

**The impact of LED conceptualization on the current implementation: A case study of  
Ugu district.**

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**DURBAN**

In the context of local economic development *emergence* becomes a “holistic phenomenon because the whole is more than the sum of the parts” (Holden, 2005:654).

## DECLARATION

I, **Philani Cyril Khambule** declare that

- (i) The research reported in this dissertation/thesis, except where otherwise indicated, is my original research.
- (ii) This dissertation/thesis has not been submitted for any degree or examination at any other university.
- (iii) This dissertation/thesis does not contain other persons' data, pictures, graphs or other information, unless specifically acknowledged as being sourced from other persons.
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- Lastly, I would like to thank my fellow students for their encouragement and support.

## **LIST OF ARCHIVED DOCUMENTS CONSULTED**

1. Ugu District Municipality (Revised IDP), 2011
2. Ugu Local Economic Development Strategy, 2007
3. Ugu District Economic Indicators and Economic Intelligence Report, 2010
4. National Small Business Amendment Act, 26 of 2003
5. National Small Business Advisory Council – Strategic business plan, April 2010 – March 2013.
6. Department of Economic Development and Tourism – Five-year strategic plan, 2009 – 2013.
7. Municipal Finance Management Act, 56 of 2003
8. Municipal Systems Act, 32 of 2000
9. Constitution of the Republic of South Africa, 1996
10. A New Growth Path towards Full Employment by COSATU, 2010.
11. DTI – Annual review of small businesses in South Africa, 2005 – 2007.
12. Hibiscus Coast Local Economic Development Strategy, 2011.
13. National Spatial Development Perspective, 2006.
14. Department of Agriculture, Environmental Affairs and Rural Development – Rural Development Strategy, 2010.

## LIST OF TABLES

<b>Table 3.1</b>	<b>KZN population estimates (2003 – 2007)</b>
<b>Table 4.1</b>	<b>Real Gross Geographic Product (GGP) per district in Kwazulu-Natal</b>
<b>Table 4.2</b>	<b>Number of people living in poverty at Ugu district (2003 – 2008)</b>
<b>Table 4.3</b>	<b>Responses on conceptualization of LED-focussed interventions</b>
<b>Table 4.4</b>	<b>Responses on monitoring of LED interventions</b>
<b>Table 4.5</b>	<b>Responses on evaluation of LED interventions</b>
<b>Table 4.6</b>	<b>Responses on stakeholder engagement in LED</b>
<b>Table 4.7</b>	<b>Responses on the preferred conceptual route for LED</b>
<b>Table 4.8</b>	<b>Understanding of macroeconomic policy &amp; its implications for LED</b>

## LIST OF FIGURES

<b>Figure 3.1</b>	<b>Map of Ugu district</b>
<b>Figure 3.2</b>	<b>Maxwell's interactive model of research design</b>
<b>Figure 4.1</b>	<b>Map of Ugu district and its Ward allocation</b>

## LIST OF ABBREVIATIONS

ACRONYM	MEANING
ANC	African National Congress
ASGISA	Accelerated and Shared Growth Initiative of South Africa
CAS	Complex Adaptive Systems
CSI	Corporate Social Investment
COSATU	Congress of South African Trade Unions
DEDT	Department of Economic Development and Tourism
DPLG	Department of Provincial and Local Government
DTI	Department of Trade and Industry
GEAR	Growth Employment and Redistribution Programme
IDP	Integrated Development Plan
ISRDP	Integrated Sustainable Rural Development Programme
KPA	Key Performance Area
LED	Local Economic Development
LEDF	Local Economic Development Fund
MIG	Municipal Infrastructure Grant
MDG	Millennium Development Goals
NGP	New Growth Path
NSDP	National Spatial Development Perspective
NSBAC	National Small Business Advisory Council
PGDS	Provincial Growth and Development Strategy
RDP	Reconstruction and Development Programme
RSA	Republic of South Africa
SDBIP	Service Delivery and Budget Implementation Plan
SMME	Small Medium and Micro Enterprises
STATS SA	Statistics South Africa

## **Abstract**

Local economic development (LED) has been in existence for decades. In South Africa the concept received momentum immediately after the first democratic elections in 1994. It was soon conceived as a mechanism for addressing social and economic ills such as unemployment, poverty and declining economic activity, particularly in small towns. In order to accelerate LED given its urgency, in 1998, the government introduced and subsequently promulgated the White Paper on Local Government, which mainly sought to advance the notion of a developmental state, and LED was central to that. Later in 2006 a proper LED Framework was adopted, which had as its main objective, to guide LED implementation.

Up until the present time, LED implementation has not been a resounding success. Many studies have focused on implementation and challenges thereof. However, focusing on implementation alone may not be adequate. In order to bridge that gap, this particular study specifically focuses on LED conceptualization in order to assess the correlation between conceptualization and implementation outcomes. The area of the study was Ugu district in the lower south coast of the KwaZulu-Natal province of South Africa. Immediately after the first democratic elections in 1994, local economic development as a concept gained momentum. LED conceptualization was mainly centred on LED planning, which as empirical evidence has suggested, did not provide the anticipated success in terms of implementation results.

Further, LED planning in South Africa focused mainly on a market-led approach, which is largely premised on pro-growth as opposed to the market-critical approach which draws much input on the pro-poor thinking in terms of both conceptualization and implementation of LED-focused initiatives. This study therefore sought to build from that proclamation. The assertion is that LED planning has become obsolete. The proposed approach was the adoption and conceiving of the dynamic complexity approach, which is mainly centred on self-organization of the system of which LED is one such sub-system. The affirmation is that, LED is neither a static nor a fixed phenomenon. It involves continuous evolution and co-evolution of agents such as banks, entrepreneurs, government etc., within the system,



which therefore becomes a never ending process. During such process of evolution and co-evolution, new order emerges, which can be identified as an outcome-based local economic development. From the study's findings, indications are that LED conceptualization indeed plays a significant part in shaping implementation outcomes, and indeed outcome-based LED. This conclusion is based on five (5) critical areas which were covered in the study, namely project implementation rationale, comprehension of local economic development, funding for local economic development, roleplaying by diverse LED stakeholders and complexity of local economic development. For example, the findings and analysis shows that many LED-focused interventions were implemented without proper conceptual assessments having been done, which led to ill-informed implementation and therefore poor results.

Further, the comprehension of LED as a programme is also a problematic area. Due to diverse stakeholders whose interests are not necessarily the same, LED is viewed differently, which also has a direct implication in as far as co-operation and roleplaying by LED stakeholders is concerned, which further causes challenges in terms of implementation. Lastly, the final assertion is that LED is a complex phenomenon. However, in terms of the findings, this assertion is not observed by all stakeholders, which again is a conceptual matter. Adversely and perhaps as expected, LED facilitation and implementation is a problematic area within the Ugu region. The direct implication is that LED's conceptualization needs to be revised, and in the process all stakeholders must internalize and advocate for emergence-based local economic development.

## **Table of Contents**

### **Contents**

#### **Chapter 1: Introduction**

1.1	Background	16
2.	Conceptual underpinning for the study	18
2.1	Key properties of Complex Adaptive Systems (CAS)	20
2.1.1	The case of self-adjusting agents	20
2.1.2	The case of evolving economic agents	21
2.1.3	The state of dis-equilibrium	21
3.	Study methodology and rationale in brief	22
4.	Problem statement and the significance of the study	22
5.	Purpose of the study	23
6.	Study limitations, assumptions, delimitations and design control	24
7.	Summary and structure of the dissertation	24

#### **Chapter 2: Literature review**

2.1	Introduction	26
2.2	Policy review on LED in South Africa	27
2.2.1	White Paper on Local Government – 1998	28
2.2.2	The LED Framework – 2006	29
2.3	Mainstream economic policy and the implications of LED	30
2.3.1	Reconstruction and Development Programme – RDP	32
2.3.2	Growth, Employment and Redistribution Programme – GEAR	32

2.3.3	The New Growth Path – 2010	33
2.4	Critical issues emanating from the LED practice in South Africa and their implications towards LED conceptualization	34
2.4.1	Stakeholder roles in local economic development	34
2.4.2	The spatial economy	35
2.4.3	Politicization of LED in South Africa	36
2.4.4	Pro-poor versus pro-growth local economic development	37
2.4.5	Centralized and strategy-based LED implementation	38
2.5	Entrepreneurship and local economic development conceptualization	40
2.5.1	Background	40
2.5.2	Entrepreneurship development as an LED mechanism – South African strategy	40
2.5.3	Crippling issues impacting on SMME development and LED	41
2.5.3.1	Internal issues affecting the growth of SMMEs	42
2.5.3.2	External issues affecting the growth of SMMEs	43
2.6	An alternative approach to LED conceptualization – A CAS perspective	44
2.6.1	The evolving economic agents’ perspective	45
2.6.2	Self organization of the system	46
2.6.3	The emergence of the new order perspective	47
2.6.4	The state of dis-equilibrium perspective	47
2.7	Summary	48

### **Chapter 3: Research design and methodology**

3.1	Introduction	49
3.2	Project scope and site selection	49
3.2.1	Overview of the Ugu district	49
3.2.2	Relevance of the study in relation to local economic development	50
3.3	Research approach and the rationale	51
3.4	Research design	52
3.4.1	The purpose of the study	53
3.4.2	Conceptual context	53
3.4.3	Research questions	54
3.4.4	Methods	54
3.5	Ethical clearance	58
3.6	Responding to possible limitations	58
3.7	Study delimitation	58
3.8	Concluding remarks on research design and methodology	59

### **Chapter 4: Research findings**

4.1	Introduction	60
4.2	Themes to be focused on - issues emanating from the study	60
(a)	Project / programme conceptual formulation	60
(b)	Organizational and institutional linkages at Ugu	60
(c)	Macro-economic policy understanding and its influence on LED	60
(d)	General development issues in relation to LED in the district	61

(e)	Summary of the key issues emanating from the study	61
4.3	The Ugu district in general	62
4.3.1	The district economy in brief	63
4.3.2	Poverty within the Ugu district	64
4.4	Issues emanating from the study and the analysis thereof	66
4.4.1	Project / programme conceptual formulation	66
4.4.1.1	Project implementation rationale – The findings	66
4.4.1.2	Project implementation rationale – The analysis	68
4.4.1.3	Politics and politicization of local economic development – The findings	69
4.4.1.4	Politics and politicization of local economic development – The analysis	69
4.4.1.5	Understanding local economic development – The findings	70
4.4.1.6	Understanding local economic development – The analysis	71
4.4.1.7	Funding local economic development – The findings	72
4.4.1.8	Funding local economic development – The analysis	73
4.4.2	Organizational and institutional linkages at Ugu	73
4.4.2.1	Cooperation by stakeholders and stakeholder role analysis – The findings	73
4.4.2.2	Cooperation by stakeholders and stakeholder role analysis – The analysis	74
4.4.2.3	The relevance of LED input into IDP – The findings	75
4.4.2.4	The relevance of LED input into IDP – The analysis	76
4.4.2.5	Broader institutional and organizational route for LED – The findings	76
4.4.2.6	Broader institutional and organizational route for LED – The analysis	78
4.4.2.7	Stakeholder role playing in local economic development – The findings	78
4.4.2.8	Stakeholder role playing in local economic development – The analysis	79

4.4.3	Macro-economic policy understanding and LED conceptualization at Ugu	79
4.4.3.1	Comprehension of the New Growth Path and its implications – The findings	80
4.4.3.2	Comprehension of the New Growth Path and its implications – The analysis	81
4.4.4	General development issues in relation to LED in the district	82
4.4.4.1	The complexity of local economic development – The findings	82
4.4.4.2	The complexity of local economic development – The analysis	85
4.5	Findings in relation to four key research question	85
4.5.1	How is LED understood and conceptualized by local actors in Ugu	85
4.5.2	What are the major attributes that constitute LED conceptualization in Ugu	86
4.5.3	How has LED conceptualization shaped its implementation in Ugu	87
4.5.4	What insights can complexity theory offer in conceptualizing LED in Ugu	87
4.6	Summary	88

## **Chapter 5: Recommendations and conclusion**

5.1	Introduction	89
5.2	Key lessons learned emanating from the study	90
5.2.1	District in general	90
5.2.2	LED conceptualization	91
5.2.3	Organizational and institutional linkages	92
5.2.4	Complexity of local economic development	93
5.3	Overall implications	93
5.4	Future research	94
5.5	Summary	94

<b>List of References</b>	<b>96</b>
<b>Appendices</b>	<b>101</b>
Appendix – 1: Questionnaire	101
Appendix – 2: Ethical clearance	109
Appendix – 3: Proof of editing by language practitioner	110

## CHAPTER 1 - Introduction

### 1.1 Background

Local economic development (LED) has existed at a global level for decades. Success in terms of implementation varies from country to country. LED can be defined in various ways. According to the World Bank (2003:7), “local economic development (LED) is the process by which public, business and non-governmental sector partners work collectively to create better conditions for economic growth and employment generation”. However, this definition is in conflict with the definition being advocated in this paper, which is one where LED is viewed as an outcome rather than a process. In South Africa, the focus on LED was intensified soon after the 1994 general elections. The government adopted LED as a mechanism which was to be utilized to address social and economic imbalances of the past.

In 1998 the government gazetted a *White Paper on Local Government*<sup>1</sup>, mandating local governments to focus on their own social and economic development. According to the Department of Provincial and Local Government<sup>2</sup> (2006:3), “the evolution of LED policy in post-1994 South Africa was a clear and direct response to developmental local government”. Prior to the promulgation of the afore-mentioned White Paper, the Constitution of the Republic of South Africa (1996: 47) also shared a similar view, in that local government had to be responsible for their own development, both social and economic, as noted in Section 153 (a) of the Constitution.

This year, 2011, is the thirteenth anniversary of the White Paper on Local Government. Reflecting on progress to date, it becomes clear that LED implementation has failed to deal with issues of social and economic development. For example, unemployment continues to rise. The 2011 mid-year estimates, as revealed by Statistics South Africa, show that unemployment levels have risen as compared to the same period in the previous year.

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<sup>1</sup> The white paper introduced the concept of “developmental local government”, stressing the importance of community engagement in all local government decisions.

<sup>2</sup> This department is now referred to as the Department of Co-operative Governance and Traditional Affairs.



When LED was first proposed in the White Paper on Local Government in 1998, it was made clear that the intention was to address and probably reverse the economic and social ills such as poverty and unemployment, which had prevailed during the apartheid era. The approach suggested in this regard was a bottom-up one, which also complimented the pro-poor thinking which was being advocated at that time. Further, the approach was envisaged to address such social and economic issues from the community level upwards. Therefore the rising level of unemployment is a further indication that LED, as a programme of action to address such issues, has not been a success.

In recent times, South Africa has experienced the worst ever service delivery protests, occurring throughout the country and poverty levels are also increasing. In the aftermath of these protests various print media reports, such those in the Mail & Guardian, have shown that apart from basic service delivery issues, such as water and sanitation, the majority of protesters were unhappy about the escalating levels of joblessness and deepening levels of poverty. The key question therefore is how and why local economic development has, with a programme of action aimed at dealing and addressing such issues, failed to yield the required results, particularly from the LED as a process perspective. Nel (2001:1017) boldly acknowledges that “one of the sobering realities about the current status quo of LED in South Africa is that – despite the attention paid to the concept by policy-makers after a decade of experience, results are rather limited”. However, as it shall be indicated and argued, policy makers have focused on programmes and the implementation thereof. Less attention has been paid to the conceptualization of models which inform LED implementation.

LED, as a program of action, has barely made a mark, argues (Sibisi, 2009:7). She further points out that this has mainly been due to ill advised conceptualization, particularly at local government levels where there has been a strong focus on projects instead of strategic programmes. LED should in fact be viewed from an outcome perspective. Focusing on micro projects, under the pretence of LED, continues to undermine not only the profession as such, but also the extensive work done by various development activists from all walks of life. LED conceptualization remains a huge challenge in South Africa. Compounding that challenge is the inability to properly monitor implementation as well as the lack of a clear plan of action from national government, apart from existing framework documents (Nel & Humphrys, 1999:285).

Trah (2005:1) further stresses that, LED has simply been incorrectly used in the “place of community development, poverty reduction, SMME promotion, regional planning or local development in general” thus leaving “the actors at local and district municipality level confused and unable to develop and implement an effective and efficient LED strategy”. Therefore given the vast literature and research done on LED implementation, this particular paper will shift the focus and concentrate mainly on LED conceptualization.

The established link is that given poor LED implementation results, perhaps the challenges being experienced have less to do with implementation. Possibly, such observed anomalies in implementation are as a result of poor conceptualization, which subsequently inform and result in ill advised implementation. This study focused specifically on the Ugu district of KwaZulu-Natal province of South Africa. Below are some of the issues which greatly impact on LED conceptualization and eventually LED implementation. These issues will be dealt with at length in Chapter two and are as follows:

- Centralized and top down policy approach
- Strategy based LED implementation
- The roles and responsibilities of key stakeholders in LED
- Politicization of LED and the case of constraining paradigms
- Value creation and sustainability in LED
- LED and the unit of analysis

The following section will focus on the theoretical or conceptual underpinning of the study. The intention is to introduce a theoretical perspective upon which the study is based. The significance and the purpose of the study will also be briefly touched upon.

## **2. Conceptual underpinning for the study**

Contrary to popular expectations, the economic policy that South Africa pursued after the 1994 general elections was largely viewed as being biased towards neo-liberal economics. The country opened its trade borders and allowed trading partners to emerge. The key argument for this stance was that given the forces of globalization, South Africa was positioning itself to benefit immensely through foreign direct investment and thus job creation.

However the proponents of a Keynesian approach argued that allowing easy access to the country by foreign companies would in fact hurt the growing economy and put local industries out of business due to the influx of cheap imports, which would eventually result in unemployment. As predicted by the latter view, the free and open market system that was adopted resulted in widening inequality which culminated in the rich getting richer while the poor became even poorer. The consequences of the neo-liberal economic policy were simply disastrous (Weeks, 1999: 15; Adato *et al*, 2006: 227).

Despite its unfunded mandate, particularly at local government level, local economic development is very broad. It is a subject that can never be dealt with in isolation from mainstream economic policies. The South African economic policy by and large affects and influences LED. By the same token LED must also be allocated a top priority space on the country's economic agenda, inclusive of the policy. Notwithstanding certain issues that still need to be attended to, the national government has in fact heeded the call. Today LED is one of five key performance areas (KPA's) for national government. Sadly that priority status has yet to be cascaded down to local government sphere, at both conceptual and implementational levels. Cunningham & Meyer-Stamer (2005:12) attribute this to poor, or at worst, an incapable ability to properly conceptualize LED initiatives. Many local economic development initiatives at local government level are simply a replication of so-called 'good practice' from somewhere else, stresses Xuza (2007:119). This approach fails simply because it does not take into consideration that different areas have different, and sometimes complex, dynamics that need to be observed.

Therefore given this apparent LED conceptualizing challenge within local government, the author adopted the Complexity Theory's complex adaptive systems (CAS) as its theoretical base. In this particular instance, the purpose is not to apply the theory's proposition in the design, but to test the theory's propositions in the study. Given the qualitative nature of the study, the intention is to observe, assess and interpret local economic development conceptualization within the Ugu district against the principles and properties of complex adaptive systems. The findings of the study should firstly, be able to indicate the level of understanding for this theory and secondly, indicate the level of capacity among LED practitioners to embrace the theory's propositions as a potential conceptual foundation for LED implementation.

## 2.1 Key properties of Complex Adaptive Systems (CAS).

LED is neither a plan nor a project. It should be viewed as rather an outcome of a series of systemic interventions that are implemented by various stakeholders either jointly or individually. More often than not, different stakeholders in LED have diverse immediate objectives and needs which in many cases share a similar long term objective. For example, an association of a locally based organized business may engage in LED focused interventions in order to safeguard the interests of its members. On the other hand, a municipality's LED focused programme may have as its immediate goal to ensure adherence by local businesses to approved business by-laws. Their immediate plans may be at loggerheads at times, but a longer term view, such as ensuring a prosperous and thriving business environment and thus economic development and job creation, may be shared by both parties. Further, by bringing in social, environmental and political dimensions LED is increasingly complicated.

Because of LED's evident complexity, conceptual approaches and implementation models all need to take this complexity into consideration (Rihani & Geyer, 2001:240). Bodhanya (2008:12) articulates that "a complex adaptive system (CAS) is a system comprised of many heterogeneous agents that interact locally with each other based on local schema, such that the behaviour of the system arises as a result of feedback relationships between the agents, and the system evolves as the schemata of the agents adapt based on the feedback". In order to argue and further to advocate for the theory's propositions, the three key properties of CAS are discussed below.

### 2.1.1 The case of self-adjusting agents

According to Pathak *et al* (2007: 550) self organizing is simply a "process in which new structures, patterns, and properties emerge without being externally imposed on the system". For example, an incline in the economic fortunes of a particular town may provide an impetus for an increase in business activities, particularly those which are receptive to the new trend, and adversely affect those who are not receptive. All these adjustments occur without there being a 'master plan'.

Earlier it was also argued that LED is both a system and an emergent outcome; an outcome which is attributed to various interactions among economic agents or role players. Therefore, if we conclude that LED is a systemic outcome, its conceptualization should take the notion of self-adjusting agents within the system and the emergence of a new order to an even greater perspective.

### 2.1.2 The case of evolving economic agents

In complex adaptive systems, and LED in this particular instance, heterogeneous economic agents evolve and co-evolve all the time, given the ever evolving environment (Maxfield, 1998; Anderson, 1999; Cilliers, 2000; Lissack, 1999; Pascale, 1999). It is a well known fact that economic agents or stakeholders influence, and are also influenced, by the environment in which they work. It should also be noted that they influence decisions of other economic agents through their non-linear interactions. “To evolve successfully, a complex system has to adapt in response to changing conditions and survive long enough for the next cycle of adaptation to begin” (Rihani & Geyer, 2001:240). Improvisation therefore becomes critical (Andrade *et al*, 2008:31). For agents, it becomes a central ability to survive, an issue which is key in an economic system, inclusive of LED. At local government level, economic development strategies are often at the core of LED conceptualization and implementation, yet rarely, if ever acknowledge this element. Often such strategies assume stability and linear engagement which is never the case in development. “Large established organizations may need to move away from traditional, cumbersome bureaucratic processes if radical innovation is to emerge” (Carlisle & McMillan, 2006:7).

### 2.1.3 The state of dis-equilibrium

Due to continuous evolution and co-evolution by economic agents there could never be a state of equilibrium in an economic system. Current trends in economic development and economic planning seem to assume that ‘dust’ often settles in an economic system. Such a scenario can never be the case due to co-evolution, emergence and self adjustment among economic agents.

Conventional approaches in LED often argue that stability should always be aspired to. However, conflict and instability are essential for systems to adapt and re-adapt and thus evolve creatively (Andrade *et al*, 2008: 30; McDonald, 2009: 462). In fact, due to the interconnectedness of economic agents, irrespective of their level of environment, a state of equilibrium is impossible. Therefore having alluded to the three key properties of the complex adaptive system and its relationship to LED, it becomes clear that conceptually, LED would do well to take this perspective into account.

### **3. Study methodology and rationale in brief**

Given the elements which are key in the study, particularly the research questions, a qualitative approach was used relying on interviews, observations and content analysis of archival data for data collection. As briefly highlighted in this chapter, local economic development should be viewed from the angle of an outcome rather than an act towards an outcome. In other words, LED should be comprehended as an end result rather than a means to an end. If this stance is adopted as is advocated for in this dissertation, essentially the point would be to do away with the so called 'LED Planning'. The conventional LED planning will thus be replaced with a dynamic complexity approach. Additionally, as an outcome can also be referred to as an impact, which can be problematic to measure, a qualitative measure was adopted, given the qualitative-based research questions used in the study.

### **4. Problem statement and the significance of the study**

Despite the national government's promulgation of a *White Paper on Local Government* in 1998, which effectively stated that local governments and local municipalities in particular had to deal with social and economic development of their own residents, and recently the confirmation of LED as one of the national key performance areas, local economic development across South Africa is yet to be declared a success. The implementation of LED interventions has been, in most cases, sporadic and fragmented. This is in spite of the strategic stance afforded to LED, particularly at national government level, and a series of LED strategies that have been developed by almost all local municipalities.

These, in most cases, remain the ‘intellectual handbook’ of consultants, while the implementation of LED interventions have been uninformed and weakly conceptualized resulting in poor LED outcomes. It is such poor conceptualization that has immensely affected the credibility of LED in South Africa (Sibisi, 2009: 7). Therefore, given the impact that LED ought to be demonstrating, particularly in the light of rising poverty levels and escalating unemployment, the significance of the study can not be overemphasized.

## **5. Purpose of the study**

Based on the LED literature, LED conceptualization seems to be the challenge. It is vital to note that many studies on LED neglected the importance of conceptualization. Conservatively this has culminated in conflict between challenges of implementation, such as poor monitoring, and those of conceptualization. This study therefore focused on conceptual issues of LED. Further, the study sought to assess the capacity of LED practitioners, in terms of embracing complex adaptive systems, as a possible theoretical and conceptual departure base for LED in South Africa. In order to realize this, the author proposes four key questions which should be sufficient enough to probe critical responses. The research questions were as follows:

- How is local economic development understood and conceptualized by local actors at municipal level in Ugu?
- What are the major attributes and relations that constitute such local economic development conceptualization in Ugu?
- How has local economic development conceptualization shaped its implementation in Ugu?
- What insight can complexity theory offer in conceptualizing local economic development in Ugu?

## **6. Study limitations, assumptions, delimitations and design control**

Study limitations are in many cases unavoidable. However in order to safeguard the credibility of the study, a researcher should demonstrate the intention to overcome possible limitations. In this study, limitations such as *reactivity*<sup>3</sup> were in some instances observed. Often respondents did this for fear of victimization after the publishing of study results, as well as self exposure to limited understanding of the subject. Given such, the researcher moved swiftly by clearly indicating that through a process of *Ethical Clearance*, victimization was almost impossible.

Secondly, given the fact that the researcher was also a practitioner in the field, *reactivity* pertaining to self exposure to limited understanding, was dealt with by simply indicating to all the respondents that the purpose of the study, over and above finding the key issues as alluded to in the previous section, was to improve the practice of LED in the region. The key assumption was that all identified LED practitioners, from local government, organized business, provincial sector departments and civil society, were best placed to provide the necessary information pertaining to matters of local economic development. In terms of delimitation, one aspect was acknowledged which was the study's sole focus on LED conceptualization at local government level, specifically within the Ugu district.

## **7. Summary and structure of the dissertation**

The vast literature on LED implementation in South Africa seems to indicate that LED implementation across the country has yielded little success. Further, the literature seems to focus solely on implementation outcomes. However, as indicated, given the less than satisfactory results in as far as implementation is concerned, perhaps the time is now opportune to shift away from a focus on implementation to that of conceptualization. This assertion is based on the assumption that current implementation is influenced by certain perspectives which are at the core of conceptualization.

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<sup>3</sup> Reactivity in this particular case refers to illogical responses by respondents given their awareness that they are being studied.



Therefore, current implementation challenges may not necessarily be problematic on their own, but simply the symptoms of deeper conceptual challenges which adversely impact on LED interventions. Given that design deformity, a major subsequent result would be ill informed implementation, leading to the demise of LED as an outcome. The conceptual underpinning proposed as a possible theoretical base for LED is the complex adaptive systems based on complexity theory, chiefly because of its acknowledgement of LED, not just as a complex system, but also as an outcome, something which conventional LED implementation is yet to come to grips with. To further the debate, as well as alluding to this fact, the next chapters will be structured as follows;

<b>Chapter two</b>	<b>Comprehensive literature review</b>
<b>Chapter three</b>	<b>Research design and methodology</b>
<b>Chapter four</b>	<b>The research findings</b>
<b>Chapter five</b>	<b>Recommendations and conclusion</b>

## CHAPTER 2 – Literature review

### 2.1 Introduction

With the decentralization of power and decision making from national government to local authorities, many service delivery improvements were envisaged. This was specifically the case with local government given its proximity to ordinary people. As previously mandated by the Constitution of the Republic of South Africa in 1996, and the promulgation of the White Paper on Local Government in 1998, municipalities were given the critical task of facilitating both the economic and social development of their citizens. It was envisaged that municipalities would play an instrumental role in fighting unemployment and poverty and thus ensuring a better life for all. Especially important was that previously marginalized communities, many of which were in deep rural areas, should benefit. In order to do this the government adopted local economic development as a process and a programme of action to implement the social and economic agenda (Nel *et al*, 2009 : 227).

Reflecting on progress thus far, economic development at local government level has not been a success. This, despite notable progress made by national government, most importantly being the declaration of LED as one of the national KPAs. Many publications on LED, mainly by planners and geographers such as Ettiene Nel, Chris Rogerson, Phila Xuza and Graham Humphrys, to name just a few, have put much emphasis on implementation challenges. Critical to note also is that apart from the LED Framework that was finally adopted in 2006, no implementation guideline was established for municipalities. And as a result, municipalities implemented LED related programmes simply by drawing input from pre-existing, community-based development programmes. Further, conceptually, municipalities struggled to find the right balance given the LED's unfunded mandate (Nel & Humphrys, 1999:285). It is well documented that LED implementation faces many challenges at local government level, however inadequate conceptualization may also contribute significantly in undermining implementation. The purpose of this study therefore, is to focus on the conceptualization of LED interventions and try to establish a link between conceptualization and the poor implementation track record of LED. As it shall be noted towards the latter part of this chapter, an alternative theoretical model, which could offer a refreshed perspective on LED conceptualization, will be discussed.

## 2.2 Policy review on LED in South Africa

Following the national government elections that were held in 1994, the ANC-led government soon adopted LED as a program through which social and economic imbalances of the past were to be addressed (African National Congress, 1994:83). To put wheels into motion, the then State President, Nelson Mandela, declared that, “by mobilizing the resources of urban communities, government and the private sector we can make our cities centres of opportunity for all South Africans, and competitive within the world economy. The success of this will depend on the initiative taken by urban residents to build their local authorities and promote local economic development” (Republic of South Africa, 1995:5). This policy statement clearly indicated government’s intention to work with the citizens and the business community in order to reshape the social and economic landscape of the country. The specific reference to LED was not by default, it was a clear sign from the government of wanting to do away with top-down approaches and move towards an inclusive bottom-up approach, and thereby working with the people in as far as economic development is concerned (Nel, 1997:67).

Despite the government’s intention to focus on LED to turn around the fortunes of many South Africans, who had inhumanely suffered from poverty and restricted participation from economic activities, a dark cloud still hangs over LED in the country. The legacy of that inconsistency on conceptualization perhaps still haunts today’s implementation. For example, for a very long time LED has been conceptualized and regarded as a process – a means to an end. This is a view which is held by the World Bank (2003:7). According to the World Bank, local economic development should be viewed as a process aimed at addressing locally-based social and economic issues, such as poverty, stagnating local economies and unemployment. The assertion is that LED is a method to eradicate such social and economic ills. This view seems to support, and perhaps implies, that LED interventions should focus on projects. The other seemingly contrasting view was that advocated by the then Department of Provincial and Local Government (DPLG), a department which was mandated to provide a guiding perspective on LED in South Africa. According to DPLG’s guiding principles on LED, “local economic development is an outcome of actions and interventions resulting from local good governance and the constant improvement and integration of national priorities and programs in local spaces”(DPLG, 2006: 7).

The latter perspective on LED clearly indicates that LED should be viewed as an outcome emanating from collective engagement. Project focus instead of strategic programmes' focus has been at the core of LED downfall in South Africa (Sibisi, 2009:7). Such focus on stand alone projects seems to be associated with a *process* view of LED. This again suggests that inconsistencies still persist when it comes to both conceptualization and implementation.

### 2.2.1 The White Paper on Local Government – 1998

In order to solidify its position on LED the South African government gazetted a White Paper on Local Government in 1998. The foundations of the White Paper were drawn mainly from the Reconstruction and Development Programme (RDP). The following four key outcomes were envisaged:

- Provision of basic services to the poor
- Addressing spatial segregation and thus ensuring coherent communities
- Implementation of LED-focused programmes in order to boost local economies, and
- Community empowerment which is geared towards equitable income sharing.

Focusing on the LED outcome it becomes clear that municipalities were tasked with a mandate to lead interventions of local economic development. However, there were fundamental challenges that prevented municipalities from playing a significant role. Binns & Nel (2002:14), noted that one of them was an issue of lack of capacity, both in terms of strained resource bases and in terms of poorly qualified personell. Further, despite the publication of the White Paper in 1998, it took government eight years to provide an LED guideline with the framework being adopted in 2006. This, according to Nel *et al*, (2009:228), resulted in sporadic and fragmented implementation.

In Chapter one it was indicated that LED cannot be divorced from mainstream economic policies. These policies, although they are formulated at national level, lay a foundation upon which local or provincial strategies and programmes draw input from. In June 1996 the national government implemented a Growth, Employment and Redistribution Programme (GEAR) which was seen as being aligned to the neo-liberal *laissez faire* thinking (Binns & Nel, 2002: 12; Mubangizi, 2008:174).

As a result LED-focused programmes, many of which were in their infancy stages, could not cope and subsequently disappeared. For example, the local textile industry was hit hard by the influx of Chinese imports. Many local firms had no choice but to shut down. The White Paper was clear on the role that local governments were to play on matters of local economic development of their own inhabitants. However, critical to note is that very little was said on the role of business in economic development. Prominent scholars and practitioners of LED acknowledge the role that the private sector ought to play in LED. For example, Sibisi (2009:6) sees the private sector as well placed to provide, what she calls an “information gap bridging”. The White Paper did, however, point out that local governments were not responsible for job creation, but were to ensure a conducive environment in which employment would be created. It can only be assumed that such an environment would be taken advantage of by the private sector to invest and thereby create employment opportunities. Another weak point which relates to the White Paper is the notion of LED being an unfunded mandate.

Despite indicating the expectations of local governments in as far as LED is concerned, a synergy could not be established between the White Paper as a policy position, with the Municipal Systems Act as an implementation tool. The Municipal Systems Act, 32 of 2000 only states that municipalities have a duty to “promote and undertake development in the municipality” (Republic of South Africa, 2000:13). Although reference is made to the promotion of development, the statement is vague and may refer to social, environmental or economic development. Unfortunately LED seems to have been further down in order of priority, judging by implementation outcomes to date.

### 2.2.2 The LED framework – 2006

The LED framework was adopted in 2006. The basic purpose of the framework was to act as a guide in terms of LED implementation in South Africa, specifically designed for all three spheres of government (DPLG, 2006:7). Perhaps the biggest concern relating to the framework was that it came into being eight years after the gazetting of the White Paper on Local Government, which resulted in fragmented implementation by municipalities (Nel *et al*, 2009:228).

The adoption of the framework in 2006 came as a huge relief for municipalities in terms of LED implementation. Municipalities now had a guiding policy which influenced decision making at IDP formulation levels. According to DPLG (2006:7) one of the key objectives of the framework was to spearhead a paradigm shift “towards a more strategic approach to the development of local economies and overcome challenges and failures in respect of instances where municipalities themselves try to manage a litany of non-viable projects or start-ups”. The framework makes it clear that the local municipality’s role is that of facilitating, particularly focusing on a number of available funding sources at provincial and national government levels.

Funding LED, however, still remains a problematic issue. Despite the confirmation of LED as one of the national KPAs, at local government level LED is still regarded as an unfunded mandate. Perhaps what is even more concerning is the lack of clarity on the issue by the Municipal Systems Act which is regarded as a ‘bible’ for municipal activities. It only refers to promotion of development as a function of local government. As indicated above, this statement lacks commitment and is vague. Rogerson (2008:321) provides a different perspective and points out that this should not be the case, given the fact that the White Paper on Local Government clearly spelt out that local authorities would realize LED objectives not by receiving extra funds, but by utilizing available funds and remodelling current service delivery programmes in such a manner that LED objectives were realized. He further points out that this was confirmed by the dissolution and discontinuation of the then LED fund (LEDF) which was later incorporated into the Municipal Infrastructure Grant (MIG), which as the name suggests caters for infrastructural related projects such as housing developments.

### **2.3 Mainstream economic policy and the implications of LED**

With South Africa’s reintegration into the world economy after the 1994 democratic elections, the country found itself in a dilemma as far as economic policy was concerned. The proponents of a free-market and open economy urged government to open up trade borders and thus ensure capital inflow and foreign direct investment.

On the other hand proponents of a more *Keynesian* type of an economy cautioned government that by opening up trade borders local companies were going to suffer mainly from cheap imports which would eventually force local companies to close, much to the detriment of employment in South Africa. However, in the light of globalization a neo-liberal leaning policy was eventually adopted in June 1996 in the name of GEAR (Rogerson, 2000:397).

In the previous sections it was indicated that LED can not be isolated from the mainstream macro economic policy. This is because economic development policies, which are mainly drawn at national level, are supposed to inform implementation which mainly occurs at the local government level. This is in fact acknowledged in the LED framework of 2006 (DPLG, 2006:11). The link between the macro economic policy and local economic development was in fact acknowledged by the then State President Thabo Mbeki, in his 2003 state of the nation address in Parliament (DPLG, 2006:11). The president used an analogy of a double-storey house to indicate the nature of a dual economy that existed in South Africa, in which he referred to the top floor as being occupied by the affluent and wealthy who controlled the means of production while the ground floor was occupied by the poor who had no means of production, and who relied on their own cheap labour abilities to earn a living.

The situation therefore made it necessary for LED focused programs to be accelerated through economic ladders in the form of catalytic infrastructure and skills development. This would ensure that the poor managed to access the *top floor*, albeit gradually. Clearly there is a link between mainstream economic policy and local economic development. To validate such a link, without focusing on the details and analysis of the impact of macro economic policy on LED outcomes, the main economic policies since 1994 will be highlighted, and their outcomes in the light of their macro economic objectives critically analyzed. The next sub-sections will therefore briefly focus on the macro economic policies that have been adopted since the democratic era and their influence on local economic development. Using an historical perspective, there are generally two macro policy paradigms in as far as macro economic policy is concerned. There is a market-critical approach and a market-led approach (Rogerson, 2000:399). The latter approach mainly focuses on entrepreneurship, market competitiveness and sustainable growth while the former puts strong emphasis on local participation and local decision making (Rogerson, 2000:399).

The contrasting outlooks that can be drawn from the two approaches is that a *market-critical* approach is to a greater extent leaning towards an anti neo-liberalism stance, while the *market-led* approach is leaning towards a pro neo-liberalism stance. Reflecting on policy analysis post 1994, South Africa has experienced the application of both approaches. The key macro economic policies implemented to date and their relevance to LED are outlined below.

### 2.3.1 Reconstruction and Development Programme – RDP

In the wake of the 1994 general elections the ANC-led government introduced a programme called the Reconstruction and Development Programme (RDP) which put strong emphasis on social and economic reconstruction and development. The programme sought to “involve and empower communities across the country in conscious efforts to address the harsh legacy of apartheid and to initiate sustainable development initiatives” (Nel, 1997:67). The programme was largely founded on four main pillars namely; democratizing the State, building the economy, developing human resources and meeting basic human needs (Mubangizi, 2008:176). Given its objectives and mandates it can be pointed out that the RDP was leaning towards a *market-critical approach* which perhaps was in the best interests of the poor. Unfortunately the RDP only lasted two years, and it was discontinued in 1996 with the introduction of GEAR.

### 2.3.2 Growth, Employment and Redistribution Programme – GEAR

GEAR was adopted in 1996. Its introduction signalled a paradigm shift in as far as macro economic policy was concerned. The new paradigm shift sought to do away with a market-critical approach adopted through the RDP in favour of market-led or oriented ideology, which had private investment as a pillar to drive economic development (Bond, 2004 : 17). The key themes of GEAR were economic growth and employment creation. The understanding was that having sustained economic growth, employment was going to be created through extensive private sector investment. The intention was to gradually limit government expenditure and thus allow private investment to boom. Although the policy had noble intentions, given the structural hindrances put in place by the then apartheid system, the policy outcomes were limited (Weeks, 1999: 15; Adato *et al*, 2006: 227).



Looking at the macro economic performance at large, South Africa did well under GEAR's regime. For example, in 2006 the South African economy recorded low inflation rates, low interest rates and an average growth rate of 4.9 per cent (Frankel *et al*, 2008: 640). Despite the success at a macro level the main challenges of poverty and unemployment remained at grass roots level. This therefore signalled that even though the policy was a success in terms of the macro economic outlook, local economic development was not a resounding success. This resulted in what is often referred to as job-less growth. Many factors could have been behind this scenario, for example, inadequate entrepreneurial abilities. However the bottom line is that, "while many factors influenced the performance of the economy during 1996 – 1998, there is a *prima facie* case that the GEAR policy package made a significant contribution to the collapse of growth in South Africa due to its emphasis on deficit reduction among other issues", concludes Weeks (1999:15). Consequently GEAR was discontinued in 2010 with the introduction of the New Growth Path of 2010.

### 2.3.3 The New Growth Path – 2010

In 2010 a new macro economic policy was unveiled, namely the New Growth Path. Given the discontinuation of the RDP in 2006 with its market-critical stance and GEAR in 2010 with its market-oriented stance, it can therefore be assumed that the New Growth Path assumed a joint-approach route, which seeks to integrate the two policy approaches. Given the time that the policy has been in existence, not much can be said regarding its performance, but perhaps it is prudent to highlight key policy objectives. From the outset the policy is neither exclusively *pro market-led* nor exclusively *market-critical*. It seems to be a combination of the two approaches. The policy highlights the criticality of job creation, poverty eradication and economic development in general. It also highlights rural development as a sub strategy to address rural poverty. Unlike GEAR which seemed to exclusively advocate private investment to deal with issues of both social and economic development, the New Growth Path acknowledges the critical role that government must play in redefining the economic outlook of the country. It seems to augur well with objectives of outcome LED through its emphasis on self-empowerment and the provision of catalytic infrastructure by government. These combined factors should assist the poor, many of whom reside in rural areas, to participate in the economy and achieve self empowerment.

## **2.4 Critical issues emanating from the LED practice in South Africa and their implications towards LED conceptualization.**

Reflecting back on local economic development implementation in South Africa, it becomes apparent that there are several issues that not only impact on implementation but also on the conceptualization of programmes, projects and LED as a phenomenon in general. Such issues cut across all key LED roleplayers. From this study's point of view such issues become critical given the main objective of the entire study; the investigation of LED conceptualization within the Ugu district.

### **2.4.1 Stakeholders' roles in local economic development**

Local economic development has evolved over time. Gone are the days where local economic development revolved around foreign direct investment attraction only. There has been a clear realization that focusing on promoting existing local resources is far more important than relying on a foreign company to relocate and thus create jobs. LED practitioners have come to realize that in order to be able to attract external or foreign companies you have to start by solidifying internal relations first.

In that sense, it is such existing structures that become the proponents of not only business retention and expansion, but business attraction. In local economic development there are generally three key role players; civil society, the private sector and government, hence a multi-actor affair (Helmsing, 2003: 74). Over and above these role players, Philander & Rogerson, (2001:75) stipulate that trade unions should also become key partners, given their representation of the labour force.

In the spirit of partnership that should be demonstrated in local economic development, the eventual LED outcome should be an inclusive journey that seeks to appreciate and acknowledge all partners as being equal. This has not been the case in South Africa. LED has been seen to be dominated by local government (Nel *et al*, 2009: 235). Nel *et al* further argue that by placing LED as the responsibility of local government, the partnership which consequently could hamper economic growth prospects is undervalued. Local authorities should act as channels of support coordination, facilitating support which may come from higher spheres of government, and ensuring that the real beneficiaries are in fact the ones receiving such support (Nel & Humphrys, 1999: 280). In spite of general concerns relating to

the role that government plays in economic development, inclusive of local economic development, it has a duty to ensure adherence to regulation. Spatial, legal and environmental regulation by government is important in local economic development which further validates government's role (Nel & Humphrys, 1999: 279). The challenge, however, occurs when government assumes the role as prime leader. In South Africa there is still an observable challenge when it comes to stakeholder roleplaying in LED. A dominant conceptual understanding seems to elevate the role of local government and downplays the importance of the other two critical players. More often than not, government is said to be charged with ensuring a conducive environment. There is nevertheless a lack of clarity and understanding of what is meant by a conducive environment.

As acknowledged in the LED framework (DPLG, 2006: 9), the government is not in the business of providing jobs. The private sector is in fact tasked with employment creation and the absorption of the labour force. Civil society has a significant role to play particularly to advocate for social capital formulation which consequently results in a better quality of life for all citizens. In fact, Helmsing (2003:74) puts it into perspective when he argues that, "local convergence amongst actors is central to local economic development initiatives". Therefore, the continuous downplaying of other stakeholders' roles can severely harm and perhaps hinder development potential, both at a conceptual and at implementation levels.

#### 2.4.2 The spatial economy

The application of spatial economics dates back for decades in the history of South Africa. The challenges and opportunities evident in today's economic arena emanate from the then *Group Areas Act*, which was implemented by the former apartheid regime whose intention was to deter people of colour from, amongst other things, playing a meaningful role in the mainstream economy of the country. Although the Group Areas Act is no longer in existence its legacy is still evident. "Economic geographers have long recognized that economic activity tends not to be uniformly distributed across space, but is clustered in certain geographic regions and cities" (Kleynhans *et al*, 2003:628). In South Africa this scenario is further fuelled by the legacy of the now defunct homeland policy.

In response to this challenge the South African government adopted a National Spatial Development Perspective (NSDP) in 2006 which sought to “fundamentally reconfigure apartheid spatial relations and to implement spatial priorities in ways that meet constitutional imperatives to provide access to basic services and economic opportunities to all, to alleviate poverty and inequality” (Republic of South Africa, 2006: 5). According to Banerjee *et al* (2008:717) a greater correlation had been established between high levels of unemployment and spatial separation between business centres and outlying areas, which in most cases were inhabited by black people.

As a result the LED practice dictated that demand-driven programmes had to be abandoned in favour of supply-side programmes in order to address the imbalance. Given the space economy challenges, the NSDP proposed that certain resources be specifically ring-fenced for poor areas, characterized mainly by declining towns and rural areas. Such resources were to be utilized to unlock economic opportunities by investing in infrastructure (Republic of South Africa, 2006:1). Despite the noble intentions as was proposed by the NSDP, conceptually LED became associated with welfare-type programs instead of advocating for demand-driven initiatives.

#### 2.4.3 Politicization of LED in South Africa

From the promulgation of the *White Paper on Local Government* in 1998 right up to the finalization of the *LED Framework* in 2006 it became certain that local economic development and local government would eventually become inseparable. One of the key outcomes emanating from the White Paper was that municipalities were expected to implement LED-focused initiatives in order to boost their respective local economies. Further, immediately after the finalization of the LED Framework in 2006, municipalities were mandated to focus on LED related programmes, and further implement normal service delivery programs by taking into consideration LED principles. Critical to note is that municipalities are autonomous institutions, independent of provincial and national government although there is a degree of dependency from the other spheres of government which is necessary in order to ensure an alignment of programmes. Even more critical to note is that municipalities are institutions of political formations.

A municipal agenda is set at political level. In essence political parties and political interests chart municipal agendas, although obviously applicable legislation has to be adhered to. Local economic development has been and continues to be the subject of a political debate (Cunningham & Meyer-Stamer, 2005:10). This presents a challenge for both conceptualization and implementation. The political elite will continue to influence economic development programmes. In an ideal situation such an elite can positively influence the implementation of programmes and in the process expedite economic development. However, should identified programmes not be supported by the political elite they are, (due to vested interests), likely not to go past the conceptualization stage irrespective of how good and promising they are (Simon, 2003:142). Therefore both by default and by design local economic development cannot be detached from politics. However, depending on the overall objectives, politics can either expedite or exasperate LED.

#### 2.4.4 Pro-poor versus pro-growth local economic development

Local economic development has been largely dominated by two schools of thought, namely market-critical and market-led approaches (Philander & Rogerson, 2001: 75). From an analysis perspective there seems to be an element of similarity between pro-poor LED and the market-critical approach. Pro-poor LED argues in favour of approaches which seek to revolutionize LED from a community level, and therefore a bottom-up approach. Often market-critical and market-led approaches are contrasting and to a certain degree do compete with one another given their contrasting views on conceptualization. For example, conventional or market-led LED planning does not put much emphasis on poverty alleviation (Rogerson, 2003: 55). Despite South Africa's pioneering status when it comes to LED planning in the developing world (Rogerson,1997: 76), the country's circumstances are challenging LED thinking if one considers unemployment, poverty and income inequality profiles. Rogerson (2003:61) states that LED conceptualization in South Africa accommodates both market-critical and market-led approaches. Such conceptualization therefore suggests an adoption of a dualist approach. However, as indicated above, market-critical and market-led approaches are contrasting ones, which presents a conceptual challenge at times.

In South Africa the idea of LED planning has not only brought along with it renewed hope and energy to deal with ailing and stagnating local economies, but also a degree of confusion in terms of the implementation of LED. This is mainly due to the varied interpretations of what LED actually is. This can be partly attributed to the different understandings of the two approaches that embody the concept of LED, namely market-led / pro-growth LED and ‘pro-poor’ LED (Abrahams,2003:186). South Africa is a peculiar country in many respects as colonialism and apartheid played significant roles in terms of shaping the political and economic landscapes of the country. Although both systems are no longer in place, their legacies are still apparent as evidenced by unemployment levels, inadequate levels of education in many communities, abundant but unskilled labour force and rising income inequality. This indicates that perhaps LED planning in South Africa should cease trying to replicate international models. Perhaps concentrating mainly on pro-poor and to a lesser extent on market-led approaches, whilst taking into account diverse local conditions may aid local economic development.

In fact, LED conceptualization and implementation should not only shy away from remodelling models which were implemented in the north, but should take into greater consideration the fact that South Africa on its own is very diverse in many respects, such as politically, culturally and economically, and therefore planning should be responsive to local conditions, hence a need for locally generated and development focused approaches, concludes Simon (2003: 128).

#### 2.4.5 Centralized and strategy based LED implementation

As a country, South Africa has a background where decisions were imposed on people, which as Simon (2003: 132) notes, was fundamentally anti-developmental. LED thinking was therefore no different. From the beginning there has been thinking which sought to impose a development agenda on localities, even worse, without taking into account the diversity of such localities. Abrahams (2003:189) points out that, “developmental LED, which is closely linked to pro-poor approaches, encourages community empowerment initiatives, human resource development, redistribution of resources, targeting of poverty, promotion of local creativity and innovativeness”.

Decision centralization is still the norm in South Africa, despite the fact that both the *1998 White Paper on Local Government* and the *2006 LED Framework* clearly state that local authorities, working in partnership with relevant parties such as the private sector, civil society and labour federations must develop their own localities, both socially and economically. Although the alignment of programmes and policies with provincial and national government is important, it seems central planning takes precedence. Abrahams (2003: 190) challenges this trend on the grounds that national and local interests may not always coincide. For example, at a macro level halving unemployment may be the immediate goal, however, at a local level immediate issues which require immediate responses may not be directly about halving unemployment. They may be more concerned with political stabilization and thus improving investor confidence and subsequently employment creation. Therefore implementing a *blanket approach* may not necessarily yield the required result, at least in the short to medium term.

As it shall be discussed in detail in Section 2.7, strategy-based implementation brings in challenges of its own. According to the World Bank (2003: 10), LED essentially involves five stages; organizing the resources, assessing the local economy, developing a LED strategy, implementing the strategy and thereafter reviewing the strategy. In an ideal world this would hold true. However in a realistic world such linear occurrences are very rare if they do ever occur. “Organizations and their environments are characterized by non-linear feedback loops, which make them sensitive to small differences in initial conditions and ensure that their behaviour is unpredictable. Long term planning is therefore impossible” (Jackson, 2003:119). Long term planning implies economic, social, environmental and political stability, which in the real world is never the case. The key argument being advocated for in this study is that LED should be an emergent outcome. The observable LED implementation track record, however, indicates too great a reliance on pre-determined plans and strategies which have robbed LED of this emergent element. As a result inflexibility and replication of LED-focused programmes have been the norm, which adversely affects implementation.

## **2.5 Entrepreneurship and local economic development conceptualization**

### **2.5.1 Background**

A generally accepted World Bank definition of local economic development highlights two critical elements which are very important in emergent LED. Firstly, a collective effort must exist to create conducive conditions for economic growth and secondly, a collective effort for employment generation should also exist (World Bank, 2003: 7). On further revising the LED Framework it is clearly stated that government, in the process of realizing LED, shall only be acting in a facilitating role, and thus create an ideal environment for business of all sizes to thrive and grow. Such a thriving business sector would then, in the process, absorb the labour force and further create employment opportunities. Therefore if job creation and economic growth are critical for LED, then entrepreneurship should be of paramount importance. In the light of the importance of entrepreneurship in terms of LED, this section will therefore focus on SMME development and entrepreneurship in South Africa. The main argument is that entrepreneurship development should be a pillar upon which LED thinking is founded.

### **2.5.2 Entrepreneurship development as a LED mechanism – the South African strategy**

In the light of faltering macro economies as currently being noted in euro-zone countries and most recently the global economic melt down which forced certain big companies to downsize or even worse shut down, entrepreneurship's importance has once again been emphasized. Following the sluggish growth that characterized pre-democratic South Africa, Mahadea (1994:6) pointed out and argued that, "with the diminishing labour absorption capacity of large firms and declining productivity growth in the face of persistently high unemployment in South Africa, there is a pressing need to enhance the supply of entrepreneurs and viable small enterprises". Entrepreneurship is not only critical for local economic development, but it also acts as a catalyst for development in general (Anyansi-Archimpong, 2010: 7). Despite such conclusions the level of entrepreneurship in South Africa is regarded as very low (Mahadea & Pillay, 2008: 431).



In order to take advantage of entrepreneurship the South African government resolved to adopt it as a LED mechanism. Almost all development-focused policies either at national or provincial level have some form of SMME prioritizing element, notes Rogerson (2004: 205). Immediately after the assumption of power in 1994 the newly-elected government took it upon itself to elevate SMME-focused institutions and legislation. The ground breaking legislation in this regard was the promulgation of the *1996 National Small Business Act*. In terms of institutions aimed at driving the SMME and entrepreneurship agenda, the National Small Business Advisory Council (NSBAC) and Small Enterprise Development Agency (SEDA) were formed. The former was mainly tasked with advising the Minister of Trade and Industry on critical issues affecting SMMEs. SEDA was created to 'put wheels in motion' in as far as the SMME development agenda was concerned. SEDA was therefore tasked with providing tangible assistance to various entrepreneurs across the country, giving special attention to start ups (Department of Trade and Industry, 2008: 29). At local government level, municipalities, through the national LED framework, were mandated to develop local economic development strategies, and specifically address SMME development through such strategies. At provincial level, provincial governments were also mandated through the Provincial Growth and Development Strategies (PDGS) to factor in the element of entrepreneurship development.

Unfortunately despite all the efforts being put in place, SMME development is disappointing (Department of Trade and Industry, 2008: 51). In essence such unsatisfactory results, in spite of the foundations having been laid by the government, indicate that there exist specific challenges which by all accounts need to be understood if entrepreneurship is to play a significant role in terms of LED. Therefore the next section will briefly highlight some of the challenges faced by aspiring entrepreneurs and thereafter propose tangible solutions which can aid the development of viable and sustainable SMMEs and eventually sustainable local economic development.

### 2.5.3 Crippling issues impacting on SMME development and LED

The issues affecting entrepreneurship development in South Africa can be broadly categorized into two areas, namely external and internal. External elements refer to those issues which SMMEs and entrepreneurs have no control over. Internal refer to those issues which SMMEs and entrepreneurs alike enjoy some degree of control over.

### 2.5.3.1 Internal issues affecting the growth of SMMEs

#### (a) Insufficient personal motivation

Motivation to succeed plays an important role in entrepreneurship and success in general, notes Mahadea & Pillay (2008: 446). In their assessment of the *n-Arch* theory developed by McClelland (1965), they further confirm that success is heavily dependent on the desire to achieve a particular goal. Lack of personal motivation or desire signal a probability to fail. Looking at the South African experience it can be argued that the government has played its part in terms of creating enabling vehicles in the form of SMME-focused institutions such as SEDA, and SMME-focused legislation such as the National Small Business Act. However, the intended beneficiaries seem to be reluctant to respond positively. In fact in the annual review of small businesses report issued by the Department of Trade and Industry in 2008 it is indicated that, one of the key issues facing the SMME sector, which obviously threatens entrepreneurship development and economic development at large is the lack of dynamism and ambition among aspirant entrepreneurs (Department of Trade and Industry, 2008: 51).

#### (b) Inadequate business conceptualization

Drawing from the empirical evidence on the ground, it becomes certain that a number of businesses in the SMME sector are founded or conceptualized on baseless grounds given their inability to identify niche markets, which eventually results in their failure (HCM LED Strategy, 2011: 52). Although no study has been conducted by the KZN province, there is a consensus among LED practitioners that the province's co-operative programme failed because of poor business conceptualization on the part of co-operative grant beneficiaries. For example, a number of co-operatives, many of which are catering co-operatives, were formed and are now inactive and others have shut down.

Kesper (2001: 171) indicates that there seems to be growth in the SMME numbers in the country. However, she further points out that this growth is misleading because it's a growth only in numbers of SMMEs not in their size. Freely available start up assistance from SEDA may explain such growth in new business registrations. Social issues such as unemployment and poverty may also drive people to try their luck in business.

This, however, is not helping the SMME development programme as in most cases such people do not have the required ambition and determination. They are only pushed into the world of small business by the afore-said social challenges. And it goes without saying that such newly formed enterprises rarely graduate to self-sustainability, and unfortunately in most cases closure or abandonment become the only solution (Rogerson, 2000: 689).

#### 2.5.3.2 External issues affecting the growth of SMMEs

##### (a) Governance impediments

SMME growth faces a number of challenges such as uncoordinated support and excessive regulation to name only two. Critical also is governance issues which have become a matter of urgency. According to Kaufmann *et al* (2009 : 94) the key governance indicators are on the decline in South Africa, most notably the control of corruption. The rule of law is also said to have decreased from 60 per cent in 1996 to 55 per cent in 2008.

##### (b) Crime

Drawing from the most recent crime statistics it becomes certain that crime is still a major concern in South Africa (South African Police Service, 2011: 1). The SMME sector is often hard hit by crime due to the fact that such entrepreneurs are often unable to afford expensive private security measures. Mahadea & Pillay (2008:437) document that “crime hinders entrepreneurial activity, viability and profitability of firms, and slows down business development and growth of the economy”. If entrepreneurs cannot be guaranteed the safety of their investments they may as well opt to disinvest and reallocate their resources to non-employment generation ventures, which as a result detrimentally impact on local economic development. According to the latest unemployment figures released by Statistics South Africa the unemployment level is currently quoted at 25.7 per cent, the majority of whom are young people. This situation has the potential to further exacerbate crime. Therefore, concerted efforts by government in collaboration with all relevant partners and stakeholders, to address crime should be intensified if entrepreneurship development is to go beyond the concept.

## **2.6 An alternative approach to LED conceptualization – The complex adaptive systems (CAS) perspective**

Having reviewed policy imperatives for LED in South Africa, mainly focusing on the White Paper on Local Government which was promulgated in 1998, as well as the LED Framework which was adopted in 2006 it becomes evident that LED is multifaceted. Having reflected on both the mainstream economic policies as well as critical issues which continue to impact on LED conceptualization, the one conclusion that can be reached is that local economic development is indeed complex. Its processes leading towards its realization as an outcome are complex. In the conceptual underpinning of this study, highlighted in Chapter one, it was indicated that despite LED's elevated status from being an unfunded mandate to being one of the key priority areas of national government, implementation still leaves a lot to be desired. Focusing on implementation alone could be misleading. If studies that have been undertaken emphasize implementation challenges, perhaps anomalies are not located at such a phase. It is also possible that conceptualization of such implementation is on its own misguided. In fact, according to Xuza (2007: 119) ill-conceptualization of LED interventions, particularly at municipal level, is the core challenge.

Shortcomings of the orthodox LED planning have also been highlighted, and further concluded that current settings in LED, which among other problematic issues focus on local government as a lead partner in local economic development. Partnerships, rather than categorizing levels of stakeholder priorities, should be the way forward in LED. Such partnerships should be at the centre of LED processes, argue Nel *et al* (2009: 232). Focusing on who is leading and who is following could severely undervalue that much needed partnership, which consequently may be detrimental to LED at both process and outcome levels.

In the current implementation discourse municipalities are afforded a lead status. This further raises a boundary challenge. By design, municipalities are geographic and administration boundaries. As Milne & Ateljevic (2001:369) suggest, economic development does not conform to geographic boundaries. They further point out that economic development thrives on network dynamics.

Therefore, if local authorities continue to dictate matters of economic development on geographic terms, certain economic development initiatives, which are characterised by multi-boundaries in nature, may be harmed in the process. Therefore as it was proposed in Chapter one, local economic development should, to a greater extent, take into consideration complexities that are at interplay.

LED is often surrounded by complex and ever evolving social, political and economic conditions which therefore necessitate that its conceptualization take such complexities into careful consideration. It is therefore on these grounds that an alternative approach to LED in the form of complex adaptive systems (CAS) is advocated for. The adoption of the properties of CAS as a new alternative approach to LED, should go beyond conceptualization right up to implementation level. The four key properties of CAS which form the base of the argument in this paper are discussed in the following sub-sections.

#### 2.6.1 The evolving economic agents' perspective

Bodhanya (2008:12) articulates that “a complex adaptive system (CAS) is a system comprised of many heterogeneous agents that interact locally with each other based on local schema, such that the behaviour of the system arises as a result of feedback relationships between the agents, and the system evolves as the schemata of the agents adapt based on the feedback”. It is critical to draw from the above description the evolution and co-evolution of the system agents which are economic agents in local economic development. There are various agents in the economic system, namely banks, land owners, government, civil sector and private sector. It must also be indicated that given their diverse background such agents are in fact heterogeneous in many ways, most notably in their underlying objectives. In the economic environment, made up of diverse economic agents, there are opportunities which must be exploited and threats which must be avoided. Therefore economic agents must always be on the lookout for opportunities and take them. Investors for example are always cautious of a negative evolution in the system. Economic and political sub-systems within the broader economic system are always evolving, and in the process compel other sub-systems and agents to co-evolve, given the existence of threats and opportunities. Within conventional LED thinking the element of co-evolution and evolution of agents and sub-

systems is never taken into consideration. Instead the conventional discourse highly recommends long term planning which in many cases becomes inflexible. Given the nature of their long term focus, LED strategies for example, may harm economic development prospects due to such inflexibility. Therefore in order to bring a new dawn to local economic development, conceptualization and implementation for that matter, the current discourse must be remodelled to suit and be receptive to the perspective of dynamic complexity.

## 2.6.2 Self-organization of the system

Stacey (2007:237) stipulates that “self-organization means local interaction between the agents comprising the complex system, and what emerges is the form of the system where emergence means that the form arises in the complete absence of any plan, blue print or programme for it”. Self-organization is perhaps the foundation of the CAS perspective given its powerful assertions in explaining evolution and co-evolution of the agents. Self-organization therefore becomes a never ending process (Andrade *et al*, 2008: 30). Local economic development should be viewed as an outcome. It is an outcome emanating from numerous and diverse projects and programmes being implemented by economic agents either jointly or individually. Such economic agents engage, share information, disagree and agree on actions to be undertaken. Agents become responsive to the actions of other agents. The same agents become pro-active resulting in other agents adapting their behaviour, and all these occurrences transpire without any plan being imposed on the agents.

The economic system is possibly the best placed system to explain self-organization. Over and above numerous economic agents that are continuously engaging, the economic system also interfaces with the political and social environments. Such environments to a greater extent do exert influence on economic agents, which necessitates adaption by such agents. For example a progressive and stable political environment which is conducive to business development can attract entrepreneurs and other economic agents and in the process a thriving economy emerges without any ‘master plan’ for such. Conventional thinking in LED does not take into consideration this element of self-organization. Conventional LED practice is conceptualized and implemented on the basis of blueprints which tend to be rigid at times.

### 2.6.3 The emergence of the new order perspective

Emergence refers to the resultant macro behaviour of the system emanating from continuous interplay between system agents (Escobar, 2003:351). The properties of emergence and self-organization are closely linked. The emergence of new order results from continuous self-organization at a lower system level and ultimately produces a new order at a higher level. The emergence of the new order can, however, not be determined by a single agent acting alone. In a system such as the economic system, which has numerous agents who interact in a non-linear manner, it becomes impossible for a single agent to determine the outcome or a new order. In earlier sections it was indicated that the current discourse on local economic development seeks to elevate local government as a single and powerful agent which has the power to change the macro structure whilst acting alone. This cannot be the case. Local authorities alone cannot determine economic development. The private sector alone cannot determine economic development. The same applies to other system agents. Local authorities are not in a business of creating jobs (DPLG,2006: 9). Local authorities are in fact in the business of creating a conducive environment for economic development to occur over and above their normal service delivery mandate. All agents must equally interact in order for the ideal macro structure or behaviour to emerge, which in this case is local economic development. This further emphasizes the importance of partnerships in LED. Therefore emergence becomes an “holistic phenomenon because the whole is more than the sum of the parts” (Holden, 2005:654).

### 2.6.4 The state of dis-equilibrium perspective

In an economic system which is characterized by an unceasing exchange of information, adaption and co-evolution by economic agents, a state of equilibrium is unlikely to occur. The state of equilibrium can only be attained upon the death of the entire system (Cilliers, 2000: 28). The economic system is also characterized by cyclical shocks also known as business cycles. When the cycle changes it does not mean that an equilibrium has been reached. Evolution and co-evolution by independent agents, as a result of that shock, will in fact result in a new order. Therefore the system can never be in a state of equilibrium. What often happens is a state of ‘punctuated equilibrium’, notes Maxfield (1998: 4). The state of ‘punctuated’ equilibrium occurs when a system reaches a certain level of order, however, such new order may be temporary due to guaranteed self-organization and adaption.

The economic system is indeed wide and is made up of numerous sub-systems that exist within it. From a localized perspective an economic system may be made of government, private sector roleplayers, civil society and labour unions as some of the key actors. Using the extended lenses the economic system may also include foreign governments, foreign lobby groups, international economic development institutions and foreign investors to name just a few. Instability may not necessarily be a bad occurrence. Such instability may allow the system to adapt and be re-energized (McDonald, 2009:462; Plowman *et al*, 2007:348). Therefore in the conceptualization of LED it is imperative to understand that the widely preferred LED planning in the form of strategies may become obsolete as new states of equilibrium emerge. Carlisle & McMillan (2006:7) contend and conclude that “organizations may need to move away from traditional, cumbersome bureaucratic processes if radical innovation is to emerge”. The same can only hold true for local economic development.

## **2.7 Summary**

The concept of LED has been in existence in South Africa for over a decade, and despite the notable progress, particularly from national government, success is limited. A number of studies that have been conducted to date mainly focused on the implementation and challenges thereof. However focusing only on implementation may not be sufficient. Conceptualization of implementation programmes may also be a challenge, which may explain evident challenges at the implementation level. Reflecting on the policy review it becomes certain that since the first promulgation of the White Paper on Local Government in 1998, it took over eight years for a proper framework to be developed, which as it appears on the vast literature on LED, was also a cause for concern and in some instances blamed for uncoordinated implementation up to that point. There are also critical issues which seem to be at the core of LED conceptualization challenges in South Africa. An example of such is continuous politicization of LED. Given many challenges that seem to derail LED conceptualization, a new theoretical approach in the form of complex adaptive systems is suggested as a possible theoretical underpinning upon which LED conceptualization should be modelled. The CAS perspective has thus far offered great insights which are in most cases overlooked by conventional thinking in LED.



## **CHAPTER 3 – Research design and methodology**

### **3.1 Introduction**

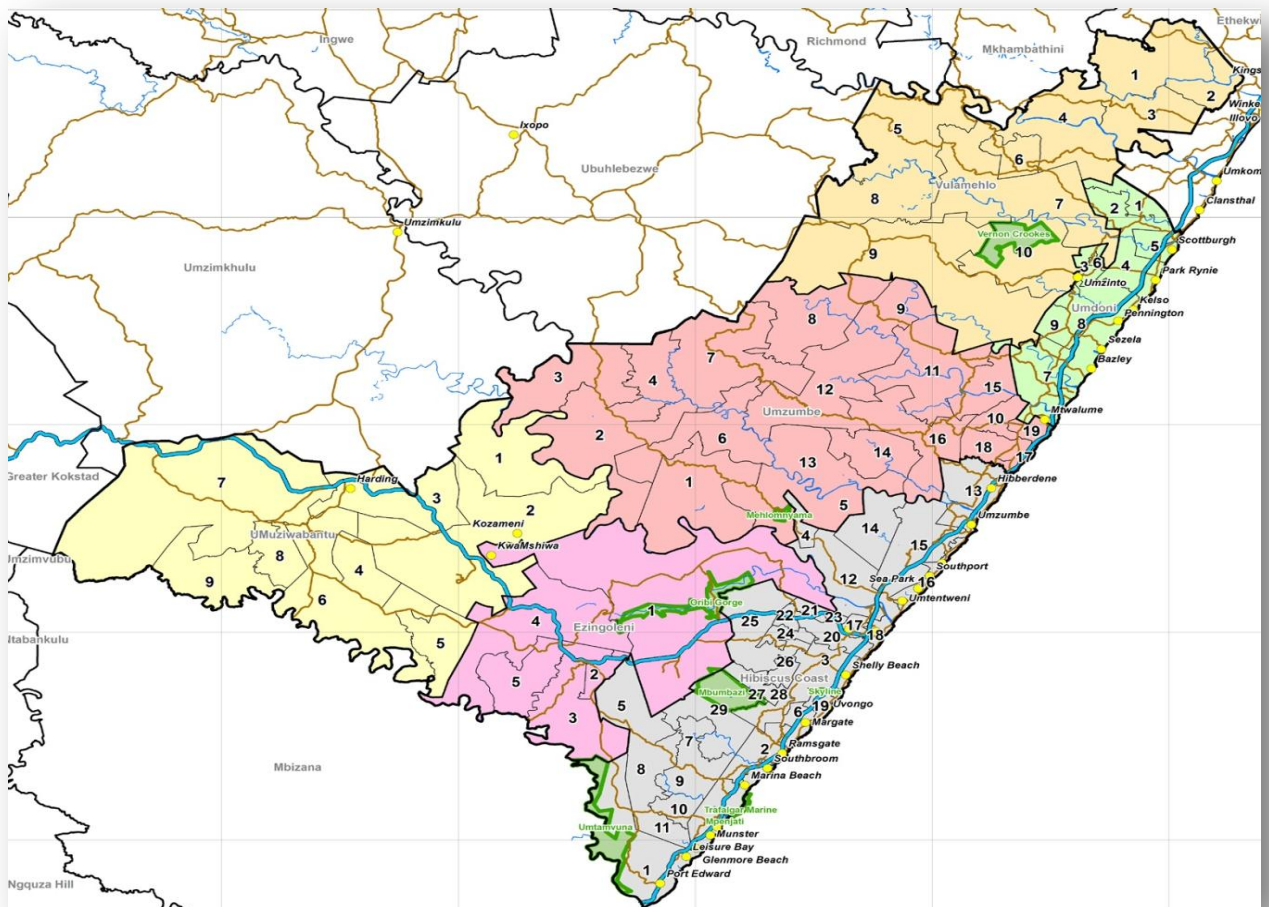
Research and development have become the critical means of gathering valuable information across all disciplines, more so in the academic field. The purpose of conducting research can be informed by many reasons. These include, but not limited to, developing new knowledge, confirming existing knowledge, testing the validity of a widely-accepted status quo or simply extending current knowledge but perhaps taking a completely different angle. However, it is often argued that any form of research should at the very least create new perspectives on a particular subject of interest being researched. Research methodology therefore becomes a road map which details how such research is to be conducted. The phenomenon of interest in this study is local economic development (LED), particularly the conceptualization thereof. As it shall be further detailed below, the study focused on the Ugu district in KwaZulu-Natal province of South Africa.

### **3.2 Project scope and site selection**

#### **3.2.1 Overview of the Ugu district**

Ugu district is one of eleven districts within the province of KwaZulu-Natal, loosely referred to as the south coast. The Ugu district municipality (DC 21) is situated along the coastline in the southern portion of the province, and is commonly known as the south coast of KwaZulu-Natal. The district boasts a coastline of 112 kilometres, which are favourite tourist destinations, and includes the well-established coastal towns of Port Shepstone, Pennington, Margate and Scottburgh. The geographical area of the district is 5866 square kilometres. Port Shepstone is the capital seat and the economic capital of the district (Ugu District Economic Indicators and Economic Intelligence Report, 2010: 8; Ugu District Municipality IDP Review Report, 2011:1). The key economic sectors are agriculture, the tourism industry, manufacturing and mining, limited mainly to limestone and stone quarrying.

**Figure 3.1 Map of Ugu district**



Source: Hibiscus Coast Municipality LED Strategy, 2011, pg. 2.

### 3.2.2 Relevance of the study in relation to LED

According to the most recent IDP Review report by Ugu District Municipality (2011), the majority of the district's population (86 %) live in rural areas. Some of the notable challenges facing the district are low economic growth and rising unemployment levels, high levels of poverty, high crime rates, a high prevalence of HIV / AIDS as well as limited access to basic services such as water, sanitation and housing. In 2009 it was estimated that the district had a population of 709 918 (Ugu District Municipality, 2011: 1). Below is an overview of the district's population in relation to other districts in the province.

**Table 3.1 KZN population estimates (2003 – 2007)**

District	2003	2004	2005	2006	2007	2008	2009
<b>UGu</b>	<b>705,042</b>	<b>705,894</b>	<b>705,378</b>	<b>703,737</b>	<b>703,058</b>	<b>702,592</b>	<b>725,796</b>
UMgungundlovu	944,760	951,495	957,487	962,746	968,971	974,395	986,283
UThukela	667,547	675,149	682,035	687,780	693,642	698,237	703,753
UMzinyathi	483,345	484,474	484,864	484,473	484,616	484,650	489,157
Amajuba	460,929	458,460	454,370	449,307	445,101	441,650	442,136
Zululand	809,002	823,155	837,775	851,349	864,317	874,401	885,681
UMkhanyakude	581,390	585,998	590,012	593,208	596,707	599,518	602,815
UThungulu	883,031	884,536	884,098	882,291	881,595	881,141	889,688
iLembe	552,770	549,227	544,105	538,215	533,624	530,210	534,346
Sisonke	464,127	469,659	474,894	479,358	483,879	487,429	491,670
eThekwini	3,200,266	3,247,665	3,295,619	3,341,880	3,390,084	3,431,214	3,485,770
<b>KZN Total</b>	<b>9,752,208</b>	<b>9,835,710</b>	<b>9,910,635</b>	<b>9,974,343</b>	<b>10,045,593</b>	<b>10,105,437</b>	<b>10,237,095</b>

Source: Ugu District Economic Indicators and Economic Intelligence Report 2010, pg. 11

Given the afore-mentioned social and economic challenges, the district took a decision through its Integrated LED Strategy to utilize local economic development principles to implement projects and programs aimed at fighting poverty and joblessness. However, in the light of ever increasing social ills and rising unemployment levels, coupled with low economic growth levels, the indication is that, despite progressive strategies in place, local economic development initiatives have not yielded resounding successes. According to the Ugu District IDP (2011:20) over fifty-five percent (55.2 %) of the population is considered as living below the poverty line.

### 3.3 Research approach and the rationale

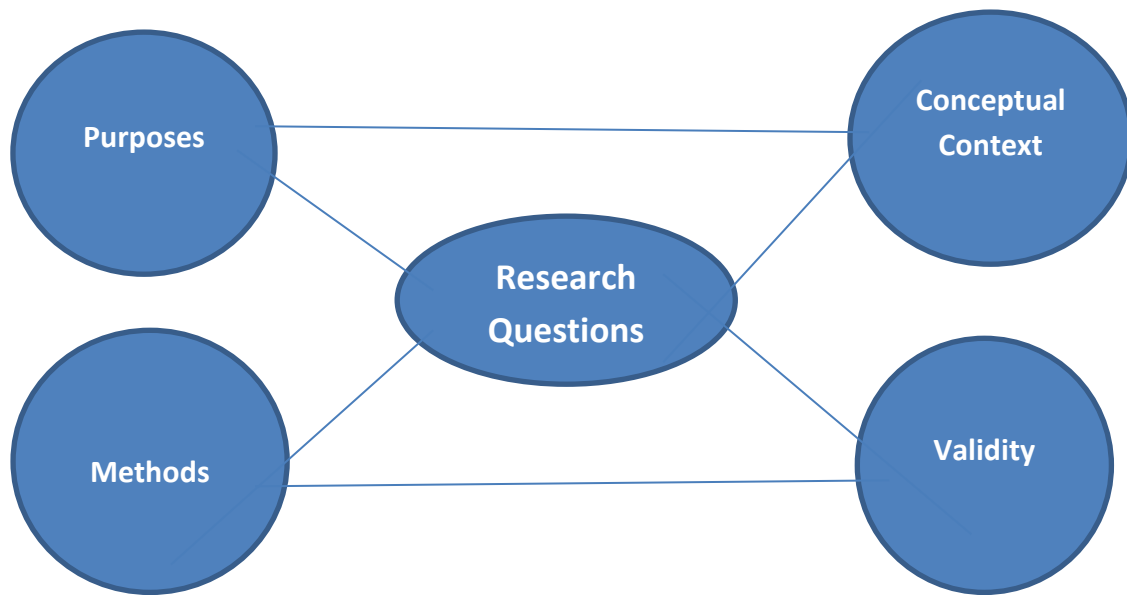
Given the nature of the questions to be explored, the study adopted a qualitative approach. A qualitative approach mainly focuses on the behaviour of people, on how they view things, interpret and make sense of them and thus give meaning to certain situations. Gerson & Horowitz (2002 : 199) simplify this approach as a way of exploring different mental models and in the process make sense of such models.

The phenomenon of interest is local economic development conceptualization within the Ugu district. A qualitative approach suited the study very well given the kind of information that was to be gathered in order to answer key research questions as outlined in Chapter one. For example, one of the key questions that the study sought to answer was how local economic development is understood and conceptualized by local actors at the municipal level in Ugu. A qualitative approach becomes appropriate as it allows for an interactive conversation between the researcher and research respondents. Through this approach, different mental models of LED can be unearthed, and can be probed even further in order to establish clarity. According to Miller (1997:3) a qualitative approach becomes even more critical if one's intention is "to describe and analyse both the processes through which social realities are constructed, and the social relationships through which people are connected to one another". The exploration of LED conceptualization fitted perfectly within the qualitative approach.

### **3.4 Research design**

The approach in terms of research design that the study adopted was based on *Maxwell's Model*. According to Maxwell (1996 :4) a well structured research model should include five key components; "purpose, conceptual context, research questions, methods and viability". He further argues that, "qualitative research is an interactive process that involves tacking back and forth between the different components of the design, assesing the implications of the purposes, theory, research questions and validity threats for one another". The approach adopted by the study focused on these five key components, and sought to rationalize the process as outlined in the following sub-sections. Below is the diagram indicating the interlinking components as well as the centrality of the research questions.

**Figure 3.2 Maxwell's interactive model of research design**



Source: Adapted from Maxwell (1996:4)

#### 3.4.1 The purpose of the study

The purpose of this study is to specifically review and further research LED conceptual thinking that currently informs LED implementation, focusing on the Ugu district.

#### 3.4.2 Conceptual context

As indicated in the previous section, a number of studies have been conducted in South Africa, mainly exploring LED progress. This particular study was undertaken from a practitioner's perspective. The purpose was mainly to develop a further understanding of the phenomenon of interest, which is local economic development. Also important, was to comprehend the conceptual understanding among LED practitioners within the district of Ugu. The primary intention was to establish different mental models, either converging or diverging in terms of LED understanding. This was well within the principles of the study in a sense that, it is such mental models that are behind current implementation techniques. Therefore, in order to clearly understand what shapes current implementation trends, the study needed to go deeper and understand the major attributes that are at the forefront of LED thinking in the district of Ugu.

### 3.4.3 Research questions

For any study to be valid a researcher needs to clearly articulate the specifics which underlie the core reasons, and to a larger degree specifically justify a need to conduct such a study. As briefly alluded to in the previous sub-sections, there are four (4) specific questions that the study sought to answer, thus justifying the essence of the study's existence. Such specific questions were as follows:

- (a) How is local economic development understood and conceptualized by local actors at municipal level in Ugu?
- (b) What are the major attributes and relations that constitute such local economic development conceptualization in Ugu?
- (c) How has local economic development conceptualization shaped implementation in Ugu?
- (d) What insights can complexity theory offer in conceptualizing LED in Ugu?

Equally important in the process was establishing a level of comprehension of the complexity theory's complex adaptive systemic (CAS) understanding among the group of LED practitioners, drawn from various sectors at the municipal level. The choice of this theory was based on the researcher's personal ideological view, which argues for its adoption as far as LED theoretical underpinning is concerned.

### 3.4.4 Methods

As highlighted in the previous sub-sections, the study adopted a qualitative approach due to the nature of the problem statement. And as a result, the research methods utilized needed to be complementary. There were three forms of data collection methods used, namely structured interviews, observation and archived data. Data analysis was mainly done through sorting and coding in order to establish patterns of interest. Methods triangulation or utilizing different methods of data gathering was necessitated by the importance of establishing convergence, particularly important in social research and according to Babbie & Mouton (2001: 275), "enhance validity and reliability in qualitative research".

(a) **Sample**

The sample was drawn from local economic development officials from the affected local municipalities which make up the Ugu district. The Ugu district currently has a total of 28 LED practitioners drawn from all six local municipalities including the district municipality. Out of the twenty-eight (28) practitioners, a sample of seventeen (17) was selected. Their designations ranged from Director: Economic Development to Officer: Local Economic Development. A business or private sector perspective was drawn from the South Coast Chamber of Commerce and Industries, which is a body representative of the majority of businesses in Ugu. Ugu South Coast Tourism Agency, which is a body representing the interests of tourism businesses was also engaged to further provide a business perspective on local economic development.

Hibiscus Coast Development Agency, which is a municipal entity responsible for facilitating key and strategic projects, was also engaged. Given the specificity of the phenomenon of interest, which is LED conceptualization, the type of respondents that were engaged, were well placed to provide informed data. Also important was to engage provincial departments which are currently implementing LED-focused programmes and projects within the district of Ugu, namely the Department of Economic Development and Tourism as well as the Department of Agriculture, Environmental Affairs and Rural Development. As indicated below, all engagements were done through structured interviews.

(b) **Data collection methods**

**Structured interviews**

An opportunity for probing renders personal interviews the most credible mode of data collection (Judd *et al*, 1991: 218). In the light of such acknowledgements, interviews were therefore conducted with pre-identified respondents who form the nucleus of LED actors at municipal level. The engagement of respondents started immediately after the conclusion of the ethical clearance process, which was granted on the 13<sup>th</sup> of May 2011.

Respondents engaged in the study were as follows;

- (a) Officials from Ugu District Municipality – LED Department
- (b) Officials from Hibiscus Coast Municipality – LED Department
- (c) An official from Umdoni Municipality – LED Department
- (d) An official from Umzumbe Municipality – LED Department
- (e) An official from Vulamehlo Municipality – LED Department
- (f) An official from Ezinqoleni Municipality – LED Department
- (g) An official from Umuziwabantu Municipality – LED Department
- (h) An executive member of the South Coast Chamber of Commerce and Industries
- (i) An official from Hibiscus Coast Development Agency
- (j) An official from Department of Economic Development & Tourism – SMME Unit
- (k) An official from Department of Economic Development & Tourism – LED Projects
- (l) The Department of Agriculture, Environmental Affairs and Rural Development provided their rural development strategy, which encompassed LED matters.
- (m) The involvement of the Civil Sector was regarded as a study limitation due to the researcher's inability to engage the sector.

### **Observation**

Participant observation is very important, more so if it is in a manner that allows the observer to observe groups or organizations engaging with the issue of interest (Gerson & Horowitz, 2002: 199). Local economic development is often a contested terrain, mainly between local government, private sector and to a certain degree civil society. In many cases the bone of contention is who should lead the process. Therefore in order to obtain rich data on issues such as, amongst others, the understanding of LED by diverse actors, the researcher utilized critical observation data which was obtained from forums such as the LED Portfolio Committee, IDP Forums as well as random community observation.



## **Archived data**

In order to make sense of certain findings, particularly legislative imperatives, the study also made use of archived data in the form of LED related reports, local, provincial and national strategies on LED, Acts and other pieces of work on LED which are deemed to be of national interest. The following key documents were consulted among others;

- Ugu district municipality IDP review (2011 Review)
- Ugu district municipality LED Strategy, adopted in 2007
- Ugu district economic indicators and economic intelligence report, 2010
- KZN Department of Economic Development and Tourism Strategic Plan, 2009/2013
- The DPLG National Framework for LED in South Africa, 2006 – 2011.
- Municipal Finance Management Act, etc.

### **(c) Data analysis**

Data analysis is another critical research stage. Rich data could be collected, however if data handling and analysis is done incorrectly, such rich data could be lost. The data generated in the study was qualitative. Therefore in the light of the nature of the study and data generated, data analysis assumed an approach referred to by Gall *et al*, (1996: 569) as interpretational analysis, which mainly seeks to establish patterns of interest.

As acknowledged by Seidel (1998:2) the whole process involves “noticing, collecting and thinking about interesting issues”. For example, noticing would involve making observations and writing field notes. Collecting involves classifying and tagging areas of key interest. Once noticed and collected, the observer thereafter makes sense of what has been collected. The process must, however, never be mistaken as being linear, further argues (Seidel, 1998:2). In order to realize findings, firstly key areas of analysis were identified by focusing on specific topics. Categories and sub-categories, through coding, were then developed in order to shape meaning. Tables were used to further provide visual interpretation. For example, organizational and institutional linkages were identified and categorised. Out of it came stakeholders’ analyses as well as a broader institutional and organizational route for LED which provided meaning. The purpose was to get perspectives from the practitioners in terms of where they envisage LED in terms of direction as an outcome-based programme of action

### **3.5 Ethical Clearance**

Neuman (2000: 99) stresses that researchers must at all times uphold confidentiality. This is very critical mainly to ensure participant openness, and thus the credibility of data. In this particular study an ethical clearance process was also observed. All participants in the study did so voluntarily. Given the fact that participants came from their respective organizations, gatekeeper's letters, allowing access had to be pre-arranged and were duly received.

### **3.6 Responding to possible limitations**

In a qualitative study reactivity by participants is often cited as one element that brings into question the validity of the entire process. Reactivity in this instance refers to observed reactions from participants given the fact that they are aware that they are being studied. For example resistance to being recorded or responding to questions in a manner that would be different had they not been aware that they were being studied. However as Mouton & Marais (1990: 76) acknowledge, human beings are rational in nature and they will always be aware that they are being studied.

They further stress that it is upon the researcher to take note of such situations, which can be countered by further probing on points of interest. In this particular study, some respondents were often unwilling to divulge further for fear of self exposure to limited understanding of the subject matter. However, given the fact that the researcher was a practitioner in the field in his own right, he swiftly calmed the process by continuously indicating that his role was mainly that of a process facilitator.

### **3.7 Study delimitation**

The delimiting aspect on the study was that the focus was specifically on LED conceptualization at local government level in the Ugu District.

### **3.8 Concluding remarks on research design and methodology**

The approach that the study took, given the kind and type of data to be gathered was mainly qualitative. The approach in terms of research design was informed by Maxwell's Model on research design, which mainly stresses the importance of research purposes, conceptual context, methods, research questions and validity. Given the qualitative nature of the study, data gathering methods used were structured interviews, observation and archived data. All other key research processes such as ethical clearance were also observed. The research population as it has been indicated was carefully sourced from the LED practitioners within the district. Further, in order to provide reliable findings in terms of practitioner views, other critical LED stakeholders such as the business community and provincial government were also engaged. Engagements with these stakeholders was limited to only those who are currently implementing LED-focused programmes or projects within the district.

## **Chapter 4 – Research Findings**

### **Background of the study and the Ugu district**

#### **4.1 Introduction**

The purpose has been to provide the rationale for the study and also indicate the stakeholders who were engaged in the process. It was also important to provide the background of the district as a study location, focusing mainly on the demographics of the area in relation to LED, and also highlighting the challenges facing the district. The approach to be followed in terms of analysing the findings has also been highlighted.

#### **4.2 Themes to be focused on - issues emanating from the study**

Given its importance in terms of providing the findings of the study, this section will be divided into five sub-categories. Key themes, which are important in providing the basis for patterns of interest will also be drawn from these sub-categories. Such patterns of interest therefore become important in shaping the meaning and subsequently drawing conclusions. Below are the five sub-categories:

(a) Project / programme conceptual formulation

Here the focus has been on LED decision making on the matters of concept development to inform a LED intervention hence implementation. Issues such as an understanding of local economic development processes, stakeholder roles and challenges have been highlighted. Thereafter analyses and conclusions were drawn.

(b) Organizational and institutional linkages at Ugu

This sub-category provides perspectives on the relationship between LED and the IDP as well as providing perspectives on the relationship among LED practitioners, mainly in terms of programme alignments, which in itself is a conceptual matter. Pro-poor and pro-growth perspectives are also investigated; a process which will determine the route LED practitioners in the district would prefer to take, at both the conceptual and implementational levels.

(c) Macro-economic policy understanding and its influence on LED

This sub-section details and analyzes perspectives on how practitioners view macro economic links within the district. Perspectives will for example be drawn on the understanding of the New Growth Path and other relevant provincial plans and strategies. The purpose has been to establish a conceptual link between LED practices and perhaps determine how practitioners factor in such overarching strategies in their conceptualization of LED interventions.

(d) General development and LED conceptualization in the district

As indicated in previous chapters, LED is multi-dimensional. The intention in this sub-section has been to establish a critical understanding of LED as a complex phenomenon, and further, to understand how LED practitioners perceive such multi-dimensional issues affecting LED. Critical also is to establish the LED practitioners' understanding of space economy, poverty, and entrepreneurship, as well as how they incorporate these understandings into their ideas of what LED-focused interventions are. Important also has been the evaluation of the practitioners' capacity to adopt CAS.

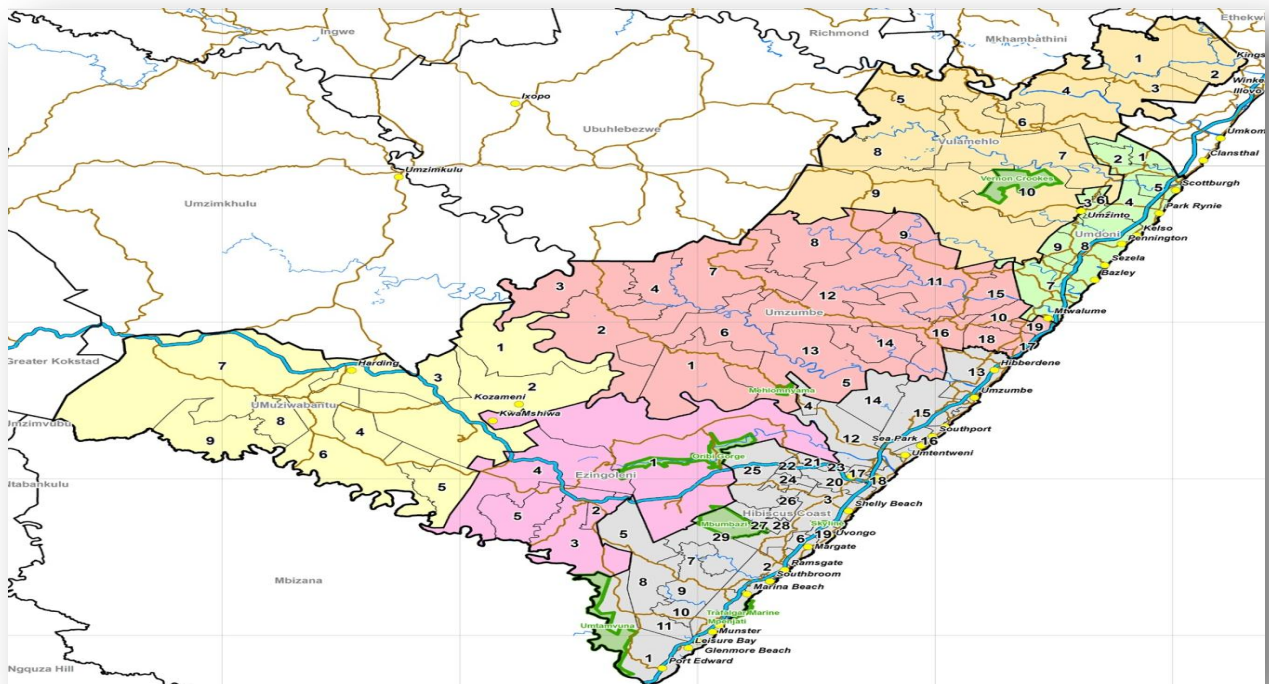
(e) Summary of the key issues emanating from the study

This section focused on the key findings of the study. Key patterns in terms of LED understanding and implementation were identified. Such important findings will thereafter be taken to the following chapter where recommendations, implications and future areas of research will be indicated and finalized.

### 4.3 The Ugu district in general

Ugu district is located on the south coast of KwaZulu-Natal. It is 5 866 square kilometers in extent and boasts a spectacular coastline of 112 kilometers, which forms its eastern border. The region is bordered in the north by the EThekweni municipality, in the west by uMgungundlovu district municipality and Sisonke district municipality, in the south-west. In the south, the border is the province of the Eastern Cape. The municipality consists of eighty-one (81) municipal wards, which reduce to six (6) local municipalities, namely; Hibiscus Coast, Ezingoleni, Umuziwabantu, Vulamehlo, Umzumbe and Umdoni. The region also boasts forty-two (42) traditional authorities (Ugu District IDP Review, 2011:1). The majority of the population, eighty-six percent (86%), live in rural areas. Some of the notable challenges facing the district are low economic growth rates, rising unemployment levels, high levels of poverty, high crime rates, high prevalence of HIV/AIDS as well as limited access to basic services, such as water, sanitation and housing. In 2009, it was estimated that the district had a population of 709 918 (Ugu District Municipality, 2011: 1).

**Figure: 4.1 Map of Ugu district and its ward allocation**



Source: HCM LED Strategy, 2011, pg. 2

### 4.3.1 The district economy in brief

A dual economy exists, with the coastal strip of the district being a more affluent one and the hinterland suffering from declining local economies and inadequate provision of services. Given its predominantly rural settings, the district has focused on the rural sector of its population in terms of its priority service and development goals. The major economic activities are centred on tourism and agriculture with some manufacturing centred around Port Shepstone (Ugu District Municipality, 2010: 17 ). In the context of the province, the district is contributing minimally to the GGP. (See Table 4.1 below).

**Table 4.1 GGP Shares per districts – measured in percentages.**

District	2003	2004	2005	2006	2007	2008
<b>Ugu</b>	<b>3.5</b>	<b>3.4</b>	<b>3.3</b>	<b>3.3</b>	<b>3.3</b>	<b>3.2</b>
UMgungundlovu	10.9	10.8	10.7	10.5	10.5	10.6
UThukela	3.5	3.5	3.5	3.5	3.6	3.6
UMzinyathi	1.6	1.6	1.6	1.6	1.6	1.5
Amajuba	3.5	3.4	3.3	3.3	3.3	3.4
Zululand	2.8	2.8	2.8	2.7	2.8	2.7
UMkhanyakude	1.2	1.2	1.2	1.2	1.2	1.3
UThungulu	7.1	7.1	7.2	7.2	7.3	7.4
iLembe	3.3	3.2	3.2	3.1	3.1	3
Sisonke	1.6	1.6	1.7	1.5	1.5	1.5
EThekwini	61	61.3	61.4	61.9	61.8	61.8

Source: Ugu district economic indicators and economic intelligence report – 2010, pg. 17

As indicated above, the major economic drivers in the Ugu district are tourism, agriculture, manufacturing and mining. The agricultural output is mainly made up of banana, sugar cane, vegetables, tea, coffee and macadamia nuts. According to the Ugu district economic indicators and economic intelligence report, about one-fifth of bananas consumed in the country are produced in Ugu (Ugu District Municipality, 2010 : 20). Tourism is arguably the leading economic sector in the region. Given its pristine beaches, some of which have been declared blue flag status beaches, the tourism industry has been on the growth for years. As a result other feeder sectors have also seen growth in recent years, most notable being the real estate, finance and services sectors. Further, in terms of manufacturing the district's focus is mainly on textiles, metal products, cement production, food and beverages (Ugu District Municipality, 2010 : 20).

#### 4.3.2 Poverty within the Ugu district

Poverty alleviation and local economic development have almost become synonymous. This is mainly because one of the key deliverables of local economic development has been the alleviation of poverty. And as it shall be highlighted in findings, the prevalence of poverty has necessitated that LED embraces it at programme level. In Ugu, poverty has become a serious concern which needs to be addressed by all stakeholders; government, private sector and the civil society.

As indicated in the Ugu District Economic Indicators and Economic Intelligence Report, the district has been involved in several initiatives in order to fight poverty. Further, according to the Ugu District Economic Indicators and Economic Intelligence Report (Ugu District Municipality, 2010: 33), the Integrated Sustainable Rural Development Programme (ISRDP) for which Ugu was selected as one of thirteen districts to participate in, is one such initiative. Drawing from the statistics, Ugu had over fifty-five (55%) percent of the population living in poverty in 2008 (Ugu District Municipality, 2010: 32). Further, comfort can perhaps be drawn from the fact that the figure has decreased from well over sixty per cent in 2003 (Ugu District Municipality, 2010 : 32). Below are the figures indicating poverty trends within Ugu.



**Table 4.2 Number of people living in poverty in Ugu district (2003 – 2008)**

(Poverty measured in cost of living on less than USD 1 per day (Average R7.66))

	2003	2004	2005	2006	2007	2008
KwaZulu-Natal	5,551,068	5,587,887	5,571,609	5,311,871	5,190,306	5,055,012
	56.8%	56.6%	56.0%	53.0%	51.5%	49.8%
Ugu	445,502	449,287	444,120	419,069	405,440	394,623
	63.2%	63.5%	62.6%	58.9%	56.8%	55.2%
Vulamehlo	47,169	42,245	37,267	31,918	27,921	24,675
	65.8%	62.9%	59.1%	53.7%	49.8%	46.5%
Umdoni	32,263	34,424	35,377	34,464	34,485	33,982
	49.3%	51.8%	52.4%	50.4%	49.8%	48.5%
Umzumbe	147,674	149,763	150,279	144,652	142,419	141,226
	75.7%	76.0%	75.6%	72.2%	70.7%	69.7%
uMuziwabantu	66,667	67,500	66,978	63,385	61,528	59,706
	72.2%	72.7%	71.8%	67.7%	65.5%	63.4%
Ezinqoleni	39,284	39,888	39,842	37,853	36,732	35,939
	71.3%	71.6%	70.8%	66.7%	64.2%	62.4%
Hibiscus Coast	112,444	115,467	114,378	106,797	102,356	99,095
	49.8%	50.6%	49.5%	45.8%	43.5%	41.8%

Source: Ugu district economic indicators and economic intelligence report – 2010, pg. 32

As earlier indicated, the Ugu district was in 2001 declared a poverty node by the then State President, Thabo Mbeki. In order to address such pressing matters the president announced the ISRDP programme, which had rural development as its major focus. The programme, since its inception in 2001, has had some notable positives in the district. The two infrastructural project initiatives that had the greatest impact under the programme are the P68 road network between Shabeni and Highflats (passing through Umzumbe) and the KwaXolo road network on the Hibiscus Coast. These two road networks are seen to have increased economic activity and job opportunities in the district (Ugu District Municipality, 2010:33). In order to further respond to the challenges facing the district, particularly in terms of LED, the district has embarked on a process of developing a comprehensive district growth and development strategy for long term growth (Ugu District Municipality, 2011:29). However as it shall be revealed later, such long term strategies may lead to unexpected complications if they become inflexible.

#### **4.4 Issues emanating from the study and analysis thereof**

##### **4.4.1 Project / programme conceptual formulation**

LED conceptualization in the Ugu district reveals interesting and diverse perspectives. The diversity of responses should perhaps be expected given the diversity of stakeholders and role players in general. Before expanding on analysis it must perhaps be clarified that at municipal level, for example, decision making follows prescribed protocols. For example, matters of LED can be discussed at portfolio committee level; thereafter be taken to executive committee level and finally to council level. Council therefore becomes a local cabinet which holds final decision making powers on municipal matters. The decision making process of other key stakeholders varies according to their respective constitutions or legal precepts.

Having indicated that, municipal officials may not have executive authority in terms of powers as officials are appointed by councils to advise them on many issues, some of which are conceptual and implementation related. Therefore conceptualization of LED, mainly by officials in most cases, translates into implementation. However, councils at municipal level are at liberty to review advice, and to recommend otherwise. At the Chamber of Commerce as a different example, the process is different. The executive of the chamber is elected by members of chamber who are business owners, managers and operators affiliated to the chamber. The executive derives its mandate from the constitution of the chamber and to a larger extent the members. The findings and responses on this category are therefore indicated below:

##### **4.4.1.1 Project implementation rationale - The findings**

When asked about what normally informs their decision to implement their programmes responses varied. Some indicated that the organizational IDP document had informed their decision making. Others indicated that legal precepts were the main reason behind implementing their programmes. Interestingly others indicated that because the budget was already allocated, they had to come up with programmes in order to spend the available budget. The rest of the responses are indicated in Table 4.3 below.

**Table 4.3 – Conceptualization of LED-focused interventions**

“What informed your decision to implement your project?”				
No.	Response	Organized business representatives	LED-focused Sector department officials	Municipal officials
1.	IDP Document			✓
2.	Legislation	✓		
3.	Demand from community			✓
4.	Constitution and mandate	✓		
5.	Demand from beneficiaries			✓
6.	IDP processes			✓
7.	Municipal request		✓	
8.	Research and political will		✓	
9.	MDG goals			✓
10.	Feasibility studies			✓
11.	Mayoral izimbizo			✓
12.	Availability of land			✓
13.	Research and development	✓		
14.	SDBIP			✓
15.	Community requests			✓
16.	Political decision			✓
17.	Availability of resources and budget			✓
	<b>TOTAL NUMBER OF RESPONDENTS</b>			<b>17</b>

Apart from research and development and feasibility studies it appears that a number of projects and programmes are not informed by solid reasoning. In many instances it seems that the LED practitioners rely on their respective communities to indicate project needs. By legislation, through the IDP processes, municipalities have to embark on a consultative process to establish community needs and also identify pressing issues which require urgent interventions. However, at community level a number of ‘wish list’ projects and programmes often get highlighted.

Given the fact that many communities are not privy to government programmes and priority areas, some of the identified projects may be in conflict with each other. Some of the programmes may not be in line with other government priorities, particularly at provincial and national levels. Therefore officials have the responsibility to capacitate wider communities and also indicate that although the community may request a particular project or programme, they may not have any priority at that stage and are therefore put on hold temporarily or permanently.

#### 4.4.1.2 Project implementation rationale – The analysis

Basically the findings show that there is no proper conceptualization of programmes. Projects and programmes hardly undergo a conceptual assessment prior to implementation. Conceptual assessment is critical as it can determine the need, alignment with other overarching programmes as well as priority, particularly in terms of sector growth and development, and more so in the light of limited resources. Further, in terms of monitoring and evaluation of such projects and programmes, almost all respondents indicated that they do conduct monitoring. The evaluation part, mainly to establish the outcome and impact of the project or programme is hardly ever conducted. No solid and specific reasons were indicated. Below are the percentage responses to such questions.

**Table 4.4 - Monitoring of LED interventions**

“Do you conduct monitoring of projects and programmes?”	
Yes	No
94 %	6 %
TOTAL NUMBER OF RESPONDENTS = 17	

**Table 4.5 – Evaluation of LED interventions**

“Do you conduct evaluation of projects and programmes?”	
Yes	No
12 %	88 %
TOTAL NUMBER OF RESPONDENTS = 17	

#### **4.4.1.3 Politics and politicization of local economic development – The findings**

Politics is another element that plays an important role in LED. Cunningham & Meyer-Stamer (2005:10) point out that separating local economic development from politics will become impossible. This is important as conceptualization of LED has to take this element into consideration. As previously indicated politics can either expedite the LED process or exasperate it, particularly if the vested interests of the political elite are at stake or threatened in some way (Simon, 2003: 142).

By nature, municipalities are a product of political formations where ruling parties or ruling majorities chart the way forward in terms of municipal programmes, of which LED is one of them. From the list of issues which inform current implementation, mayoral izimbizo, political decisions and demand from communities come out quite often. It becomes gradually clear that decisions on programme implementation are less informed by feasibility or other professional means. It also becomes clear that in many cases politics play an instrumental role in terms of LED implementation. For example one respondent indicated that,

*“..the mere reason that political office bearers are appointed by the people it means that those who elevated them into power have to somehow benefit through programmes regardless of whether such programmes are financially viable”*

Interestingly this does not only happen at municipal levels. National and provincial governments also implement projects of their own, which are implemented at local government levels. Such projects and programmes are also influenced by political decisions, which sometimes take priority ahead of feasibility and viability.

#### **4.4.1.4 Politics and politicization of local economic development – The analysis**

Politicization of LED emerges as one of the attributes which clearly constitutes the conceptualization of LED at local government level, and as such has heavily impacted on implementation. Politics, depending on how it is applied, can expedite or exasperate local economic development. In Ugu, the end results, in as far as politicization of LED is concerned, seems to be mixed.

#### **4.4.1.5 Understanding local economic development – The findings**

The understanding of local economic development by local actors is one of the most important elements that this study sought to examine. The study also intended to establish the capacity of such local actors to grasp the proposed alternative to LED conceptualization – the Complex Adaptive Systems perspective. From the comprehension of the LED perspective it becomes certain that individual standpoints hinder progress. For example, private sector stakeholders still conceptualize LED-focused interventions from their own viewpoint, while municipal officials view LED solely from the municipal perspective. This is a critical area for LED, which implies conceptualization challenges. In order to address this issue LED stakeholders must first identify and agree on the approach. In order to agree on the approach, LED stakeholders must establish a platform of engagement, which seeks to solidify an inclusive objective, which will not be influenced by individualism. Below is one of the responses from the private sector, responding to comprehension of LED;

*“..LED is a programme of wealth creation which generates revenue – which encompasses all trading initiatives from the micro businesses to the large multi-national corporate as well as other non-profit organizations that play a role in the economy. Such drivers of the economy will become the business sector while local government only create an environment for the businesses to grow”*

In terms of the guidelines provided by DPLG (2006: 9) such an understanding of LED is indeed a correct one given the fact that government is not in the business of creating wealth but the business community is. In most cases the business community point out that local government has to provide an environment conducive to growth. However, what is notable is that there is still a challenge in terms of what constitutes such an environment. The business community often articulates its interpretation of a conducive environment differently from that of local government, which results in concerns of individual businesses often being cited. For example, tourism-based businesses often argue that in order to grow the local economy the local government must address waste collection and verge maintenance issues around the beaches, thus enticing more visitors to come into the area. The other perspectives on LED are also interesting, for example a non-private sector respondent indicated that;

*“LED is the thorough assessment of the resources that are available in a locality – human, natural etc. , that can be collectively used to better the economy of a locality, and perhaps not just for that locality’s benefit but also for its neighbouring municipalities”*

This is somehow different in a sense that it highlights collective effort; viewing LED further than just geographical and administrative boundaries but still elevates municipalities in terms of leading the local processes towards the realization of LED. Most importantly it focuses on human development. According to Philander & Rogerson (2001:75) there are generally two schools of thought which have dominated thinking in local economic development, namely market-led and market-critical approaches. From the findings it becomes apparent that conceptualization of LED by various partners does indicate biased perspectives in a way. For example, an understanding from the business community is somehow market-oriented given the extensive focus on growth and business development which has its roots in capitalism. On the other hand, conceptualization from other non-private sector stakeholders reveals a market-critical or pro-poor approach.

It has been indicated that market-critical and market-led approaches are contrasting given their views on how LED should be approached. Such evidently contrasting views on conceptualization present conceptual challenges for LED given that LED is mainly driven by both private sector and local government at local government level. As noted by Abrahams (2003:186), there has been confusion over LED conceptualization in South Africa which has come about mainly due to different understandings of these two approaches that embody the concept of LED.

#### **4.4.1.6 Understanding of local economic development – The analysis**

Therefore in terms of the attributes that influence LED conceptualization, which inform implementation, it is revealed that key stakeholders in Ugu tend to view LED differently. Municipalities perhaps influenced by their core business, which is to render services to the general public, tend to view LED as a pro-poor focused programme, while the business community views LED as a market-oriented programme.

Therefore conceptualization by the business community will to a larger extent draw much input from the pro-market approach. Given the diverging views in as far as conceptualization of LED in general is concerned, proper and ongoing stakeholder engagements will be critical in order to form consensus on both conceptualization and implementation.

#### **4.4.1.7 Funding local economic development – The findings**

Still on the conceptualization of LED, funding the programme becomes central to how interventions are conceptualized and understood. One of the key challenges that are often cited by many LED practitioners is the unavailability of funds to implement local economic development. Below are some of the critical challenges to LED as pointed out by the LED practitioners.

- Funding and land availability
- Stakeholder commitment
- Skills to implement LED and the implementation of unsustainable projects
- Water and sanitation
- Poor coordination and local government red tape
- Strong focus on start-ups and neglect of established businesses by local government.

What is evident though is that over ninety-three (93%) percent of LED practitioners reveal that among other challenges facing LED, funding is right on top of the list. However Rogerson (2000:400) points out that funding LED should not be an issue given the fact that the White Paper on Local Government clearly spelt out that local authorities should realize LED objectives not by receiving extra funds but by utilizing available resources and remodelling current service delivery programmes. He further points out that this was further confirmed by the dissolution and discontinuation of the then LED Fund, which was later incorporated into the Municipal Infrastructure Grant (MIG).



#### **4.4.1.8 Funding local economic development – The analysis**

The fact that LED practitioners still view funding for LED as a critical hindrance to the outcome suggests that LED is still conceptualized as a stand-alone programme which is separate from other activities of government. As the literature suggests, the conceptualization of LED-focused programmes should never be divorced from the normal day-to-day activities, particularly by local government. LED should in fact form part of daily programmes by all stakeholders. Available resources should be utilized in a manner that realizes LED objectives. Therefore emanating from the findings it can be indicated that LED funding remains a thorny issue which clearly shapes implementation and thus LED performance.

#### **4.4.2 Organizational and institutional linkages at Ugu**

##### **4.4.2.1 Cooperation by stakeholders and stakeholder role analysis – The findings**

Many definitions of local economic development point out that LED is mainly about collective efforts by all relevant and concerned stakeholders. One of the objectives of the LED Framework was to “improve the coordination of economic development planning and implementation across government and between government and non-governmental actors” (DPLG, 2006:7). This in essence indicates that conceptualization of LED initiatives and LED in general should be done in a manner that recognizes the critical role to be played by other stakeholders, not just government alone. Secondly, conceptualization of LED should be done in a manner that improves coordination and stakeholder relations. Further, the LED Framework, as one of its key and founding principles, indicated that private companies including social enterprises and cooperatives should form the heart of the economy and have a crucial role to play in partnership with public and community role players. Ultimately and as a result such strengthened partnerships will stimulate robust and inclusive local economies. The element of partnership can therefore never be overemphasized in local economic development.

Emanating from the findings it becomes clear that LED practitioners do understand the element of partnership and how crucial it is in order to realize LED objectives. They understand this element at least at a conceptual level. At implementation level the results reveal a different view. For example, all respondents agree that for LED to be a success partnerships with relevant stakeholders are vital. However, on probing further in terms of

platforms to execute such partnerships the indication is that LED partners seldom meet to engage on matters relating to local economic development. In certain instances such platforms are not in existence. In cases where there are such platforms, coordination is very poor; hence sporadic engagement. Nel *et al* (2009:232) point out that local economic development has in fact been seen to be championed by local government in South Africa, which on its own has the potential to undervalue the very critical partnerships that are needed in order for it to be successful. Government and local government in particular should play a connector role and create an enabling environment, while the private sector through its investments absorbs the labour force hence employment creation (DPLG, 2006:9).

As indicated, all respondents agree and acknowledge the importance of such partnerships. What appears to be a challenge, however, is coordination. One respondent for example indicates that,

*“Partnerships are alright at the level of funded programmes but once the funding of such programme is gone it is a challenge to keep all partners interested, whilst ideally – there is so much that could be planned together during times of where there is no project funding”.*

Another respondent indicates that, *“Cooperation is improving ...however; it remains casual rather than strategic”.*

#### **4.4.2.2 Cooperation by stakeholders and stakeholder role analysis – The analysis**

In essence, what is apparent is that stakeholders are indeed well informed in terms of their own roles and expectations. They are, however, not privy to what other stakeholders are doing, despite all stakeholders vehemently indicating that they are implementing LED-focused programmes. Alignment of programmes is clearly a challenge. Inter-stakeholder engagement is also a problematic area, as indicated by one of the responses, in that it is casual and not strategic. This conclusively reveals that stakeholders are aware of the importance of engaging with one another. However, this is not happening, which therefore points out that confusion over stakeholders' roles and to a larger extent, minimal cooperation among stakeholders is one of the reasons behind poor implementation results.

#### 4.4.2.3 The relevance of LED input into IDP – The findings

There is a very close relationship between local economic development and integrated development planning. As the name suggests integrated development planning should be comprehensive and inclusive of local economic development. LED should always form part of the IDP process and eventually the IDP document. By definition the IDP document is an overarching document which should stipulate the municipality’s agenda in as far as development is concerned in that locality. It should, however, be noted that programmes, plans and projects that appear on the IDP are not necessarily that of the concerned municipality.

Programmes and projects of other stakeholders need to appear as well in order to effect alignment. Sector departments need to highlight what they will be doing in that locality in that particular year of IDP review. Below are the responses relating to stakeholder engagements, which relate to the relevance of LED on the IDP process as it is legislated.

**Table 4.6 – Stakeholder engagement in local economic development**

“Responses relating to stakeholder engagements and frequency thereof”	
Question: What platforms are in place to engage stakeholders, and how often?	
1.	Only meet when there is a project going on
2.	Sometime quarterly
3.	Quarterly
4.	Casual meetings only
5.	Once per quarter
6.	Meet only in workshops, conferences and meetings
7.	Only if necessary – once a month
8.	We don’t meet at all
9.	Our meetings are uncoordinated
10.	We meet at our LED Forum meetings
11.	We only meet stakeholders who are coming up with projects
12.	We meet during project steering committee meetings only
13.	Meetings are on request only
14.	We meet during the district LEDI forum
15.	If projects are available then we meet
16.	Sometimes we meet stakeholders at our IDP meetings, once a quarter
17.	We don’t regularly meet
<b>TOTAL NUMBER OF RESPONDENTS = 17</b>	

#### **4.4.2.4 The relevance of LED input into IDP – The analysis**

As expected from the LED practitioners, everyone who participated in the study understood the concept and the relationship and also the relevance of IDP and LED. For example, one participant indicated that integrated planning and IDP documents in particular should *be the overarching planning tool that allows all relevant stakeholders to know the municipality's priorities and direction, and as such it should be designed in such a way that it minimizes possibilities of duplicating work done by both internal and external stakeholders.*

Despite the understanding of different stakeholder roles in terms of input into the IDP process, it is revealed that across the spectrum of LED practitioners there is no strategic and consistent engagement among stakeholders to share information, ideas and perhaps learn from one another apart from the legislated IDP forums, which in most cases are attended in an ad hoc manner. Where such engagement occurs, it is only sporadic and uncoordinated

#### **4.4.2.5 Broader institutional and organizational route for LED – The findings**

Perspectives on both the conceptualization and implementation of local economic development as indicated in the literature on LED, suggests that the current discourse has failed to yield the desired results, or perhaps not yielded results as per the expectations. The evident challenges as depicted and revealed by the LED practitioners also reveal that LED is facing challenges. LED practitioners indicate that there are challenges in terms of stakeholder commitment, stakeholder role comprehension, funding for local economic development initiatives as well as conceptual comprehension of LED in general. In the light of these challenges it appears that perhaps the time is opportune for LED to take a different route both at conceptual and implementation levels. In order to ascertain this, the study also engaged the practitioners on their views on the current discourse as well as a possible way forward. Below are the responses of practitioners in terms of how they would like to see local economic development evolving. Two themes were identified, namely pro-poor and pro-growth route.

**Table 4.7 – The preferred conceptual route for LED**

Preferred conceptual route for LED going forward			
		Pro-poor	Pro-growth
1.	LED must focus on business growth		✓
2.	The focus should be on poor people	✓	
3.	Poverty alleviation must be central to LED	✓	
4.	Businesses must be incentivised to grow		✓
5.	Must focus on infrastructure for rural areas	✓	
6.	Must focus on skills development	✓	
7.	Rural areas must never be neglected, hence focused on	✓	
8.	Business retention should be key		✓
9.	We need to attract more investment		✓
10.	Focusing on growth will assist with job creation		✓
11.	Must focus on skills for young people to be employable		✓
12.	Poor people also deserve to be taken care of	✓	
13.	The government must effect developmental government	✓	
14.	Poor people must be focused on & be uplifted	✓	
15.	We can only halve unemployment by focusing on growth		✓
16.	Investment in infrastructure will be the key in going forward		✓
17.	We need to attract investment first, poverty later		✓
<b>TOTAL FROM 17 RESPONDENTS</b>		<b>8 = 47%</b>	<b>9 = 53%</b>

In terms of LED’s area of focus which is inclusive of conceptualization and implementation, the LED practitioners were divided. Fifty-three (53%) percent felt that pro-growth should be adopted. On the other side forty-seven (47%) percent responded that LED should be conceptualized along the lines of pro-poor, and as such greater focus and attention is to be accorded to poor people. More than half of the respondents indicated that enterprise development, infrastructure investment, business retention and expansion should be the areas of focus. However, there may be challenges in this approach given the existing SMME and enterprise development difficulties in South Africa as articulated in section 2.5 of Chapter two. Notable challenges that seem to sabotage the development of new enterprises in South Africa are inadequate business conceptualization, corruption, crime and inadequate personal motivation just to name a few. Entrepreneurship is not only critical for local economic development, it is also important as it acts as a catalyst for development in general (Nolan, 2003:55). Therefore if entrepreneurship development is to be an overarching strategy for local economic development, greater focus and emphasis may need to be placed on addressing structural challenges that currently exist, hindering SMME development.

#### **4.2.2.6 Broader institutional and organizational route for LED – The analysis**

It must, however, be indicated that preference of pro-growth ahead of pro-poor stance was rather surprising given the fact that the district is currently declared a poverty node. Further, according to Ugu District's recent IDP review (2011:7) recent figures indicate that, out of the 725 796 population, eighty-six (86%) percent of that population live in rural areas. And as such, it was expected that, the majority of the LED practitioners would recommend a pro-poor approach to LED.

#### **4.2.2.7 Stakeholder role playing in local economic development – The findings**

Local economic development has for a very long time been dominated by government, particularly local government, the private sector and the civil society, who in the main are represented by non-governmental organizations and community-based organizations. Recently there is what is referred to as non-profit organizations. As was highlighted in the literature review in Chapter two, stakeholder roleplaying on LED matters seems to be a problematic area. There seems to be confusion on facilitation and implementation roles amongst stakeholders. And as a consequence local government has somehow assumed a role of 'prime leader' on matters of LED whilst the rest of the stakeholders simply have to follow (Nel *et al*, 2009:232). As was indicated in the previous chapter this presents its challenges.

Nel *et al* (2009:232) further point out that the seemingly prime championing of LED by local government undervalues the partnership which consequently could hamper economic development prospects. According to the current LED Framework (DPLG, 2006:9), local government must only play a connector role, with its main focus being facilitating. The business community are therefore tasked with employment creation whilst the civil sector is to advocate for social capital formulation. In the light of the envisaged roles among LED practitioners the study sought to ascertain views on this issue. The underlying assumption was that role playing by LED practitioners does influence the way in which LED initiatives are conceptualized and implemented. Generally all respondents seem to agree with the perceived roles of different stakeholders in LED.

#### **4.2.2.8 Stakeholder role playing in local economic development – The analysis**

However, after analysis and cross-referencing of findings on the perceived roles with findings on cooperation by stakeholders, it emerges that there still exists an element of confusion over the conceptual meaning of such roles. For example, all practitioners who participated in the study advocate that local government should provide an environment conducive for business development. It also appears that stakeholders have different views on what constitutes a conducive environment. This is evidenced by findings on project and programme conceptual formulation, specifically the rationale behind implementation. In certain instances the conceptual meaning of facilitation is also seen as an area of discontentment and confusion. Generally, not only Ugu, the element of facilitation has presented an element of conceptual misunderstanding, notes Xuza (2007:121). She further points out that, in the light of challenges that exist in terms of LED facilitation, municipalities have rushed to establish economic development agencies with an intention of fast tracking implementation. However, this has further presented its own challenges given the fact that such development agencies remain municipal entities, which are subjected to the same operating and legal processes as their mother bodies. As a consequence the results are the “coexistence of parallel structures” which face similar limitations.

#### **4.4.3 Macroeconomic policy understanding and LED conceptualization at Ugu**

Macroeconomics plays an important role in shaping not only macroeconomic performance at macro level but also in terms of implementation at local levels. As revealed in the literature review, South Africa has in the past implemented both Keynesian-type as well as the Neo-liberal-type approaches in terms of macroeconomic policy implementation. Immediately after the 1994 general elections the RDP was introduced, which as the name suggests focused mainly on the reconstruction of the country. The perspective adopted was mainly pro-poor. However as Rogerson (2000:397) notes, in the light of globalization, a neo-liberal approach was adopted in 1996 with the introduction of GEAR. Recently a new approach has been adopted. The current approach seeks to integrate the previous RDP and GEAR. The New Growth Path was adopted in 2010. This policy has set clear objectives which therefore remain a national target. All three spheres of government, namely local, provincial and national have been mandated to work towards the realization of the policy’s goals and targets.

The importance of other stakeholders towards this can never be overemphasized. Therefore with that understanding, the comprehension of such target-setting strategy or policy becomes important for LED practitioners. The study therefore engaged LED practitioners with an intention of assessing their understanding of this overarching strategy. The belief is that conceptualization of LED has a lot to do with comprehension of national and provincial priorities, which at a macro scale can inform economic growth and development and thus local economic development at micro levels. Below are some of the findings and analysis in this regard.

#### **4.4.3.1 Comprehension of the New Growth Path (NGP) and its implications – The findings**

With the evolution of local economic development, from the early days of a sole focus on attracting external investment to the current trends in terms of business retention and expansion, it was expected that all LED practitioners were aware of the NGP not just because it's a new macroeconomic policy, but because it seeks to directly influence implementation at local government level. As expected all practitioners indicated that they were aware of the policy, at least in terms of where it comes from and what influenced its targets. What was surprising though was the level of comprehension of the broader content and context mainly around the targets.

The significance of NGP in relation to LED is that unlike the previous policies it explicitly acknowledges the critical role that government has to play in as far as redefining the economic outlook of the country is concerned. It must also be taken into perspective that government alone can never be able to achieve the set targets, hence again the importance of partnerships. Unemployment and poverty remain the biggest challenges in the post-apartheid era. On the other hand both unemployment and poverty are at the core of LED. Fifty-three percent (53%) of the participants demonstrated a lack of understanding in terms of what constituted the NGP. This evidently has a bearing in terms of factoring in such an overarching plan at both conceptual and implementation stages of LED-focused interventions. The responses in terms of content and context understanding are indicated below in Table 4.8.



**Table 4.8 – Understanding of macroeconomic policy & its implications for LED**

“The understanding of New Growth Path in relation to local economic development”			
		Relevant comprehension	Poor comprehension
1.	It’s just a plan from national government		✓
2.	I have no understanding of NGP		✓
3.	Refers to jobs & business expansion by 10%	✓	
4.	Emphasizes infrastructure development	✓	
5.	I know it but don’t understand it		✓
6.	Overarching macroeconomic plan for growth	✓	
7.	It informs our LED strategies	✓	
8.	It’s a government document for development	✓	
9.	This is a provincial strategy for government		✓
10.	Was developed to guide growth		✓
11.	Talks about KPAs for local government		✓
12.	It’s a LED overarching strategy		✓
13.	It’s a strategy by national government to guide LED	✓	
14.	It was developed as a new alternative to GEAR		✓
15.	Strategic document for job creation	✓	
16.	Focuses on investment expansion & development	✓	
17.	I don’t know what it contains		✓
	<b>TOTAL RESPONSES FROM 17 RESPONDENTS</b>	<b>8 ( 47 % )</b>	<b>9 ( 53 % )</b>

#### **4.4.3.2 Comprehension of the New Growth Path and its implications – The analysis**

Therefore the significance of LED at Ugu is that given the demonstrated lack of comprehension for NGP, whose main target is employment creation and poverty alleviation, conceptualization of LED-focused interventions may miss such crucial elements. The broader indication is that despite having heard about it, over half of the engaged LED practitioners do not factor in such a strategy or policy in their conceptualization of LED programmes.

#### 4.4.4 General development issues in relation to LED in the district

The literature review in Chapter two revealed that local economic development is a complex phenomenon which influences and is influenced by various elements, hence the notion of complexity of LED. General development issues such as spatial economics, poverty and social development all influence LED. Further, LED also influences such elements. Conceptualization of LED interventions therefore needs to take this into account. For example, space and space economics have a lot to do with the progress of certain areas and localities whilst on the other hand certain localities continue to experience regression and shrinking economies. At national government level this has long been acknowledged and as a result a National Spatial Development Perspective (NSDP) was introduced to try and address such challenges (Republic of South Africa, 2006: 1). Chapter two concluded with the advocacy for a new perspective in LED – a perspective which sought to bring the element of complexity theory into LED. The advocacy was for the adoption of the CAS perspective as a new theoretical alternative upon which LED conceptualization should be centred. The intention in this category was to establish the LED practitioners' state of readiness and capacity to grasp and adopt CAS as a conceptualization and theoretical basis for LED. The analysis is indicated below.

##### **4.4.4.1 The complexity of local economic development – The findings**

The perspectives of the LED practitioners demonstrated an understanding that LED is indeed a multi-dimensional and diverse phenomenon. Accordingly LED practitioners revealed that LED should be regarded as an outcome. It should be an outcome of implementation by various and diverse economic agents. However, as expected, given the fact that the study's focus was at a municipal level, the indication was that local government should lead the process. As previously indicated this notion presents challenges in terms of partnerships as it has a potential to undervalue such. Further there is the acknowledgement, on the part of practitioners, that what makes local economic development complex is that there are so many elements that must be navigated through before the LED outcomes can occur. These elements have an impact at both the conceptual and implementation levels. For example, there are the political and social dynamics which LED must navigate through. Further, issues such as skills development and infrastructural development also impact on LED, which further adds to its complexity.

Historically LED tended to overlook such elements and only focused on overarching programmes such as foreign direct investment attraction. There are worrying factors though which impact directly on the conceptualization of LED initiatives within the district. Such issues are highlighted below.

- Projects and programmes' conceptualization

Many projects are conceptualized and implemented on baseless grounds. Some of the programmes have not undergone project management logic. For example, as indicated by practitioners some of the projects are informed by political dimensions and others simply by the availability of funds. For example, instead of an identified project first going through feasibility and viability assessments, it will be implemented without assessment as a result of political pressure from the politically affluent. Further, towards the end of the financial year, it is not uncommon for some sector departments to use funding for an untested project simply because the approved budget funds have to be used. The end result for these programmes and projects, conceptualized in such a way, is unsustainability, mainly in the post project funding stage. Other projects have had to rely on local government's continuous funding to keep them afloat. The examples of such projects found within Hibiscus Coast municipality are the Gamalakhe Traders Village and the Ugu Fresh Produce Market. Further, there seems to be a notion of project focus instead of strategic focus on aligned programmes. In fact according to a national focus by Sibisi (2009:7), what has constrained the emergence of LED is that municipalities tend to dwell largely on ad hoc projects, and therefore a project-based approach. Such approaches result in LED losing its vigour.

- Stakeholder roles

In terms of the properties of complex adaptive systems, economic agents that participate in the economic development system are heterogeneous and therefore diverse. The findings indicate the awareness of such by practitioners. For example, the local government officials engaged in the study acknowledge an important role that the private sector has to play in order to realize LED. The notable challenge, however, is that despite such awareness there is glaringly poor coordination and engagement when it comes to the conceptualization and implementation of programmes. This, in most cases, undermines the much needed solidarity. Cooperation and coordination are problematic areas for LED at municipal level.

At Ugu the same problem has been observed. The catalyst for the problem is the lack of suitable platforms of engagement between the role players. In some municipalities there are existing platforms such as the LED forums. However, the challenge of LED forums is that, they are not legislated and hence they do not enjoy success. In certain areas such LED forums have simply become political bashing grounds to voice political concerns, which further entrench poor cooperation among LED stakeholders. The diversity of economic agents is currently not exploited to the advantage of LED. Other stakeholders such as the business community often feel side lined and unappreciated by local government.

- Self-organization as a pillar of CAS and the capacity of practitioners to adopt CAS.

As pointed out by Stacey (2007:237), “self-organization means local interaction between agents comprising the complex system, and what emerges is the form of the system where emergence means that the form arises in the complete absence of any plan, blue print or programme for it”. As a result, self-organization of the system becomes a pillar and a conerstone of CAS in general. There is an assertion that says LED practitioners are aware of the complex nature of LED, that is, the acknowledgement of LED as an outcome. Despite that, it is also revealed that there is an extensive reliance on local economic development strategies when it comes to implementation. As can be expected such reliance on local strategies is impacting on both the conceptualization and implementation of programmes, given the fact that such strategies are mainly founded on administrative and geographic biases and bound by such. Despite the acknowledgement of other stakeholders, the notion of evolution and co-evolution by such stakeholders (agents) is not accorded consideration when LED-focused interventions are conceptualized. Further, the notion of dis-equilibrium is not taken into consideration. The extensive reliance on strategic planning and strategic documents seem to be the norm. In the economic development system “punctuated equilibriums” are probably a daily occurrence. New equilibriums are constantly reached, more so in the light of globalization. “Only in the absence of bureaucratic and cumbersome processes can radical innovation emerge”, conclude Carlisle & McMillan (2006:7).

#### **4.4.4.2 The complexity of local economic development – The analysis**

Based on findings of the study and researcher observations, particularly at IDP and LED portfolio committee levels, it is concluded that there are a number of major attributes, as highlighted in the previous sections, which continuously emerge in the conceptualization of LED. Foremost are the politicization of LED, reliance on inflexible strategies and the persistent confusion over stakeholder roles. Such elements impact on LED and its conceptualization. Such issues by and large have shaped the current implementation. There are varying degrees of success and frustration in terms of implementation. Based on conceptualization track records it can be concluded that, in terms of capacity and the state of readiness for LED practitioners to adopt CAS as an alternative perspective upon which LED conceptualization can be based, the LED practitioners are not yet at that level. There are too many fundamental issues which still need to be addressed before this perspective can be fully adopted.

#### **4.5 Findings in relation to the four key research question**

##### **4.5.1 How is LED understood and conceptualized by local actors in Ugu ?**

LED comprehension by local actors was one of the most important elements that this study sought to examine. What is evident is that LED is mis-conceptualized by local actors in Ugu. There are diverging views in terms of the approach that should be adopted. The two leading role players, namely the local government and the private sector are content with their individualistic views on the approach. For example, local government is of the view that the LED approach should be pro-poor and thus responding to core developmental needs of communities. This view seems to embody not only the economic agenda, but the social imperative as well. The business community seems to be content with the market-oriented view, which draws much input from the pro-market approach. What is evident is that both local government and the business community's views seem to be in favour of the *process* view of LED, and are thus project focused.

As was indicated in the literature review, the *process* view of LED, which is embedded in the planning methodology, has yielded minimal success in terms of LED implementation. This approach should be substituted in favour of the *emergence* approach. Through the *emergence* approach LED is rather viewed as an outcome culminating from various LED-focused interventions applied by all LED stakeholders, either individually or collectively.

#### 4.5.2 What are the major attributes that constitute LED conceptualization in Ugu?

There are four (4) elements that stand out in terms of traits that continually influence LED thinking in Ugu, namely: poor cooperation by stakeholders; poor understanding of stakeholder roles; politicization of LED interventions and poor macro-economic policy comprehension by LED actors. Many LED definitions point out that LED is mainly about collective efforts by all relevant and concerned stakeholders. For example, one of the objectives of the LED Framework (DPLG, 2006:7) was to improve coordination and cooperation amongst the LED role players. In Ugu cooperation is a problematic area. There seems to be concerns from all stakeholders, specifically from the business community, insinuating that local government is not responding to the needs of the business community, which according to the business community further downplays the criticality of cooperation. Further, poor cooperation has a direct implication on stakeholder roles. What is evident, is that there is poor understanding of the roles that the diverse groups of stakeholders ought to play. By legislation (DPLG, 2006:9), the local government should play a connector role, and thus adopt a facilitator's approach. The business community should implement, and in the process create employment opportunities. However, in Ugu there seems to be conflicting ideas in terms of this view.

Poor macroeconomic policy comprehension and analysis also has a direct impact in as far as economic planning is concerned. Politicization of LED-focused interventions also has an effect on conceptualization. The effect is two-fold. It can either exasperate or expedite local economic development. For example, politics can play an instrumental role in facilitating the removal of bottlenecks. On the other hand politics can also frustrate LED, particularly in instances where the interests of the politically affluent are at loggerheads with development. As a result economically feasible and viable programmes may end up being shelved, much to the detriment of local economic development and development in general.

#### 4.5.3 How has LED conceptualization shaped its implementation in Ugu?

LED conceptualization has affected implementation in Ugu. The manner in which LED in general and specifically the LED-focused interventions have been conceptualized, have had a direct impact on implementation. Critical to note is that implementation is currently informed by the process view, which mainly focuses on projects as opposed to strategic programmes. As a result some of the projects have experienced challenges, particularly in the post funding stage. For example, some projects which were conceptualized as stand-alone projects have failed dismally because they did not incorporate the element of strategic links into their conceptualization. The Ugu Fresh Produce Market is one such example. This multi-million rand facility is on the brink of collapse because of poor conceptualization. Little emphasis was placed on upstream and downstream linkages. Another example is the KwaXolo Chicken Abattoir. This project was conceived as a stand-alone project. Again little emphasis was placed on the post-construction phase. Although the municipality is working on measures to ensure sustainability, there are elementary issues which could make or break its success. In conclusion, it can be noted that the project focus approach, in as far as conceptualization of LED interventions are concerned, has had a negative effect on implementation.

#### 4.5.4 What insight can complexity theory offer in conceptualizing LED in Ugu?

The perspectives of the LED practitioners demonstrated an understanding that LED is indeed a multi-dimensional phenomenon. Further, there is acknowledgement on the part of practitioners that what makes LED complex is that there are many elements that must be navigated through before LED outcomes can occur, which impacts on the conceptual underpinning. For example, there are political and social dynamics which LED conceptualization must navigate through. Further, issues such as skills and infrastructure availability also impact on LED, which further adds to the complexity of the LED phenomenon. As indicated in section 4.4, the CAS perspective views LED as an emergent outcome, discarding the process view as advocated for by the planning approach. Therefore complexity theory can offer a superior alternative in terms of LED conceptualization. Despite this awareness, however, in Ugu it can be concluded that in terms of capacity for LED practitioners to adopt CAS as a conceptualization model, the practitioners are not yet at that level.

## 4.6 Summary

The focus of the chapter was to present the study findings, and most importantly analyse and provide answers to the key research questions as articulated in Chapter one. The study's process allowed the findings to reveal what constitutes LED conceptualization at Ugu, which informs current implementation. The literature review seems to suggest that LED has failed to yield the desired results as depicted by implementation outcomes. The suggestion therefore was that if implementation has not brought about the desired results, perhaps there are particular anomalies in the conceptualization of LED-focused initiatives. This motivated the study to focus on LED conceptual thinking at local government level and specifically in Ugu.

Equally important was to establish the major attributes that constitute LED conceptualization as well as investigate the capacity and the state of readiness for LED practitioners to adopt complexity theory's complex adaptive systems as a conceptual underpinning upon which LED conceptualization should be founded. The earlier advocacy was that indeed CAS should be a new alternative to replace orthodox LED planning, given its insights in terms of LED conceptualization. The findings pointed out that there is a sense of acknowledgement that LED should in fact be regarded as an outcome rather than a process. It should be conceived as an outcome of various project and programme implementations by economic agents either implementing jointly or individually. Despite such acknowledgement, the conclusion is that LED practitioners are not yet at a level at which they can fully adopt the CAS perspective. By default and by design there are core issues which continue to impede LED, and such issues are at the core of conceptualization. To further the discussion, the next chapter, will focus on recommendations and deliberate on final conclusions.



## **Chapter 5 – Recommendations and conclusion**

### **5.1 Introduction**

Local economic development has been implemented in many countries over the years with varying degrees of success. Different perspectives on both implementation and conceptualization have been shared worldwide. Some of the perspectives have come to be widely accepted as best practice. These so called best practices have been replicated in certain areas with varying degrees of success, while others have simply failed. In South Africa the evolution of LED has taken a very long journey since its inception in 1996. The LED programme was first mooted during the finalization of the country's constitution in 1996. However the first real substance in terms of LED thinking was in 1998 with the promulgation of the White Paper on Local Government which, according to the Department of Provincial and Local Government (DPLG, 2006:3), signalled the “evolution of LED policy in post-1994 South Africa”, which was a clear and a direct response to the notion of developmental local government.

Eight years later a LED Framework was developed and adopted, and its purpose was to provide a guiding perspective in terms of LED implementation in the country. However, over a decade after the first pronouncement of developmental local government, as indicated in the White Paper, local economic development has not yet yielded any resounding successes in the country, with only sporadic, insignificant and fragmented implementation (Nel *et al*, 2009: 232). Country-wide, a number of studies have put emphasis on LED implementation and the challenges thereof. Not much has been done in terms of investigating conceptual models that inform implementation. Given the implementation challenges as revealed by the literature on LED, the indication is that perhaps there are also anomalies in how LED-focused interventions are conceptualized. In order to address this gap, the study sought to focus on conceptualization of LED at the municipal level, and specifically within the Ugu district. In the previous chapter detailed findings were revealed and analysed. The purpose of this chapter is therefore to take the study findings even further and single out key lessons learned, the implications for going forward as well as recommendations and areas for future research.

## **5.2 Key lessons learned emanating from the study**

### **5.2.1 District in general**

As it was indicated, the Ugu district was in 2001 declared a poverty node. That necessitated the introduction and implementation of the Integrated Sustainable Rural Development Programme (ISRDP). Within that programme a number of projects were implemented such as the P68 road network between Shabeni and Highflats and the KwaXolo road network. Important also in the district is that apart from its well kept beaches, some of which are accorded blue flag status, most parts of the district fall within rural settings. What clearly comes out of the learning, as far as the district is concerned, is that despite concerted efforts that have been made in terms of development in general, the district still lacks key infrastructure particularly in the rural areas. It seems that over the years most resources have been invested into developing the urban parts of the district. In order for inclusive development to take place, greater focus should be placed on investing in critical infrastructure for rural areas, focusing mainly on road networks, telecommunications, water and sanitation. Such infrastructure is not only critical for LED but very important in enabling general development to occur.

Skills development is another area of concern which the district needs to focus on. Currently the district has only one notable post-school education facility, the Esayidi Further Education and Training (FET) College. It provides a wide range of educational programmes, such as agriculture and engineering, focusing on both theory and practical work. However the district is very large and the Esayidi FET college alone may not be adequate to skill the entire district. Of course there are other private educational facilities which in most cases are expensive compared to the government-owned FET college, and as a result may exclude the poor. Further, there are other educational facilities which are located outside the district such as the ones in Durban which is about 120 kilometers from the economic hub of the district, Port Shepstone. The challenge associated with such institutions is that often when people graduate they tend to seek employment opportunities in the larger cities, which in a sense results in a brain drain for the district.

### 5.2.2 LED Conceptualization

What comes out of LED conceptualization is that as with many other areas suggested in the literature, conceptualization of LED in Ugu is in many cases poorly informed. A number of programmes and projects that are implemented emanate from political influence, which as results indicate, may not always be a bad thing. What is fundamental is that LED is still regarded as a stand alone programme. LED has not been conceptualized as a way of service delivery as envisioned in the White Paper on Local Government, which stated that local authorities would achieve local economic development objectives by simply remodelling normal service delivery programmes. The issue of funding that often dictates LED implementation should therefore not be a concern. What should be critical is the introduction of LED elements in day-to-day activities within the normal municipal programmes. For example, municipalities as part of their mandate, are expected to facilitate and provide housing. What needs to happen is that LED imperatives such as employment creation and local based procurement need to be enforced. Local procurement of goods and services will go a long way in terms of enterprise development and most importantly business retention and expansion.

LED facilitation and implementation is problematic at Ugu. According to the LED Framework, government is supposed to play a facilitating role and thus continue to strive towards provision of an environment conducive to growth. Currently the government is at the forefront in terms of implementation. This provides a *crowding out effect* on the business community. By all means, local government should take a pro-active role in terms of addressing development at large. However, issues of scope and competency need to be well understood. All stakeholders have a role to play in economic development. For LED to emerge, such critical partnerships need to be enhanced, and the focus should not be on who is supposed to lead economic development, but on how coordination may be improved to allow stakeholders to participate in a meaningful manner.

### 5.2.3 Organizational and institutional linkages

In terms of institutional and organizational linkages, poor stakeholder engagement is a concern at Ugu. According to the study it is revealed that the key LED stakeholders only engage on such issues in a sporadic, fragmented and uncoordinated manner. As a result there has been confusion relating to the principal roles of different stakeholders. The business community often blames local authorities for not playing their roles in terms of providing an enabling environment. On the other hand local authorities blame organized business for placing individualized interests ahead of fundamental development issues.

Further, due to such a lack of proper engagement between partners, the conducive environment and its meaning is seldom understood by local government. If it is understood, it is understood differently. What would be critical for the district going forward would be the approach taken in terms of local economic development. Development in general is complex and there are a number of elements which are at interplay, resulting in local economic development at a higher level. For example, individual projects and programmes are implemented, and at macro level economic development occurs. However, at times a focused approach becomes essential. All stakeholders need to put differences aside and agree on a focused approach. This may not immediately translate into results, but at least it may propel stakeholders towards a single vision.

The majority of LED practitioners felt that LED should focus on pro-growth. This approach has the potential to turn the fortunes of the district around for the better, it seems. Business retention and expansion, entrepreneurship development, skills development and investment in key infrastructure should be encouraged. It is pleasing to note that LED practitioners are in fact advocating for such a direction. Pro-growth as an approach to LED requires certain structural issues to be addressed. Entrepreneurship development as an example has its own challenges as indicated in the previous chapters. Therefore if pro-growth is to be enhanced a greater focus may need to be placed on entrepreneurship development and the challenges thereof. Infrastructure investment and maintenance can therefore never be overemphasized. Such infrastructural provision needs to be comprehensive and inclusive of rural areas.

#### 5.2.4 Complexity of local economic development

An important lesson in as far as complexity of LED is concerned, is that LED practitioners acknowledge and agree that indeed LED is a multi-dimensional phenomenon. There is acknowledgement that LED is complex, and that it emanates from various multi-engagements between stakeholders who, in essence, are economic agents. Further, the critical role played by such economic agents is recognized, and so is the realization that LED may not be a process after all, but an outcome of implementation by various stakeholders, implementing collectively or individually. The earlier advocacy was that the time is opportune for LED to be conceptualized along the lines of complex adaptive systems. Critical to the lesson is that the practitioners are not yet at a level at which they can adopt such a system.

### 5.3 Overall implications

It is significant to note that LED has not enjoyed substantial success in terms of implementation. This is partly attributed to poor conceptualization, which in essence has resulted in poor implementation. What needs to happen is that key LED stakeholders need to agree on a strategic manner of engagement. Such agreement will thus ensure that LED practitioners understand areas of competency and areas of involvement. There will be a broader understanding of what constitutes a *connector role* as well as *conducive or enabling environments*. Strategic engagements will also ensure that LED is conceptualized not as a stand alone programme, but as a comprehensive implementation outcome by various stakeholders. On the part of local government there should be a realization that greater results, in as far as LED is concerned, will be achieved by understanding and acknowledging that municipal-wide service delivery programmes need to be implemented in a manner that enhances local procurement of goods and services, employment creation and business retention and expansion.

## **5.4 Future research**

As previously indicated this particular study only focused on LED conceptualization within the Ugu district. Only LED practitioners were engaged in the process. There are, however, other areas which the study did not focus on, which may need to be explored in future research in order to answer important issues. The following issues, which emanate from the results will need to be researched further in order to provide an insightful understanding of LED.

- The role of sector departments in the IDP formulation at municipal level
- The exploration of what constitutes a conducive or enabling environment for LED
- The role of traditional authorities in local economic development
- The exploration of Corporate Social Investment (CSI) as a LED-focused mechanism.

## **5.5 Summary**

Local economic development has not been a resounding success. Implementation has been sporadic and fragmented. This can be partly attributed to the fact that not much has been done in terms of policy development to guide implementation apart from the LED Framework and the White Paper on Local Government promulgated in 1998. Therefore poor implementation may to a certain degree be an outcome of poor conceptualization in the first place. The motive for the study was therefore to specifically review LED conceptual thinking that currently informs implementation. Also critical was to find the level of capacity and readiness for LED practitioners to adopt the earlier-advocated CAS perspective, mainly as a theoretical basis for LED conceptualization. In order to do this, the study proposed the following four critical questions which needed to be answered.

- How is local economic development understood and conceptualized by local actors at municipal level in Ugu?
- What are the major attributes and relations that constitute such local economic development conceptualization in Ugu?
- How has local economic development conceptualization shaped its implementation in Ugu?
- What insight can complexity theory offer in conceptualizing LED in Ugu?

The findings revealed that conceptualization of LED-focused programmes and interventions in general is still a problematic area. There are issues which continue to undermine LED implementation, and such issues are also at the core of conceptualization. This indicates that although implementation has experienced its own challenges, conceptualization has its own anomalies which have far reaching consequences. Issues have been broadly categorized as LED conceptualization and organizational and institutional linkages. In terms of the new perspective being advocated for, the Complex Adaptive Systems, it has been revealed that apart from acknowledging the multi-dimensionality of LED, LED practitioners are not yet at a level in which they can fully adopt the perspective. Further, a LED direction which focuses on pro-growth seems to be an appropriate approach given its emphasis on entrepreneurship development. However such an approach has challenges of its own. These are structural and may need a greater amount of time to be addressed. However, there seems to be consensus on the urgency to resolve them.

In concluding, LED is indeed a complex matter. Over and above its complexity there are various agents who continuously engage in order to make LED a reality. Therefore, the conceptualization of LED should be done in such a manner that takes all important elements into account, and in the process advocates for the emergence of outcomes. LED is therefore not a process. It is an outcome of continuous evolution and co-evolution among agents, who together with their environments shape, what should be termed, local economic development.

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**Appendices**

Appendix 1 – Questionnaire

**UNIVERSITY OF KWAZULU-NATAL  
LEADERSHIP CENTRE**

**Research Project for:**

**Master of Commerce in Leadership Studies (LED Programme)**

INTERVIEW QUESTIONNAIRE

FOR MUNICIPALITIES, BUSINESS ORGANIZATIONS, CIVIL SOCIETY AND SECTOR DEPARTMENTS

**INTRODUCTION:**

Participant and organization information:

Name of Participant:.....
Organization:.....
Job Title:.....

**Section A: Organizational information**

1. Type of organization

- Local municipality
- District municipality
- Economic development agency
- Tourism development agency
- LED-focused sector department
- Civil society organization
- Organized business organization
- Other: \_\_\_\_\_

2. Programme focus as per your organizational mandate

- Infrastructure development
- Poverty alleviation
- Conventional / Orthodox LED
- Social development
- Other: \_\_\_\_\_

3. Level of involvement within your organization

- Executive
- Senior or top management
- Middle management
- Lower management
- Other: \_\_\_\_\_

**Section B: Project / Programme conceptual formulation**

1. What is your specific role in terms of project / programme implementation?

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.....  
.....  
.....

2. Which projects and programmes would you consider as critical in terms of your current involvement?

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3. What informed the decision to implement such project(s) or programme(s)?

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4. What was the level of your involvement in the project / programme conceptualization?

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.....  
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5. How do you conduct monitoring and evaluation of your projects / programmes?

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.....  
.....

6. If you were to be offered an opportunity to review conceptualization of such projects, would you consider it?. If yes, what would you review?

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7. Briefly describe your understanding of local economic development?

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.....

8. What would you consider as critical challenges to local economic development within the district of Ugu?

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9. What would you consider as specific LED challenges within or impacting directly in your workplace?

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.....

10. Briefly, how would you address such challenges as raised in question 8 and 9 above?

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.....

11. Which interventions can you regard as LED successes, both within the district as well as specifically in your locality, and why do you consider such as LED successes?

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**Section C: IDP, organizational and Institutional linkages**

1. What is your understanding of Integrated Development Planning, often institutionalized as IDP documents?

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2. What is your personal view and understanding of local economic development strategies?

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3. In your view, how is the level of cooperation between local government, business community and civil society in advancing matters of local economic development within the Ugu district?

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4. What is your perception of “*think-tank*” forums such as local economic development forums?

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5. Which platform do you currently employ in your workplace in ensuring project and programme alignment with the rest of stakeholders?

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6. How often do you formally meet other stakeholders who share similar LED interests and aspirations, either organizationally or personally?

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7. Given the three main role players in local economic development, namely government, business sector and civil society, in your opinion which specific roles should each role player play in order to realize cohesive and sustainable results?

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8. In terms of broader organizational and institutional shape, which route would you like LED as a development mandate to take?

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**Section D: Macro economic policy linkages**

1. What is your understanding of “*The New Growth Path*”, and how can LED particularly at local government level enhance and significantly add value towards the realization of the new growth path objectives?

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2. Can you briefly indicate your understanding of both, the KZN Provincial Growth and Development Strategy as well as KZN Provincial Spatial Economic Development Strategy?

.....  
.....

3. In your opinion, does your organization factor in such strategies in its programmes or project formulation?

.....  
.....

**Section E: General development issues**

1. Skills availability and capacity are often cited as key factors in LED. In your opinion are these two related issues of great concern within the district? If Yes, How?

.....  
.....

2. What is your broader understanding of poverty and its impact on LED?

.....  
.....

3. In closing, sum up LED interventions' effectiveness, both pro-poor and pro-growth in the last five years?

.....  
.....

**Thank you for your time.**



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16 May 2011

**Mr PC Khambule (982183704)**  
Leadership Centre  
Faculty of Management Studies  
Westville Campus

Dear Mr Khambule

**PROTOCOL REFERENCE NUMBER: HSS/0215/011M**  
**PROJECT TITLE: The impact of LED conceptualization on the current implementation: A case study of Ugu district**

In response to your application dated 13 May 2011, the Humanities & Social Sciences Research Ethics Committee has considered the abovementioned application and the protocol has been granted **FULL APPROVAL**.

Any alteration/s to the approved research protocol i.e. Questionnaire/Interview Schedule, Informed Consent Form, Title of the Project, Location of the Study, Research Approach and Methods must be reviewed and approved through the amendment /modification prior to its implementation. In case you have further queries, please quote the above reference number.

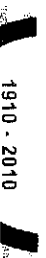
**PLEASE NOTE:** Research data should be securely stored in the school/department for a period of 5 years.

I take this opportunity of wishing you everything of the best with your study.

Yours faithfully

.....  
**Professor Steven Collings (Chair)**  
**HUMANITIES & SOCIAL SCIENCES RESEARCH ETHICS COMMITTEE**

cc: Supervisor: Dr S Bodhanya  
cc: Mrs Christel Haddon



100 YEARS OF ACADEMIC EXCELLENCE