 0.6 will be considered to show a strong relationship. This suggests that job creation has a significant impact on gender of an individual in LED office.

The number of jobs created in LED and the person's years of experience has a correlation of 0.899. According to the criteria, those with an absolute value of 0.6 will be considered to show a strong relationship. This suggests that a person's years of experience has a significant impact on the number of jobs that will be created in LED.

The National LED Fund disbandment and a person's age have a correlation of 0.65. According to the criteria, those with an absolute value of 0.6 will be considered to show a strong relationship. This suggests that the National LED Fund disbandment has a significant impact on the person's age. Therefore the National LED Fund disbandment is the determinant of whether respondents are positive or negative about the implementation of LED in municipalities.

The National LED Fund disbandment and a person's gender have a correlation of 0.75. According to the criteria, those with an absolute value of 0.6 will be considered to show a strong relationship. This suggests that the National LED Fund disbandment has a significant impact on gender. The National LED Fund Disbandment is the determinant of whether respondents are positive or negative about the implementation of LED in municipalities.

The National LED Fund disbandment and a person's years of experience have a correlation of 0.65. According to the criteria, those with an absolute value of 0.6 will be considered to show a strong relationship.

This suggests that the National LED Fund disbandment has a significant impact on the person's years of experience. The National LED Fund Disbandment is the determinant of whether respondents are positive or negative about the implementation of LED in municipalities.

## **Relationship between Questions**

Age and the national LED Fund disbandment have a positive correlation of 0.65. According to the criteria, those with an absolute value of 0.6 will be considered to show a strong relationship.

This suggests that age of a person has a significant impact on the National LED Fund disbandment. Age of a person is the determinant of whether respondents are positive or negative about the implementation of LED initiatives in municipalities.

Gender and the National LED Fund disbandment have as positive correlation of 0.75. This suggests that a person's gender has a significant impact on the National LED Fund disbandment. Gender is the determinant of whether respondents are positive or negative about the implementation of LED initiatives in municipalities.

Years of Experience and the National LED Fund Disbandment have a positive correlation of 0.65. Years of experience has a significant impact on the National LED Fund disbandment. Years of experience is the determinant of whether respondents are positive or negative about the implementation of LED initiatives in municipalities.

The current LED Approach and the National LED Fund Disbandment have a positive correlation of 1.00. The current LED Approach has a significant impact on the National LED Fund disbandment. The current LED approach is the determinant of whether respondents are positive or negative about the implementation of LED initiatives in municipalities.

The success of an LED project and the Capital Budget allocation has a positive correlation of 0.759. The successful LED project has a significant impact on the LED Capital budget. The successful LED project is the determinant of whether respondents are positive or negative about the implementation of LED initiatives in municipalities.

The success of an LED project and the Operational budget has a positive correlation of 0.95. The successful LED project has a significant impact on the LED Operational budget. Successful LED project is the determinant of whether respondents are positive or negative about the implementation of LED initiatives in municipalities.

The success of an LED project and the total capital budget allocation has a positive correlation of 0.63. The successful LED project has a significant impact on the Total LED Capital budget. Successful LED project is the determinant of whether respondents are positive or negative about the implementation of LED initiatives in municipalities.

The success of an LED Project and the operational budget allocation has a positive correlation of 0.63. The successful LED project has a significant impact on the Total LED Operational budget. Successful LED project is the determinant of whether respondents are positive or negative about the implementation of LED initiatives in municipalities.

The LED job creation and the disbanding of the National LED Fund have a correlation of 0.788. The LED Job creation has a significant impact on the National LED Fund Disbandment. LED Job creation is the determinant of whether respondents are positive or negative about the implementation of LED initiatives in municipalities. The National LED fund knowledge and the capital budget have a positive correlation off 0.617.

The National LED Fund knowledge has a significant impact on the LED capital budget. The National LED Fund knowledge is the determinant of whether respondents are positive or negative about the implementation of LED initiatives in municipalities. The correlation between the National LED Fund Disbandments and the National LED Fund Disbandment is 1.00. National LED Fund Disbandment is the determinant of whether respondents are positive or negative about the implementation of LED initiatives in municipalities. The correlation between the LED supports is 1.00. LED Support is the determinant of whether respondents are positive or negative about the implementation of LED initiatives in municipalities. The correlation between LED Capital budgets is 1.00. LED Capital budgets are the determinant of whether respondents are positive or negative about the implementation of LED initiatives in municipalities. The correlation between the operational and capital LED budget is 0.79. Operational LED budget is determinant of whether respondents are positive or negative about the implementation of LED initiatives in municipalities. The correlation between the operational and total operational budget is 1.00. LED Operational budget is determinant of whether respondents are positive or negative about the implementation of LED initiatives in municipalities. The correlation between Operational and total capital budget is 0.569. LED Operational budget is determinant of whether respondents are positive or negative about the implementation of LED initiatives in municipalities. The correlation between the Total Operational Budget and Operational Budget allocated is 0.569. The LED Operational budget is determinant of whether respondents are positive or negative about the implementation of LED initiatives in municipalities. The correlation between the total LED capital budget and the LED capital budget is 0.569. Total Capital budget is the determinant of whether respondents are positive or negative about the implementation of LED initiatives in municipalities. The correlation between the total capital budgets is 1.00. Total Capital budget is the determinant of whether respondents are positive or negative about the implementation of LED initiatives in municipalities. The correlation between the total operational budgets is 1.00. Total Operational budget is the determinant of whether respondents are positive or negative about the implementation of LED initiatives in municipalities.

## 4.5 Conclusion

In this chapter, the detailed results of the research using statistical methods have been provided. The use of graphs and statistics has been used to present the results of the survey and the data analysis has also been presented.

The analysis of the results revealed that there Age; level of qualification; Gender; Years of experience are not the determinants of whether respondents are positive or negative about LED implementation succeed in the Siyanda District. On the other hand, Age, Gender, Years of Experience, Current LED Approach and LED Fund Disbandment have a positive relationship with the National LED Fund Disbandment; Successful LED project had a positive respond with Capital budget, Operational budget, Total Capital and Operational budget; National LED Fund Knowledge has a positive relationship with Capital budget; Capital budget with capital and operational budget; Operational budget had a positive correlation with both Capital and Operational budget and total allocation.

The next chapter presents the recommendation categorised in their relevance to different stakeholders. The aim is to ensure easy understanding of recommendations in order to add value to existing literature and also identify gaps areas where new or further research can still be conducted.

# Chapter 5

## Conclusion and Recommendations

### 5.1 Introduction

As discussed in previous chapters, the implementation of Local Economic Development in municipalities, its approach is difficult for municipalities to implement. This chapter consolidates the findings of the research, derived through analysis and interpretation of statistical data, discussed in the previous chapter. The research questions referring to the failure of LED initiatives, the disbandment of the National LED Fund and the minimum budgeting of LED units in different municipalities.

This chapter comprises of a summary of the study, addresses the findings per research question, provides managerial guidelines for implementing LED in Siyanda District Municipality and highlights the future research opportunity in this field of study. Conclusion of the study will be drawn and recommendations will also be outlined.

### 5.2 Summary of the study

The research was aimed at investigating the non-performance of LED initiatives in Siyanda District Municipality with a special reference to Tsantsabane Local Municipality and find out ways that can enable the LED initiatives to succeed. The study analysed the non-performance of these LED initiatives through the use of research questions that focused on the impact that may hinder LED initiatives not to be implemented.

Local Economic Development (LED) is one of the five Key Performance Areas of the municipality. This study investigates LED initiatives that Siyanda District Municipality with special reference to Tsantsabane Local Municipality embark on, the reason to their failures and how can initiatives be made to succeed and be sustained, the

factors that aggregate these initiatives not to succeed, the failure of the LED fund and limits set on LED budgets.

The key government policies and theories are outlined which are associated with the implementation of Local Economic Development. The different LED approaches; perspectives (International, South African, African) are discussed. The critics of LED and challenges faced by LED Officials in municipalities are also outlined.

The methods used in this study are quantitative. There major results are that 65% of respondents agree that LED initiatives fail in municipalities; 75% disagree with the current approach government is using in driving LED while the same percentage of respondents disagree with the disbandment of the LED fund.

As aforementioned LED is a the most critical function of any municipality as it is the main unit that outline the comparative and competitiveness of the area; it ensures that investors become attracted to the area and invest there thus resulting in more job opportunities for the residents of the area; it is the only department that promotes Small and Medium Enterprises hence it is important that this function is taken seriously by the decision makers in all spheres of government.

The Local Government Municipal System Act (RSA, 2000) highlights the role or mandate of Local Economic Development in municipalities, that on the Integrated Development Plan, Local Economic Development should be a key element and the pro-poor development strategies are critical in ensuring that there is sustainable urban development in overcoming the apartheid legacy.

In 1999, the National Government introduced the LED fund in order to assist municipalities in driving LED and the fund was disbanded. Though municipalities tried to drive the LED initiatives, private sector saw it as a municipality's prerogative and did not assist.

### **5.3 Response to Research Questions**

The main findings of this research in relation to the research question will be discussed.

#### **Why LED initiatives fail in municipalities?**

LED projects fail in municipalities especially rural municipalities. It was found in Chapter 4, Section 4.4 to the response when participants were asked about whether they had successful LED projects in their municipalities respectively. Out of 40 respondents 65% thought LED projects failed in municipalities and 75% strongly disagreed with the current approach the government is taking of only for local government to provide and enabling environment for business to take place.

Nel *et al.*, 2002 and Tomlinson (2003) in Rossouw-Brink (2007) explain that LED initiatives fails due to a number of reason, that is ; initiatives are politicised thus hinders development; initiatives seen as projects rather than businesses leading to most of them to have a life-cycle and LED projects are not sustainable because beneficiaries of these projects due not take ownership of the projects and often see it as a municipality project as in most cases they are paid stipends for an initiative that should be driven by them , therefore they view these projects as grant funding by government as the approach would be it should benefit women /youth or the disabled. The approach of giving beneficiaries stipends should change from the current status quo to then, government/municipalities assisting an individual /entrepreneur who can take ownership of the business and then employ those that are not entrepreneurial.

#### **What led to the failure of the LED Fund?**

The downfall of the National LED Fund was discussed in Chapter 2 and Chapter 4, participants were asked whether they had knowledge of the fund and do they agree with the disbanding of it, 87.5 % had knowledge of the LED Fund and 75 % disagreed with the disbanding of it.

The LED fund according to Atkinson and Ingle in Quan et al. (2006) was discontinued due to poor monitoring and reporting and it was unclear whether LED should adopt a welfarist or an entrepreneurial approach.

The LED fund should not have been disbanded as poor rural municipalities who solely depends on the equitable share they receive from Department of Finance's Treasury like Tsantsabane Local Municipality. The fund could have assisted them in establishing a fully fleshed LED unit; LED strategy would be implemented and therefore rolling over of key economic sectors would therefore take place as the role of LED Practitioners is a facilitation role between government and the private sector for employment opportunities to occur, not to implement project on behalf of the community.

### **Where can LED Officials get support without red-tapes?**

This was answered in Chapter 2 and Chapter 4 participants were asked whether they engaged private, public /both or no one when they engaged in LED initiatives and 75% of them responded that they engaged both private and public sector in ensuring that their LED initiatives succeeded and remain sustainable though not asked whether they knew of organisations that can assist them without experiencing difficulties.

There is numerous support structures that support LED that is the European Union which focuses on education, sanitation provision and entrenchment of human rights, South Africa has the Industrial Development Corporation (IDC) which focus on the creation of business opportunities for investment and the German Agency of German Federal Government offering different courses for specialists, politicians, executives (Patterson, 2008) just to mention a few.

Though there are numerous sectors that are established to assist and support LED initiatives especially in municipalities but the officials are often asked to build a competitive business case for the municipalities a typical example of the Department of Trade and Industry's schemes. Municipalities would outsource the exercise and

use consultants as most of the LED units would only have one official or incompetent ones with the resources that were not budgeted for initially, but often the funds do not come due to a poor business case or they wait for longer periods to receive the outcomes.

### **Why LED units in municipalities not budgeted for /receive minimum budgets?**

Respondents were asked whether their LED Departments had capital and operational budgets and 72.5% had capital budget whilst 62.5% had operational budgets.

Nel *et al.* (2001) explains that the LED project's numbers are small even though LED has become a strong feature in development mainly due to inadequate resources and lack of strategic guidance.

The National Framework on LED (2006-2011) gives guidance on how LED should be driven and it explains that LED is an unfunded mandate that plays a facilitation role therefore politician and senior managers in municipalities do not budget for and if there is a budget is only an operational budget for the salaries, stationery and office equipment not for capital projects like establishing a factory, for example, due to this guideline.

## **5.4 Limitations**

This study has been limited to all municipalities that have successful LED initiatives and was done specifically to rural municipalities that are struggling to implement LED in their municipalities.

## 5.5 Managerial guidelines

From the results of this study, the following guidelines are given to municipalities that are struggling to implement LED, guidelines are given on how to approach this in order to have successful LED Departments running and implementing their mandate:

- Through the use of LED Forums, the current approach of engaging business sector in the LED Strategies can assist municipalities, and then the current approach as per DPLG Guidelines will make sense.
- The LED Fund can be re-established but not nationally but regionally through the Development trust that will work closely with the LED Departments.
- Municipalities needs to put more resources on LED projects that are aligned with their area's competitive and comparative advantages, its then that LED projects they engage in become successful and sustainable.
- Qualified officials should be appointed with a proper understanding of the subject matter that is developmental economics or planning.
- Municipalities should engage in the process of improving the capacity of the LED Unit within municipalities and reconsider the budget (capital and operational) allocation with regard to LED.
- New policies should be created for the maximum stimulation of economic revenue through the enforcement of by-laws.

## 5.6 Future Research

This study contributes various opportunities for further research:

- The effect of Mineral and Petroleum Resource Development Act's Social and Labour with regard to LED initiatives implemented in the host municipalities: Success story.
- The investigation of the purpose for the disbandment of the National LED Fund.
- The impact of Local Economic Development initiatives and employment.

- Local Economic Development, Broad Based Black Socio-Economic Empowerment in the mine industries.

## 5.7 Conclusion

It is clear that most officials in the Local and Economic Development units and departments have challenges that hinder their departmental success and that of their respective municipalities. The minimal budget allocated for LED initiatives is pathetic and that function is the most critical and important Key Performance Area in municipalities that should be curbing employment by attracting investors. The fact that most respondents disagree with the disbanding of the National LED Fund fully shows that irrespective of other funding agencies that the government have, the funds are not accessible to municipalities.



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Xuza, P. (2007). Ten Years and Ten Trends of Local Economic Development Practice in South Africa: A Practitioner's Perspective *Urban Forum* Vol.18, No 2, pp.117-123

NO	MATRIX THEMES	1	2	3	4	5	6	7	8	9	10
	<b>THEME</b>	<b>Definition of LED</b>	<b>Different approaches/theories laying the foundation of LED and different models used</b>	<b>LED: The International perspective</b>	<b>LED: The South African perspective</b>	<b>LED: The African perspective</b>	<b>Criticism of LED</b>	<b>Challenges in LED</b>	<b>Policy Context and its implication to the Siyanda District and Tsantsabane Local Municipality</b>	<b>LED Institutional support arrangement in government</b>	<b>LED used as a Private Public Partnership tool</b>
1	A guideline framework for transformation to a LED approach in local government-The Frances Baard district	1	1	1	1		1	1			
2	Rural development from territorial perspective: lessons and potential in sub-Saharan Africa	1	1			1					
3	Evolving Local Economic Development Policy and Practice in South Africa with special reference to smaller urban centres.				1					1	1
4	Tourism-led Local Economic Development: The South African experience				1						
5	Pro-poor LED in South Africa :The Application of Public Procurement									1	

6	LED Agencies support for construction & demolition recycling (Patterson LM, April 2007)Research project		1								
7	Contextualising South African LED within current development debates: The international setting	1									
8	Contextualising South African LED within current development debates: The international setting		1								1
9	Globalization and Local Development:The Sedibeng Steel Industry in South Africa		1			1					
10	Difficulties encountered by black women entrepreneurs in accessing training from the Small Enterprise Development Agency(SEDA) in SA.		1								
11	The Eastern Cape Historical legacies & new challenges conference:27-30 Aug2003		1								1
12	Subnational Economic Development in present-day South Africa (Bloch R, 2000)	1	1								
13	Water Shortage,Deforestation and Development: South Africa's working for water programme		1								

14	Assessing LED and social welfare benefits in a global context,		1	1	1			1	1		
15	LED in SA: A useful tool for Sustainable Development	1	1		1				1	1	1
16	Whither LED in South Africa? A Commentary on the Policy Guidelines for Implementing LED in SA,	1	1		1				1	1	1
17	Responding to Global challenges: The role of Europe and of International Science and Technology cooperation, Brussels, Oct 2007										1
18	Indicators of Small Town Tourism Development Potential: The Case of Fouriesburg, SA								1		
19	The merits of Decentralisation and LED in SA								1		
20	Local Economic Development in the City of Lusaka,				1	1					
21	Initiating 'Developmental Local Government' in SA: Evolving LED Policy.				1		1		1	1	1
22	Introduction: Historical Geographies of Southern Africa.		1				1				
23	Reviewing Africa in the global tourism economy								1		

24	LED Agencies in South Africa, six years later			1	1						
25	Pro-Poor Tourism:From leakages to linkages.A conceptual framework for creating linkages between the accommodation sector and 'poor' neighbouring communities		1								
26	Supporting LED in Post-Apartheid SA , T.Binns & E. Nel,2002				1						
27	Second best? Trends and linkages in the Informal Economy in SA		1								
28	The developmental impacts of backpacker tourism in S.A., Gustav Visser,2004		1								
29	Pro-Poor LED in SA: The role of Pro-Poor Tourism			1				1	1		
30	The private sector LED in S.A			1	1						
31	Tourism Routes as Vehicles for LED in SA: The example of the Magaliesberg							1			
32	An analysis of the benefits of the growth in tourism to the local communities in the panorama region, Mpumalanga province	1	1		1						1

33	Evaluating and Disseminating Experiences in LED: Observations on Integrated Development Programmes of the Free State, RSA	1			1						
34	Ten Years and Ten Trends of LED Practice in S.A: A Practitioner's perspective		1				1		1		
35	NGO-Facilitated LED,		1								
36	Understanding poverty as a Human Rights violation: The case of legal reform and LED in SA,				1						
37	Small Enterprise Development in SA'S lagging regions :The case of Mpumalanga Province		1								
38	Maximising the Local Pro-Poor Impacts of Dive Tourism,		1								
39	LED in Midrand, South Africa's Ecocity.		1								
40	Economic Restructuring and LED in S.A.	1			1		1				
41	Country Report LED in SA -GTZ,	1	1		1			1	1	1	
42	Chimera or guiding vision? LED and the Town of Port Shepstone in KZN,				1						1

43	Transforming Atlantis, SA, through LED.				1							
44	SMME Development in Peripheral Regions: Manufacturing in Free State Province, SA:		1									
45	An analysis of business interventions and their effect on the perceived success of South African Small and Medium Enterprises,		1						1	1	1	
46	Creating the African Riviera: Revising the Impact of the Victoria and Alfred Waterfront Development in Cape Town		1									
47	Governance Structures for National Sustainable Development Strategies			1								
48	Catching the development train: perspectives on 'top-down' and 'bottom up' development in post-apartheid South Africa				1							
49	The evolution of LED in SA: The case of Stutterheim and Social Capital.	1	1									1
50	Infrastructure Investment and Economic Development		1									
51	Drawing on a social capital for community economic		1									

	development: Insights from a South African rural community,										
52	Study tours as a knowledge sharing mechanism and a networking opportunity in the development sector. The example of a LED study tour in SA		1								
53	Effective knowledge sharing for development in Africa, EL Halaby et.al,2006					1					
54	LED in SA: addressing the challenges - GTZ		1						1	1	
55	Industrial development as an effective LED Strategy: The Port Elizabeth metropole as a case study		1								
56	An injury into cities and their role in Subnational Economic Growth in SA,							1			
57	The challenge of sustainable land-based LED in poor communities of SA: The case of Groblershoop, Northern Cape,		1	1	1			1		1	1
58	Local Economic Development in Swaziland: The case of Manzini City		1			1					
59	Africa's development challenge: From Predatory to Accountable		1								

	Government										
60	Urban centers and Uganda's future: An Introduction		1			1					

## Appendix B-Table of construction

### Research Questions Definition: Implementing LED in Siyanda District

Research Question	Survey Questions	Variable(s) and/or Relationships measured	Statistical Tests
Why LED initiatives fail in municipalities?	<p>1. FAILURE OF LED INITIATIVES</p> <p>1.1. Why do you think LED initiatives fail in municipalities?</p> <p>1.2. Do you think the current approach, LED Officials only 'enabling private sector to do business' should be taken in driving LED initiatives in municipalities?</p> <p>1.3. Do you have a successful LED project running at the moment?</p> <p>1.4. If yes, which measures did you use to ensure its sustainability?</p> <p>1.5. How many jobs did the project create?</p>	<p>1.1. Dichotomous variable Yes/No</p> <p>1.2. Ordinal variable: : Strongly Agree, Agree, Disagree, Strongly Disagree</p> <p>1.3. Dichotomous variable Yes/No</p> <p>1.4. Nominal variable :Engage Private Sector only, Engage both Local Government and Private sector , Engage no one.</p> <p>1.5. Ordinal/Nominal variable</p>	
What led to the failure of the LED Fund?	<p>2. LED FUND FAILURE</p> <p>2.1. Do you know about the National LED Fund</p> <p>2.2. Do you agree with the</p>	<p>2.1. Dichotomous variable Yes/No</p> <p>2.2. Ordinal variable: :</p>	

	disbanding of the National LED Fund?	Strongly Agree, Agree, Disagree, Strongly Disagree	
Where can LED Officials get support without red-tapes?	<p>3. LED SUPPORT</p> <p>3.1. Do you think LED initiatives are supported by other stakeholders in municipalities except when they are driven by Social and Labour Plans (SLP)?</p>	<p>3.1. Ordinal variable: : Strongly Agree, Agree, Disagree, Strongly Disagree</p>	
Why LED units in municipalities not budgeted for/receive minimum budgets?	<p>4. LED BUDGET</p> <p>4.1. Do you have a capital budget for LED?</p> <p>4.2. Do you have an operational budget for LED?</p> <p>4.3. What is the total capital budget?</p> <p>4.4. What is the total operational budget?</p>	<p>Dichotomous Variables:</p> <p>4.1. Yes/No</p> <p>4.2. Yes/No</p> <p>4.3. &lt;R1million, Between 1million and 5million, &gt;5million.</p> <p>4.4. &lt;R1million, Between 1million and 5million, &gt;5million.</p>	

## Appendix C

### A short disclaimer describing the purpose of the study

Dear Respondent

I am an employee of United Manganese mine and previously worked at Tsantsabane Local Municipality as an LED Officer, at current I am completing the research component of a Master's in Business Administration (MBA) with the North West University (NWU-Graduate School of Business and Government Leadership).

Towards this end, I would really appreciate your input in understanding how Local Economic Development initiatives can be implemented in Siyanda District. I have attached a questionnaire which will assist me in collating the required data.

May I request for your assistance in the following:

- 1) Please complete the questionnaire to the best of your ability and;
- 2) Kindly forward it to other decision makers within your area. For follow-up purpose, kindly copy me when you forward the questionnaire to colleagues.

The questionnaire will not take more than 15 minutes to fill in. After filling in, please email your response to: [Motabogi.molebogeng@gmail.com](mailto:Motabogi.molebogeng@gmail.com). The closing date is the 11<sup>th</sup> of April 2011

Thanking you in advance for your contribution in this regard.

Kind Regards,

Molebogeng Motabogi

053 742 3100

072 406 4280

FOR OFFICE USE ONLY: Respondent Code: \_\_\_\_\_

## **VOLUNTARY QUESTIONNAIRE FOR LED OFFICIALS**

### **“Implementing Local Economic Development (LED) in Siyanda District.”**

Graduate School NWU

Researcher Ms Molebogeng Motabogi

Supervisor: Prof Sam Lubbe

#### **Note to the respondent**

- We need your help to understand how LED initiatives can be implemented in municipalities.
- Although we would like you to help us, you do not have to take part in this survey.
- If you do not want to take part, just hand in the blank questionnaire at the end of the survey session.
- What you say in this questionnaire will remain private and confidential. No one will be able to trace your opinions back to you as a person.

The questionnaire as four parts:

Part 1 asks permission to use your responses for academic research.

Part 2 asks general personal particulars like your age, gender and home language.

Part 3 asks about self-plagiarism.

#### **How to complete the questionnaire**

1. Please answer the questions as truthfully as you can. Also, please be sure to read and follow the directions for each part. If you do not follow the directions, it will make it harder for us to do our project.
2. We are only asking you about things that you and your fellow researchers should feel comfortable telling us about. If you don't feel comfortable answering a question, you can indicate that you do not want to answer it. For those questions that you do answer, your responses will be kept confidential.
3. You can mark each response by making a tick or a cross, or encircling each appropriate response with a PEN (not a pencil), or by filling in the required words or numbers.

*Thank you very much for filling in this questionnaire.*

**Part 1: Permission to use my responses for academic research**

**I hereby give permission that my responses may be used for research purposes provided that my identity is not revealed in the published records of the research.**


Initials and surname \_\_\_\_\_ Postal address:

\_\_\_\_\_

\_\_\_\_\_ Postal code:

\_\_\_\_\_

Contact numbers: Home: \_\_\_\_\_ Cell: \_\_\_\_\_

No.	PART 2: GENERAL PERSONAL PARTICULARS Please tell us a little about yourself Please mark only ONE option per question below.		PART 3: LOCAL ECONOMIC DEVELOPMENT ITEMS
1.	I am <input type="checkbox"/> African <input type="checkbox"/> Coloured <input type="checkbox"/> Indian <input type="checkbox"/> Oriental <input type="checkbox"/> White <input type="checkbox"/> a member of another ethnic group: ----- <input type="checkbox"/> I do not want to answer this question	8.	Do you think LED initiatives fail in municipalities? <input type="checkbox"/> Yes <input type="checkbox"/> No  
2.	I am: <input type="checkbox"/> Manager <input type="checkbox"/> Supervisor <input type="checkbox"/> Other:(Please specify) -----	9	Do you think the current approach, LED Officials only 'enabling private sector to do business should be taken in driving LED initiatives in municipalities? <input type="checkbox"/> I Strongly Agree <input type="checkbox"/> I Agree <input type="checkbox"/> I Disagree <input type="checkbox"/> I Strongly Disagree
3.	I have : <input type="checkbox"/> Degree <input type="checkbox"/> Post-Graduate degree <input type="checkbox"/> Matric <input type="checkbox"/> I do not want to answer this question.	10	Do you have a successful LED project running at the moment? <input type="checkbox"/> Yes <input type="checkbox"/> No
4.	I am within this age group <input type="checkbox"/> < 20 yrs. <input type="checkbox"/> 21-30 yrs. <input type="checkbox"/> 31-40 yrs. <input type="checkbox"/> 41-50yrs <input type="checkbox"/> 51-60yrs	11	If yes, which measures did you use to ensure its sustainability? <input type="checkbox"/> I engage Private Sector ONLY <input type="checkbox"/> I engage both Private Sector and Local Government <input type="checkbox"/> I engage NO ONE
5.	I am a: <input type="checkbox"/> Female <input type="checkbox"/> Male	12	How many jobs did the project create? <input type="checkbox"/> < 10 <input type="checkbox"/> 20-30 <input type="checkbox"/> 30-40

			more than 50
6.	How many years of service do you have in your current LED post <input type="checkbox"/> 1-5 years   6-10 years   11-15 years   More than 16 years	13	Do you know about the National LED Fund?   Yes   No
7.	I work for <input type="checkbox"/> Provincial Government <input type="checkbox"/> Local Government <input type="checkbox"/> Private Sector <input type="checkbox"/> Community member	14	Do you agree with the disbanding of the National LED Fund?   I Strongly Agree   I Agree   I Disagree   I Strongly Disagree
		15	Do you think LED initiatives are supported by other stakeholders in municipalities except when they are driven by Social and Labour Plans (SLP)?   I Strongly Agree   I Agree   I Disagree   I Strongly Disagree
		16	Do you have a capital budget for LED?   Yes   No
		17	Do you have an operational budget for LED? Yes   No
		18	What is the total capital budget?   <R1million   Between 1million and 5million   >5million
		19	What is the total operational budget?   <R1million   Between 1million and 5million   >5million

## **A 'Thank you' Note**

Dear Respondent

Please accept my compliments for the supportive role you played in filling out the questionnaire.

I would like to thank you for the insight and commentary you provided. I will be using the data from the survey to make recommendations on the implementation of Local Economic Development initiatives in the Siyanda District.

Thanks again for giving your time.

Kind Regards,

Molebogeng Motabogi

053 742 3100

072 406 4280

**Table 4.1 Correlation**

		Qualificatio n	Ag e	Gender	Years	Qu1	Qu 2	Qu3	Qu4	Qu5	Qu6
Qualification	Correlatio n Coefficien t	1.000	.77 0**	.444**	.795**	.759**	.33 3*	-. .467**	.000	.682**	-.219
	Sig. (2- tailed)		.00 0	.003	.000	.000	.03 1	.002	1.000	.000	.164
	N	42	42	42	42	42	42	42	42	42	42
Age	Correlatio n Coefficien t	.770**	1.0 00	.867**	.990**	.870**	.65 0**	-. .860**	.000	.913**	-.428**
	Sig. (2- tailed)	.000		.000	.000	.000	.00 0	.000	1.000	.000	.005
	N	42	42	42	42	42	42	42	42	42	42
Gender	Correlatio n Coefficien t	.444**	.86 7**	1.000	.867**	.585**	.75 0**	-. .950**	.000	.766**	-.493**
	Sig. (2- tailed)	.003	.00 0		.000	.000	.00 0	.000	1.000	.000	.001
	N	42	42	42	42	42	42	42	42	42	42
Years	Correlatio n Coefficien t	.795**	.99 0**	.867**	1.000	.878**	.65 0**	-. .857**	.000	.919**	-.427**
	Sig. (2- tailed)	.000	.00 0	.000		.000	.00 0	.000	1.000	.000	.005
	N	42	42	42	42	42	42	42	42	42	42
Qu 1	Correlatio n Coefficien t	.759**	.87 0**	.585**	.878**	1.000	.42 9**	.615**	.000	.900**	.292
	Sig. (2- tailed)	.000	.00 0	.000	.000		.00 4	.000	1.000	.000	.064

	N	42	42	42	42	42	42	42	42	42	42
Qu2	Correlation Coefficient	.333 <sup>**</sup>	.650 <sup>**</sup>	.750 <sup>**</sup>	.650 <sup>**</sup>	.439 <sup>**</sup>	1.000	-.713 <sup>**</sup>	.000	.786 <sup>**</sup>	-.050 <sup>**</sup>
	Sig. (2-tailed)	.031	.000	.000	.000	.004	.000	.000	1.000	.000	.000
	N	42	42	42	42	42	42	42	42	42	42
Qu3	Correlation Coefficient	-.467 <sup>**</sup>	-.860 <sup>**</sup>	-.950 <sup>**</sup>	-.857 <sup>**</sup>	-.615 <sup>**</sup>	1.000	-.713 <sup>**</sup>	.000	-.769 <sup>**</sup>	.409 <sup>**</sup>
	Sig. (2-tailed)	.002	.000	.000	.000	.000	.000	.000	1.000	.000	.002
	N	42	42	42	42	42	42	42	42	42	42
Qu4	Correlation Coefficient	.000	.000	.000	.000	.000	1.000	.000	1.000	.000	-.750 <sup>**</sup>
	Sig. (2-tailed)	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	.000
	N	42	42	42	42	42	42	42	42	42	42
Qu5	Correlation Coefficient	.682 <sup>**</sup>	.913 <sup>**</sup>	.766 <sup>**</sup>	.919 <sup>**</sup>	.899 <sup>**</sup>	.788 <sup>**</sup>	-.769 <sup>**</sup>	.000	1.000	-.518 <sup>**</sup>
	Sig. (2-tailed)	.000	.000	.000	.000	.000	.000	.000	1.000	.000	.000
	N	42	42	42	42	42	42	42	42	42	42
Qu6	Correlation Coefficient	-.219 <sup>**</sup>	-.428 <sup>**</sup>	-.493 <sup>**</sup>	-.427 <sup>**</sup>	-.288	-.658 <sup>**</sup>	.469 <sup>**</sup>	-.753 <sup>**</sup>	-.518 <sup>**</sup>	1.000
	Sig. (2-tailed)	.164	.005	.001	.005	.064	.000	.002	.000	.000	.000
	N	42	42	42	42	42	42	42	42	42	42

Qu7	Correlation Coefficient	.333 <sup>*</sup>	.650 <sup>**</sup>	.750 <sup>**</sup>	.650 <sup>**</sup>	.439 <sup>**</sup>	1.000 <sup>**</sup>	-.713 <sup>**</sup>	.000	.788 <sup>**</sup>	-.658 <sup>**</sup>
	Sig. (2-tailed)	.031	.000	.000	.000	.004	.000	.000	1.000	.000	.000
	N	42	42	42	42	42	42	42	42	42	42
Qu8	Correlation Coefficient	-.082	.000	.125	.006	-.108	.538 <sup>**</sup>	-.054	.291	.189	-.572 <sup>**</sup>
	Sig. (2-tailed)	.606	1.000	.430	.968	.497	.000	.735	.062	.232	.000
	N	42	42	42	42	42	42	42	42	42	42
Qu9	Correlation Coefficient	-.355 <sup>*</sup>	-.693 <sup>**</sup>	-.799 <sup>**</sup>	-.693 <sup>**</sup>	-.467 <sup>**</sup>	-.938 <sup>**</sup>	.759 <sup>**</sup>	.000	-.778 <sup>**</sup>	.617 <sup>**</sup>
	Sig. (2-tailed)	.021	.000	.000	.000	.002	.000	.000	1.000	.000	.000
	N	42	42	42	42	42	42	42	42	42	42
Qu10	Correlation Coefficient	-.444 <sup>**</sup>	-.867 <sup>**</sup>	-1.000 <sup>**</sup>	-.867 <sup>**</sup>	-.585 <sup>**</sup>	-.750 <sup>**</sup>	.950 <sup>**</sup>	.000	-.766 <sup>**</sup>	.493 <sup>**</sup>
	Sig. (2-tailed)	.003	.000	.000	.000	.000	.000	.000	1.000	.000	.001
	N	42	42	42	42	42	42	42	42	42	42
Qu11	Correlation Coefficient	-.562 <sup>**</sup>	-.738 <sup>**</sup>	-.569 <sup>**</sup>	-.723 <sup>**</sup>	-.740 <sup>**</sup>	-.251	.630 <sup>**</sup>	.000	-.629 <sup>**</sup>	.165
	Sig. (2-tailed)	.000	.000	.000	.000	.000	.109	.000	1.000	.000	.296
	N	42	42	42	42	42	42	42	42	42	42

Qu12	Correlation	-.562**	-	-.569**	-	-.740**	-	.630**	.000	-.629**	.165
	Coefficient		.738**		.723**		.251				
	Sig. (2-tailed)	.000	.000	.000	.000	.000	.109	.000	1.000	.000	.296
	N	42	42	42	42	42	42	42	42	42	42

**Table 4.2 Correlation**

		Qu7	Qu8	Qu9	Qu10	Qu11	Qu12
Qualification	Correlation Coefficient	.333	-.082	-.355	-.444	-.562	-.562
	Sig. (2-tailed)	.031	.606	.021	.003	.000	.000
	N	42	42	42	42	42	42
Age	Correlation Coefficient	.650	.000	-.693	-.867	-.738	-.738
	Sig. (2-tailed)	.000	1.000	.000	.000	.000	.000
	N	42	42	42	42	42	42
Gender	Correlation Coefficient	.750	.125	-.799	-.800	-.569	-.569
	Sig. (2-tailed)	.000	.430	.000	.000	.000	.000
	N	42	42	42	42	42	42
Years	Correlation Coefficient	.650	.006	-.693	-.867	-.723	-.723
	Sig. (2-tailed)	.000	.968	.000	.000	.000	.000
	N	42	42	42	42	42	42
Qu 1	Correlation Coefficient	.439	-.108	-.467	-.585	-.740	-.740
	Sig. (2-tailed)	.004	.497	.002	.000	.000	.000
	N	42	42	42	42	42	42
Qu2	Correlation Coefficient	1.000	.538	-.938	-.750	-.251	-.251

	Sig. (2-tailed)	.	.000	.000	.000	.109	.109
	N	42	42	42	42	42	42
Qu3	Correlation Coefficient	-.713**	-.054	.759**	.950**	.630**	.630**
	Sig. (2-tailed)	.000	.735	.000	.000	.000	.000
	N	42	42	42	42	42	42
Qu4	Correlation Coefficient	.000	.291	.000	.000	.000	.000
	Sig. (2-tailed)	1.000	.062	1.000	1.000	1.000	1.000
	N	42	42	42	42	42	42
Qu5	Correlation Coefficient	.788**	.189	-.778**	-.766**	-.629**	-.629**
	Sig. (2-tailed)	.000	.232	.000	.000	.000	.000
	N	42	42	42	42	42	42
Qu6	Correlation Coefficient	-.658**	-.572**	.617**	.493**	.165	.165
	Sig. (2-tailed)	.000	.000	.000	.001	.296	.296
	N	42	42	42	42	42	42
Qu7	Correlation Coefficient	1.000	.538**	-.938**	-.750**	-.251	-.251
	Sig. (2-tailed)	.	.000	.000	.000	.109	.109
	N	42	42	42	42	42	42
Qu8	Correlation Coefficient	.538**	1.000	-.444**	-.125	.376*	.376*
	Sig. (2-tailed)	.000	.	.003	.430	.014	.014
	N	42	42	42	42	42	42

Qu9	Correlation Coefficient	-.938**	-.444**	1.000	.799**	.319*	.319*
	Sig. (2-tailed)	.000	.003	.	.000	.040	.040
	N	42	42	42	42	42	42
Qu10	Correlation Coefficient	-.750**	-.125	.799**	1.000	.569**	.569**
	Sig. (2-tailed)	.000	.430	.000	.	.000	.000
	N	42	42	42	42	42	42
Qu11	Correlation Coefficient	-.251	.376*	.319*	.569**	1.000	1.000**
	Sig. (2-tailed)	.109	.014	.040	.000	.	.
	N	42	42	42	42	42	42
Qu12	Correlation Coefficient	-.251	.376*	.319*	.569**	1.000**	1.000**
	Sig. (2-tailed)	.109	.014	.040	.000	.	.
	N	42	42	42	42	42	42