

UNIVERSITY OF KWAZULU NATAL

**ANALYSIS OF RURAL LOCAL ECONOMIC DEVELOPMENT
IN THE MTHONJANENI LOCAL MUNICIPALITY**

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DECLARATION

I Khulekani Calalabo Zulu declare that:

- i) The research reported in this dissertation, except where otherwise indicated is my original research.
- ii) This dissertation has not been submitted for any degree or examination at any other university.
- iii) This dissertation does not contain other persons' data, pictures, graphs or other information, unless specifically acknowledged as being sourced from other persons.
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ABSTRACT

Local government has a constitutional mandate to promote social and economic development for its citizens within the available financial capacity. The sphere of local government is therefore charged with the responsibility of influencing the shape and direction of local economic development (LED) in its area if the government in general is to attain the national objectives and service delivery targets aimed at creating more job opportunities and eliminating poverty. Effective and constructive local economic development initiatives are needed especially in rural areas to deal with unemployment and poverty that have an adverse effect on society. The rural people of Mthonjaneni Municipality are also affected by these socio-economic challenges hence the study analyses the municipality's role and capability in assisting its communities.

The study indicates that with the advent of democracy people within all communities of South Africa wish to see evidence of local government changing their lives for better through LED projects. This expectation becomes a challenge and a perfect opportunity for local government to make meaningful impact by developing LED strategies aimed at improving the standard of living for its citizens. The LED strategy is a locally driven process through which all LED stakeholders work to create a conducive and sustainable environment that enhance economic stability.

The research looks at the concept of rural LED as defined by many scholars and investigate its implementation with the Mthonjaneni Municipality as well as the impact it has on its community. The study provides a background of the Mthonjaneni Municipality by looking at the demographic factors and its geographic location; the current state of rural LED in the municipality together with any other future LED initiatives. Further, by using qualitative research methods, the study analyses whether rural LED initiatives especially municipal funded projects, are successful in alleviating poverty in the Mthonjaneni Municipality. The study established that there are gaps requiring special attention by the Mthonjaneni Municipality in terms of deploying more financial and human capital resources.

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ABBREVIATIONS

ANC	African National Congress
COGTA	Corporate Governance and Traditional Affairs
CUED	Council of Urban Economic Development
CSI	Corporate Social Investment
DFI	Development Finance Institution
DPLG	Department of Provincial and Local Government
GDP	Gross Domestic Product
IDP	Integrated Development Plan
LED	Local Economic Development
MTSF	Medium Term Strategic Framework
PDI	Previously Disadvantaged Individuals
PGDS	Provincial Growth Development Strategy
PRF	Poverty Relief Fund
PRP	Poverty Relief Programme
RDP	Reconstruction and Development Programme
SADEC	South African Development Community
UNDP	United Nations Development Region

CHAPTER ONE

BACKGROUND AND STATEMENT OF THE PROBLEM

1.1 INTRODUCTION

This chapter introduces an analysis of how rural LED in the Mthonjaneni Municipality reduces unemployment and poverty especially among youth and women residing in municipal rural areas. The chapter also provides a background to the problem and identifies the rationale of the research. It then proceeds to discuss the principal theories on which the research rationale is based. Against this backdrop, the chapter highlights the research objectives, questions and methodologies used in the study to analyse the impact of municipal LED in rural communities.

1.2 BACKGROUND AND RATIONALE OF THE RESEARCH

Rural communities in South Africa are faced with a number of development challenges emanating largely from discriminatory practices and policies of the past. Such challenges include lack of access to basic infrastructure and a range of socio-economic and political issues affecting society such as poverty, unemployment and inequality. The communities of the Mthonjaneni Local Municipality are no different they are faced with the same challenges relating to lack of access to basic infrastructure, lack of services delivery and no income generating ventures, all of which prevent the meeting of basic human needs by the government. The challenges are further escalated by the limited opportunities for communities in this municipality. Many of the residents have no appropriate skills, no income and little capacity to improve their quality of life, and cannot make a decent living for themselves and their families. As a result, rural people are faced with development challenges ranging from joblessness, poverty, lack of access to public

services as well as the existence and threat of the HIV/AIDS pandemic. Despite having gained a democratic government seventeen (17) years ago and despite the assurances given to voting communities by government on better service delivery, rural communities still long for proper and equitable allocation of national resources to meet their socio-economic development needs.

The Mthonjaneni Municipality falls under the uThungulu District Municipality which is located in the north-eastern region of the KwaZulu-Natal province on the eastern seaboard of South Africa. The municipality extends its jurisdiction over the town of Melmoth; with the rest of the municipal area consisting of traditional/ rural settlements as well as commercial individually-owned and company-owned farms. Melmoth Town is the administrative centre for the entire municipality and provides for the headquarters of the municipal council as well as administrative departments. In the Mthonjaneni Municipality many households and individuals especially in rural areas solely depend on government social grants, informal trading and subsistence farming for survival. Formal and informal employment opportunities are in the small town of Melmoth, the main administrative node of economic significance within the municipality. This has resulted in a negative impact on the surrounding rural areas, since the majority of inhabitants in these areas are from a low-income group (Mthonjaneni IDP Review: 2010). Persky (1993) recognizes that urban areas have a greater variety of production than rural areas and these rural areas are likely to specialize in relatively few local economic development activities. On the other hand Prahalad (2006) maintains that a better approach is needed to help the poor, an approach that involves partnering with them to innovate and achieve sustainable win-win scenarios where the poor are actively engaged.

In Africa, South Africa has a relatively better economy, with an advanced level of infrastructure. It is thus regarded as a beacon to other African countries especially those in the SADC region (Mbeki. 2005). Different developmental programmes and initiatives at National, Provincial and Local government level have been implemented over the past seventeen years. Taylor and Mackenzie (1992: 35) confirmed this by stating that throughout the colonial history, colonial state policies favoured the white areas, thereby creating a dual socio-economic structure, which was characterized by wide spatial

inequalities. South Africa's democratic government has sought to reduce racial and spatial inequalities by giving priority to the development of the previously marginalized areas that are home to the majority of rural communities.

In almost all settler societies, land was divided along racial lines. Blacks were settled in areas that experienced low and unreliable rainfall, poor sandy soil derived from granitic rock formation, as well as large tracts exposed by granite domes which reduce the amount of land available for cultivation (Taylor & Mackenzie 1992: 37). Davis & Rylance (2005: 9) argued that apartheid created separate local government structures, both urban and rural, most of which were under-resourced and unable to service the needs of their communities.

The social situation of the historically disadvantaged population of South Africans in rural areas is characterized by relatively low standards of living and high rates of unemployment and poverty (Labour Force Survey of Statistics, 2003; Poverty and Inequality Report, 1998). While achievements made over the last seventeen (17) years of democracy in addressing the social needs of the poor are quite impressive, concerns remain over the sustainability of these often strongly subsidized interventions (Bond, 2003; Rogerson, 2003). Another question in point concerns the extent to which these interventions have contributed towards long-term growth and improved income generation for disadvantaged households.

Local Government Municipal Systems Act No. 32 of 2000, Chapter 8, Section 73 states that a municipality must give effect to the provisions of the Constitution and:

- (a) *give priority to the basic needs of the local community and*
- (b) *Promote the development of the local community and ensure that all members of the local community have access to at least the 50 minimum levels of basic municipal services.*

Section 151 of the Constitution of the Republic of South Africa Act 108 of 1996, Chapter 7 points out that local government objective includes the following:

- a) *To promote social and economic development*
- b) *To encourage the involvement of communities and community organisations in the matters of local government*

The White paper on Local Government (1998) dictates that the present local government system should ensure that all communities have access to basic services where everyone can participate in decision making and planning process, that job opportunities increase and local resources are used wisely to improve the quality of life for everyone now and in the future. The present local government system places a strong emphasis on people-centered development by encouraging rural communities to engage in meaningful social and economic development issues affecting their lives. The Department of Constitutional development (1998 b: 1) describes local government as “the hands and feet” of reconstruction and development in South Africa. Local Government is at the heart of the development process in South Africa.

Thus the local governments in South Africa are confronted by issues or problems and challenges. One of these is the challenge of LED and the role of local municipalities in this regard. The responsibility for stimulating economic growth and job creation is a challenge that local municipalities must confront.

1.3 PROBLEM STATEMENT

Many South Africans reside in rural areas where the legacy of apartheid has led to their underdevelopment. The underdevelopment of black areas was sustained by non-viable incentives that promoted the aims of separate development. As mentioned earlier, the residents of the Mthonjaneni Municipality are also faced with this painful reality. Poverty is understood and defined by different people in many ways, both locally and internationally. Prominent among these perspectives are, deprivation, isolation, and lack of income and physical assets such as land. These characteristics impair people’s sense of wellbeing (Theron, 2005: 37). Throughout the world, the struggle against poverty is probably the biggest challenge that faces government today. As a result, the debate

regarding the most effective way of alleviating and reducing poverty continues (Bamberger and Aziz, 1993:3).

The central problem of this study is to find out whether rural communities of the Mthonjaneni Municipality especially women and youth participate in rural local economic development initiatives, and whether LED funded projects succeed in addressing unemployment and poverty. Mthonjaneni Local Municipality like other rural municipalities in South Africa faces its fair share of challenges in terms of service delivery and local economic development. This is exacerbated by the geographical characteristics of the mountainous terrain, as well as long distances between rural areas and the urban centers. Levels of poverty within Mthonjaneni Local Municipality are high, with very huge development and service delivery backlogs. There is therefore a great need to ensure proper allocation of scarce resources to address rural local economic development challenges which require the involvement of all stakeholders through the IDP processes.

Taylor and Mackenzie (1992: 38) argue that throughout Africa, the various strategies for rural development that have been put in operation have largely failed to alleviate the deprivation that rural communities experience and as such most rural people have been left to their own devices. The high unemployment rate in rural areas has hindered development processes. In most rural areas agriculture is the only source of employment but it is still characterized by low levels of productivity hence it can not absorb a large workforce.

All these challenges pose a very difficult question over the role and impact of intervention strategies such as LED. Does rural LED in Mthonjaneni Municipality as an economic development strategy serve as an answer to these desperate rural communities? I strongly believe that an analysis of LED in the Mthonjaneni Local Municipality will help me, municipal senior officials, municipal executive councilors and the general community to find and understand the role and impact of LED in poverty eradication especially in rural areas. This will help to redefine the current rural LED strategic documents of this municipality and will also assist in identifying the gaps in the local

structures that will be attended to in future. To analytically understand and define the LED strategy a range of theories are discussed below.

1.4 PRINCIPAL THEORIES THAT FORM THE FOUNDATION OF THE RESEARCH PROJECT

Two of the hallmarks of the latter part of the 20th century and the early years of the 21st century in terms of development theory and practice have been, firstly, the significant attention devoted to addressing poverty – most profoundly articulated in the United Nation’s Millennium Development Goals and secondly, the reality that, in an era of decentralization and globalization, localities and their responsible authorities are increasingly playing a key role in applied development (World Bank Report, 2006). It is thus important to recognize macroeconomic measures at the national level as well as microeconomic measures at the local level. To establish an appropriate research rationale and framework, it is imperative to consider the relevance and impact of different development theories on rural local economic development challenges. Burkey (1993:27) points out that the field of development studies is a jungle, inhabited by theories, counter-theories, approaches, paradigms and programmes of all sizes, shapes and colors.

Three development theories were of influence immediately after the Second World War, namely the modernisation theory, the dependency theory and the humanistic theory. Burkey (1993:27) argues that the development theory has until recently been dominated by theories and models derived from the experiences of Western economic history; the emergence of capitalism and the advance of the industrial revolution gave a distinctive form of Western development thinking. An analysis of these theories and their relevance to this study is discussed below.

1.4.1 The Modernisation theory

Theron (2008:6 cites Schuurman 1996, Martinussen 1997, and Rahnema and Bawtree 1997) by pointing out that the modernisation theory argues for the developing countries to simply imitate the developed First World countries. The argument put forward is that the modernisation approach to development was a success story in the West and Japan. Although South Africa a developing country leans towards the modernisation approach it

however has adopted the people-centred approach to development because the trickle down effect of the modernisation approach failed to reach the grassroots levels. The only way the rural residents of Mthonjaneni Municipality can change their lives is through people-centred approach to development, particularly through local economic development initiatives using their own resources and skills to better their livelihood. Korten (1984:299) and Gran (1983:154), in Mohaneng (2008:125), argue that the modernisation paradigm was criticised for emphasising materialism and negating ethical issues in development.

1.4.2 The Dependency Theory

Burkey (1993:28) noted that the dependency theory of underdevelopment was formulated by a number of Latin-American economists and social scientists. The theory questioned the assumed mutual benefits of international trade and development asserted by European and American proponents of modernisation and growth theories (Burkey, 1993:28). The dependency theory maintained that the central nations benefited from trade whereas the peripheral nations suffered (Burkey, 1993:28). According to Dhlodhlo (2010: 21) the essence of the dependency theory is that undeveloped nations are dependent on developed countries for trade, skills, technology, finance, etc. and that they cannot do anything for themselves, and are disinclined to depend on themselves for resources and intellectual capital so that their situation can change for the better.

Burkey (1993:28) indicates that the central argument of the dependency theory is that socio-economic dependency (neo-colonialism) generates underdevelopment. Some reasons for underdevelopment are to be found in the terms of trade which favoured the economic and political power, the finance and technology which were controlled by the major countries. In focusing on LED, South Africa is making an attempt to break from the dependency syndrome that characterizes many developing countries. Mthonjaneni municipality's LED seeks local solutions to local economic development challenges and is as such a tool to break away from some restrictions imposed by the district, provincial, national and sometimes international trade.

1.4.3 The Humanist Theory

Theron (2008:7) reminds us that the humanist paradigm came about as a result of the failure of the other two paradigms to give a clear direction to the development debate. (Theron, 2005: 104 – 110) in Theron (2008: 7) asserts that the growing support for this paradigm is based on the recognition of people-centred and participatory development specifically the meaning-giving, micro level of development and a call for people-centred and participatory development. Theron (2008:7) further argues that the failure of the prescriptive, top-down, mechanistic and modernization type of development approach applied in developing countries as a recipe for development, led to the awakening realisation during the 1980s that these paradigms did not provide the right solutions to the problems of the developing world.

In recent years, with the expansion of LED activities, there has been a shift away from these traditional approaches to more people-centred approaches and to LED (Abrahams, 2005: 133). In line with this thinking, Abrahams (2005: 133) suggests that the emphasis is now on indigenous growth from within the city or town where the city or town utilizes its own unique benefits and strengths. This development theory stems out of the fact that, since development is about the rural people of Mthonjaneni Municipality and seeks to transform the quality of their lives, it is of paramount importance that people should have a direct stake in developmental issues and must have a sense of ownership.

According to Dhlodhlo (2010: 22) this theory is closely associated with the whole notion of LED because it seeks to address challenges faced by local people in their localities. In addition to that, local government is in direct contact with the local people and better placed to respond to their daily needs. Contemporary local government has extended its scope from urban to rural areas and has been assigned by the national government to improve the quality of life of local citizens and to play a meaningful developmental role. The above development theories give a picture of the notion of development.

Further this study is of the view that LED strategies appear to be informed by the modernization theory and do not take into consideration people – centred principles as promoted by the humanist theory. This hypothesis will be tested against the data collected

through the questionnaires and interviews. General studies and analysis have been made on local economic development but, Mthonjaneni Local Municipality has never been given any particular attention in the past.

1.5 OBJECTIVES OF THE STUDY

The focus of this study is to analyse the role of rural Local Economic Development in reducing unemployment and poverty in the Mthonjaneni Local Municipality. According to Etienne Nel (2009: 234) LED has become a new development option in post-apartheid South Africa and further afield. However, it is an approach that has yet to prove itself, as being an intervention that can realistically make a meaningful and sustainable contribution to local development on a widespread basis. In the majority of South African small towns and rural areas the most important local development issues are centred on dealing with economic decline and problems of severe poverty under limited capacity and limited resources (Nel, 1997, Xuza, 1999; Nel, Hill, Aitchison *et al*, 2003; Nel, 2004).

This study sought evidence of successes, failures and the nature of actions that the municipality must implement with the aim of improving the lives of its rural poor communities. It also sought to build on existing research and to undertake new methods where there are specific gaps that need closer attention and intervention. The emphasis is on what Mthonjaneni Local Municipality has done in terms of acting as a catalyst or as a key locus of intervention. The study sought analytical outputs, lessons and examples and to gauge the effectiveness of interventions. The objectives of the study are:

- To study the role of Mthonjaneni municipal council (councilors and officials) in developing rural local economy;
- To analyze and reflect on problems with regards to practical implementation of rural local economic development strategy and social up-liftment programmes in Mthonjaneni Local Municipality; and

- To make recommendations to Mthonjaneni Local Municipality council with regards to improvements in municipal rural local economic development plan and its implementation strategies.

1.6 KEY QUESTIONS TO BE ASKED

The research is designed to ask and answer the following key preliminary questions in relation to rural local economic development in the Mthonjaneni Municipality;

- What rural local economic development strategies have been put in place in the Mthonjaneni Local Municipality to reduce poverty and unemployment?
- What are the major LED challenges at Mthonjaneni Local Municipality and what support systems exist for LED?
- What is the role of different stakeholders' and agents in the development and implementation of rural Local Economic Development strategy?
- To what extent do Mthonjaneni rural communities especially women and unemployed youth participate in LED programmes in the municipality? And
- What is the impact of rural Local Economic Development strategies on socio-economic issues affecting the Mthonjaneni Local Municipality?

1.7 RESEARCH METHODOLOGY

This study is qualitative in nature and required careful description and evaluation of data. It uses a literature analysis based on primary and secondary sources, supplemented by structured questionnaires administered to the participants of LED projects at Mthonjaneni Local Municipality.

Qualitative research concerns itself with an assessment of a situation expressed in words (Monobe, 2001: 104). It has to do with qualities rather than quantities or figures.

Babbie and Mouton (2007:104) define a research design as a plan or structured framework of how one intends to conduct the research process in order to solve the research problem. A research design is a plan or blueprint of how you intend conducting the research (Mouton, 2006:55). This research is made up of the following characteristics: It is conducted in a natural setting and the researcher is the key instrument for collecting data. The researcher visited Mthonjaneni Local Municipality to learn about LED challenges facing rural women and youth. Individual interviews were conducted with the Mthonjaneni Municipality's Mayor, Speaker, (to obtain a political perspective on rural LED) Municipal Manager, LED Officer, and LED Projects Steering Committee members from wards 2 to 6.

According to Bless and Higson-Smith (2000: 37), qualitative research is conducted using a range of methods which use qualifying words and descriptions to record and investigate aspects of social reality. They further state that qualitative research methodology deals with data that is principally verbal between the researcher and the respondent rely heavily on one-on-one and group interviews that are unstructured. The qualitative research design is therefore preferred for the proposed research because of the qualitative nature of the data to be gathered.

1.8 DELIMITATION OF THE STUDY

The uThungulu District in which Mthonjaneni Local Municipality falls is characterized by low levels of urbanization; approximately 80% of the people live in the rural areas as compared to other District municipalities in the Province. Pockets of wealth are surrounded by vast areas of abject poverty. The challenges faced by the municipality are rural poverty, unemployment and inequality (uThungulu District IDP Review, 2009/10: 28).

It would have been ideal to conduct the study in all the municipalities within the District but, because of the limited time frame and financial constraints, the research focused only on the rural local economic development for the Mthonjaneni Local Municipality which

is the most poorest with very limited funding and no private sector involvement in terms of corporate social investment (CSI). The research used different concepts which may produce different interpretations by different researchers. It is therefore crucial to define these terms as shown next in the context within which they should be understood in this research so as to avoid unnecessary ambiguity.

1.9 DEFINITION OF CONCEPTS

1.9.1 Local Economic Development

Zaaijer and Sara (1993: 129), defines LED as a process in which local governments and or community based groups manage their existing resources and enter into partnership arrangements with the private sector, or with each other, to create new jobs and stimulate economic activity in an economic area.

The concept of LED according to Blakely 1994 xvi (in Nel, 2001: 1005) on one hand, is based on the promotion of local approaches that respond to local needs and conditions that focus on encouraging local participation and consensus building in order to determine economic and social welfare initiatives for the locality and the community. DPLG defines LED as an outcomes based approach on local initiatives and driven by local stakeholders involving identifying and using primary local resources, ideas and skills to stimulate economic growth and development to create employment opportunities for local residents, alleviate poverty and redistribute resources to benefit all (DPLG, Internet: 2005. *www.dplg.gov.za*).

For the purpose of this study therefore, LED is defined as a strategic programme aimed at empowering Mthonjaneni municipality's community economically in their local areas, by using local resources, local labour, local leaders in partnership with locally elected councilors and other government departments in order to create job opportunities and equitable distribution of local economy to improve the quality of life for the local people.

1.9.2 Municipality

According to Local Government Municipal Systems Act, No. 32 of 2000, a municipality is an organ of state within the local sphere of government exercising legislative and administrative authority within an area determined in terms of the Local Government Municipal Structures Act, 1998. It consist of the political structures community and administration of the municipality and function in its area in accordance with the political, statutory and other relationships between its political structures, political office bearers and administration and its community.

It has a separate legal personality, which excludes liability on the part of its community for the actions of the municipality (Local Government Municipal Systems Act, 32 of 2000).

1.9.3 Municipal Manager

The Municipal Manager is head of the municipal administration appointed by municipal Council in terms of Section 82 of the Local Government Municipal Systems Act, 2000.

The municipal Manager is responsible for the formation and development of an economical, effective, efficient and accountable administration, which is equipped to implement the Integrated Development Plan, operates within the municipality's performance management system, and is responsive to the needs of the local community (Section 55 (1) of the Local Government Municipal Systems Act, 2000 (Act 32 of 2000)).

1.9.4 Integrated Development Plan (IDP)

Chapter 5 of the Local Government Municipal Systems Act, 2000 (Act 32 of 2000) states that an Integrated Development Plan is one that rationalizes the system of municipal planning into a single, comprehensive five year plan linked to the political term of office of councils, but subject to annual monitoring and review. An IDP is a process by which future development is achieved in an orderly, sensibly and manageable manner and financial resources for such development are allocated in a disciplined and responsible way (www.local.gov.za). The IDP is a solution to fast track service delivery.

1.9.5 Development

Development means sustainable development, and includes integrated social, economic, environmental, spatial, infrastructural, institutional and organizational and human

resources up-liftment of a community (Local Government Municipal Systems Act, 2000 (Act 32 of 2000)). It is a process aimed at promoting and improving the living conditions of the community through the creation of new jobs, the retention of existing jobs and the generation of income.

1.9.6 Community Participation

De Beer and Swanepoel (2002: 20) stated that, community participation is normally associated with the actions of communities, groups, or individuals in relation to development, improvement or positive change of an existing, less acceptable situation. Community Participation enables an active democracy that gives voice to people who may not usually be heard and acknowledges differences between individuals and groups. Fagence (1977: 19) defines participation as the "... actual involvement in the design and delivery of policies". Fagence also points out that the difference between participation and the demands for more consultation or better redress of grievances should not be confused with one another.

1.9.7 Rural development

Dixon (1993: 56-57) defines rural development as a strategy designed to improve the economic and social life of a group of people, that is, the rural poor. The concept involves extending the benefits of development to the poorest among those who seek livelihood in the rural areas, including small-scale farmers, tenants and landless. According to Coombs and Ahmed (in James, 1995: 14), rural development is not just simply about agricultural growth. These two authors suggest a broader view that equates rural development with far-reaching transformation of social, economic and cultural structures. The general goal of rural development according to the authors is generation of new employment, more equitable nutrition, greatly broadened opportunities for all individuals to realize their full potential through education and a strong voice for all rural people in shaping the decisions and actions that affect their lives (James, 1995: 114).

1.10 STRUCTURE OF THE DISSERTATION

The dissertation is structured as follows:

Chapter One:

This chapter addresses the general research overview wherein empirical observations of the researcher in defining the nature, scope and extent of the research problem is investigated.

Research questions, objectives, design, methodology as well as the theoretical foundations are conceptualized. It also defines key terms and concepts in order to avoid the inconsistent usage and interpretation.

Chapter Two:

This chapter is a review of literature on of local economic development transformation in South Africa from pre-democratic era to the post 1994. A comparison between the practices of the previous government and the current one gives a view of the effectiveness or ineffectiveness of the Mthonjaneni Local Municipality's rural Local Economic Development strategy. Secondly, this chapter presents a theoretical analysis of the concept of LED, and an evaluation of the developmental role of Local Government. Lastly, the chapter focuses on the role of LED in municipalities, as well as the notion of rural local economic development in reducing unemployment and poverty.

Chapter Three

This chapter looks at the demographic factors, location as well as the state of LED in Mthonjaneni Local Municipality. The chapter further deals with key areas in the LED strategy as well as proposed future developments associated with rural LED.

Chapter Four

This chapter focuses on data analysis as well as the observations of the researcher. This analysis gives an account of whether the rural local economic development programmes proposed and used by the Mthonjaneni Local Municipality are effective in improving the lives of the community especially in rural areas.

Chapter Five

This chapter presents the overall conclusions drawn from the research. In addition, it suggests recommendations based on the opinions, viewpoints and critiques of rural local economic development for the Mthonjaneni Local Municipality.

1.11 CONCLUSION

The recommendations of this study may assist the Mthonjaneni Municipality in addressing rural LED bottlenecks and unlock all related hindrances identified by the researcher. Working together with the senior political leadership, municipal management and the rural communities identified from selected funded LED projects could reduce poverty in the municipality. The following chapter outlines the LED theoretical framework and transformation of LED in South Africa.

CHAPTER TWO

THEORETICAL FRAMEWORK - TRANSFORMATION OF LOCAL ECONOMIC DEVELOPMENT IN SOUTH AFRICA

2.1 INTRODUCTION

This chapter highlights the transformation of local economic development in South Africa from pre-democratic to the current democratic dispensation of the country. It outlines the policies and strategies that were applied in each era. In this way, a comparison between the practices of the pre-democratic and the current government is explored. LED within the South African context is also investigated. Initially LED is defined and described and the importance of LED is pointed out, as well as the role of local municipalities in this regard. The purpose of this section is to first understand LED in general, before explaining other aspects of LED in South Africa. The background and legal framework of LED in South Africa will subsequently be discussed.

Thereafter, the focus will be on LED strategies in South Africa. This will be approached from an international, SADC and South African point of view. The planning cycle, LED planning process and the implementation of LED, will be investigated. The focus will also be on the role of municipalities in this regard. Lastly, deductions and conclusions of the chapter will be given.

2.2 THE CONCEPT OF LOCAL ECONOMIC DEVELOPMENT (LED)

According to Pretorius (2005) LED is a process where local actors shape and share the future of their territory. On the other hand the Municipal IQ (2009) regard LED as an ongoing process whereby key stakeholders and institutions from all spheres of society work jointly to create a unique advantage for the locality and its firms, tackle market failures, remove bureaucratic obstacles for local business and strengthen the competitiveness of local firms. It is a participatory process in which local people from all sectors work together to stimulate local commercial activity, resulting in a resilient and

sustainable economy. It is a way to help create decent jobs and improve the quality of life for everyone, including the poor and marginalized (UN-HABITAT. 2005). Swinburn et al. (2006) define it as a process where the public, business and non-governmental sector partners work collectively to create better conditions for economic growth and employment generation. According to the World Bank (2004) LED is about local people working together to achieve sustainable economic growth that brings economic benefits and quality of life improvements for all in the community. “Local economic development is an approach towards economic development which allows and encourages local people to work together to achieve economic growth and development thereby bringing economic benefits and improved quality of life for all residents in a local municipal area” (DPLG. 2006).

Different writers and researchers define LED in different ways but the concept behind it is development and empowerment of local people and improvement of the standards of living for the local citizens. LED is about local people working together to achieve sustainable economic growth that brings economic benefits and improvement in the quality of life for all in the community. Another challenge that is posed by the philosophy of LED is the creation of jobs for local people and the capacity of local government institutions to create sustainable jobs (Bond, 2005: 131). LED is now widely practiced around the world and is closely associated with decentralization and devolution policies and localized responses to either economic crises and job loss or new wealth-generating opportunities (Nel & Rogerson, 2007: 1). The justification for LED as a cure for unemployment and poverty rests upon one central fact; people are less mobile than capital (Lewis, 2001: 2). Bond (2005: 57) views LED as a discipline that is still coming into its own, with competing strands of argumentation still generating conflict.

Bond (2005: 57) further points out that, at the root of the conflict, is a debate over whether traditional types of local strategies (a) are working, and (b) are generating ‘pro-poor’ economic development or simply more ‘uneven development’. In the contemporary world, a significant amount of power has been placed in the hands of local authorities to formulate policies and programmes on LED as a way of alleviating poverty and creating jobs for local people.

LED is seen as a tool for achieving development and is increasingly becoming an important core function of local government (Bond, 2005: 131). In addition the author observes that local governments are faced with the challenge of developing sustainable settlements that will meet the basic needs of local communities and, simultaneously, improve their quality of life and contribute to the growth of the local economy in South Africa.

2.3 LOCAL ECONOMIC DEVELOPMENT IN SOUTH AFRICA

Under apartheid spatial planning, heavy emphasis was given to top-down regional policy interventions which were centred upon promoting industrial decentralization in the country's peripheral Homelands or Bantustan regions (Rogerson, 1994). According to Nel (2001: 109), development policies and initiatives under apartheid were rigidly applied to ensure that the central government gained control over all aspects of the society, which led to the suppression of locally based development initiatives. This became an important part of the rationale for the implementation of LED (Simon, 2003: 140-141). According to Freund and Lootvoet, (2004: 3 – 4), LED in South Africa also occurs in rural areas and has become a leading strategy in the improvement of social and economic conditions of the poor. LED planning was undeveloped and confined largely to a scatter of small initiatives for 'place marketing' designed to attract inward investment. Seathal (1993) in Maharaj and Ramballi (1998: 132) points out that, since the 1970s, South Africa has experienced serious economic crises influenced in part by the global recession, as well as the inherent contradictions in apartheid. These problems are exacerbated by economic sanctions imposed by the international community so as to force the then ruling party into abandoning apartheid policies.

During the mid-1990s post-election phase, LED in South Africa, like many different policy interventions, was actively explored as an alternative to the stranglehold of previous apartheid and associated top-down structures (Nel & Rogerson, 2007: 2). Maharaj and Ramballi (1998: 132) acknowledge that, since February 1990, South Africa has undergone a process of political transition which culminated in the democratic elections which were held in April 1994. The transformation phase to a democratic society has been characterized by the demise of top-down regional development planning

and an accompanying rise of LED initiatives (Rogerson, 1994, in Maharaj & Ramballi, 1998: 132). LED first emerged on the contemporary development scene in South Africa in the 1990s and since then has been elevated from an isolated local development initiative to an intervention which all local authorities are now obligated to pursue in terms of various government policies and the requirements of the national constitution (Nel & Rogerson, 2007: 2). Robbins (2005: 64) argues that towns and cities of developed countries had been explicitly tackling their LED challenges since at least the 1960s.

However, it was only during the processes of post-apartheid that local government transformation in the 1990s that LED emerged as a significant and explicit area of local government interest (Robbins, 2005: 64). In order to foster the growth of local economies, broadly representative institutions had to be established to address LED needs (Tomlinson, 2003: 114). The South African government introduced policy framework to ensure commitment to LED by all stakeholders as discussed in the following section.

2.4 POLICY FRAMEWORK FOR RURAL LED IN SOUTH AFRICA

The White Paper on Local government (1998) introduces the concept of “development local government” which is defined as local government committed to –working with citizens and groups within the community to find sustainable ways to meet their social, economic and material needs, and improve the quality of their lives. However the same document makes it clear that local government is not directly responsible for creating jobs. Rather, it is responsible for taking active steps to ensure that the overall economic and social conditions of the locality are conducive to the creation of employment opportunities. The White paper states that the powers and functions of local government should be exercised in a way that has a maximum impact on the social development of communities, particularly in meeting the basic needs of the poor and on the growth of the local economy (National Framework for LED in SA 2006-2011: 9).

While the Constitution (1996) places great responsibility on municipalities to facilitate LED, the schedule in the Constitution that lists the functions of municipalities does not include LED. This has contributed to an interpretation that sees LED as an un-funded

mandate for municipalities. Rather, there is a clear implication given the juxtaposition of the constitution and its schedule that municipalities have a key role in creating an environment conducive for investment through the provision of infrastructure and quality services, rather than by developing programmes and attempting to create jobs directly.

In linking the international development debates on LED to the South African context, the concept has assumed major importance as a development policy and can be regarded as a post-1990 phenomenon (Meyer-Stamer, 2003: 1, 2). South Africa has the largest economy in Africa, but suffers from a highly dualistic economy, with world class formal economy including a number of multi-nationalists, yet up to 40% of its population is unemployed and dependent for survival on welfare grants and the informal sector (Nel, 2006: 6). Nel (2006: 6) further states that, historically it is known that in highly unequal societies economic growth does not necessarily benefit the poor, and the so-called “trickle down” theory has been widely discredited, whereby it is assumed that by creating wealth for some the benefits would “trickle down” to the poor. Nel & Rogerson (2007: 1) contend that LED is firmly established on South Africa’s development agenda and enjoys widespread acceptance as an applied intervention which is seen as having the potential to partly respond to the country’s development needs. According to Nel, (2006: 6) this debate in South Africa, is seen as occurring between the formal (First) and informal (Second) economy of the country.

Thus the President of the African National Congress (ANC) said that the First Economy is modern and produces the bulk of our country’s wealth, and is integrated within the global economy. The Second Economy (or the Marginalized Economy) is characterized by underdevelopment, contributes little to the GDP, contains a big percentage of our population, incorporates the poorest of our rural and urban poor, is structurally disconnected from both the First and the global economy, and is incapable of self-generated growth and development (ANC Today of 14 November 2003). Increasing emphasis is being placed on LED by the South African government, given the paradigm shift away from local government being viewed as simply delivery agent to the concept of developmental local government. The sustainable LED objectives are all consistent with South Africa’s guiding policy mandates. South African policy and legislative

initiatives clearly provide a sanction for LED. Some of the more important documents in this regard include the following (Nel & Humphrys, 1999:155&156 and IRI & NBI, 1998:52-55).

- The Local Government Transitional Act 200 of 1993 and the Amendment Act of 1996 which requires municipalities to promote economic and social development.
- The Reconstruction and Development Programme (RDP) which required that all spheres of government establish "... a co-ordinated and coherent development strategy."
- The Constitution (Act 108 of 1996) of South Africa which dictates that local government must give priority to the basic needs of the community and should promote social and economic development of the community.
- The Development Facilitation Act (Act 67 of 1995) which allow for actions which can facilitate development. It empowers municipalities to establish statutory land development objectives (LDOs), which set out a clear approach to land development.

The following policy mandates can also be added on the list.

- The Local Government: Municipal Systems Act (Act 32 of 2000) which mandates municipalities to serve as frontline agency for the overall social and economic upliftment of communities.
- The National Development Plan (NDP 2011) which aims to eliminate poverty and reduce inequality by 2030. According to the plan, South Africa can realize these goals by drawing on the energies of its people, growing and inclusive economy and building capacities.

Although the LED policy framework is in place, huge challenges abide and poverty remains alarmingly high. It is against this backdrop that the state is committed to promote economic development. This is done through the Medium Term Strategic Expenditure Framework (MTEF) which is discussed in the next section.

2.5 SOUTH AFRICAN MEDIUM TERM STRATEGIC FRAMEWORK (2009 – 2014)

The Medium Term Strategic Framework (MTSF, 2009 – 2014) builds on the successes of the fifteen years of democracy. It is a statement of intent that identifies the development challenges facing South Africa and it also outlines the medium-term strategy for improvements and conditions of life of South Africans and to enhance contribution to the cause of building a better world (MTSF, 2009: 1). As part of electoral mandate, the ruling party identified the following objectives:

- Half poverty and unemployment by 2014;
- Ensure a more equitable distribution of the benefits of economic growth and reduce inequality;
- Improve the nation's health profile and skills base and ensure universal access to basic services;
- Improve the safety of citizens by reducing incidents of crime and corruption; and
- Build a nation free of all forms of racism, sexism, tribalism and xenophobia.

The ten (10) priority areas to give effect to the above strategic objectives as propagated by the government are as follows:

- More inclusive economic growth, decent work and sustainable livelihoods;
- Economic and social infrastructure;

- Rural development, food security and land reform;
- Access to quality education;
- Improved health care;
- The fight against crime and corruption;
- Cohesive and sustainable communities;
- Creation of a better Africa and a better world;
- Sustainable resource management and use; and
- A developmental state including improvement of public services.

For the purpose of this research, more emphasis is placed on government priority area number three (3) which relates to rural development linked to land and agrarian reform and food security. This is considered to be more relevant to local economic development in rural areas as the ensuing discussion illustrates.

2.5.1 Strategic Priority 3: Comprehensive Rural Development Strategy Linked to Land and Agrarian Reform and Food Security

The Medium Term Strategic Framework (2009) recognizes that between 10 and 15 million South Africans live in areas that are characterized by extreme poverty and underdevelopment. In the rural areas many have an average per-capita income of approximately 9% of the national average (MTSF, 2009 – 2014: 18). Experience cautions against treating geographic spaces and territories (urban or rural) as undifferentiated and homogenous entities in terms of their challenges, opportunities and potentialities. Like urban areas, rural areas are diverse and varied in terms of their basic resources, characteristics and development patterns. Government's approach to spatial development should thus encourage policy actions that are responsive and conducive to the requirements of the different contexts prevailing in each territory, primarily levels of economic potential and location of poverty.

Within this framework of spatial diversity, the overall objective is to develop and implement a comprehensive strategy of rural development that transcends the false dichotomy between rural and urban and that will meet the needs of improving the quality of life of rural households, enhancing the country's food security through a broader base of agricultural production, and exploiting the varied economic potential that each area enjoys. Given the variety of interventions straddling virtually all areas of public policy, the implementation of this strategy will enjoy leadership at executive level, with the primary focus being to coordinate government interventions across all sectors and agencies (MTSF, 2009 – 2014: 19). The elements of the strategy will include:

2.5.1.1 Aggressive Implementation of Land Reform Policies:

It is vital to ensure that land reform (redistribution and restitution) is linked to the creation of livelihoods for the poor and that strategically located land is released for the most appropriate use without delay. Additionally, water allocation reforms should be tied into the land release process. This will promote the expansion of small-scale agricultural production and other economic activities as well as increase housing delivery and reduce the cost of delivery of other basic services. The overall impact of this intervention will be a more efficient use of land as a critical input into the development process (MTSF, 2009 – 2014: 19).

2.5.1.2 Stimulate Agricultural Production with a View to Contributing to Food Security.

Government will support the provision of agricultural implements and inputs to support emerging farmers and households; fence off agricultural areas; make agricultural loans accessible and ensure agricultural extension services of a high quality. Public and Private resources will be marshaled for the implementation of the Agricultural Education and Training Strategy for Agriculture and Rural Development in South Africa. Over the medium term, the aim is to bring about a measurable increase in agricultural output (MTSF, 2009 – 2014: 20).

2.5.1.3 Rural Livelihoods and Food Security:

Through the MTSF (2009) South African government committed to provide agricultural starter packs 140 000 households per annum. The intention of government is to create an environment that ensures that there is adequate food available to all especially women and youth. This will entail shielding valuable agricultural land from encroachment by other developments, supporting communities to grow their own food and protecting the poor from rising food prices. As a consequence of this intervention, rural households should be able to satisfy 60% of their food requirements from own production over the MTSF period.

2.5.1.4 Improve Service Delivery to Ensure Quality of Life:

Recognizing the unique challenges facing rural areas and based on a better understanding of trends in long-term settlement and economic potential, government will increase investment in the delivery of services – including education, health, housing, water, sanitation and energy – using where appropriate alternative technologies to overcome physical and other impediments. Departments that are responsible for delivery of these services will develop spatially targeted strategies to respond to the diverse needs of rural areas. Improving rural service delivery will ensure that South Africa meets its own targets for 2014 which are linked to the millennium development goals (MTSF, 2009 – 2014: 21).

2.5.1.5 Implement a Development Programme for Rural Transport:

Government will intensify the implementation of the Rural Transport Development Programme, which aims at promoting rural transport infrastructure and services through coordinated rural nodes and linkages. This will include non-motorized transport infrastructure, provision of rural transport passenger facilities and rural freight transport logistics. The objective is to improve mobility and access, both of which are critical for enhanced socio-economic activity and, broadly, a better quality of life (MTSF, 2009 – 2014: 21).

2.5.1.6 Skills Development:

South African government committed to set aside resources dedicated to recapitalize agricultural training institutions to ensure that they develop and run appropriate training programmes to support rural economies. Agricultural colleges will be turned into centres of excellence and access by emerging farmers to professional mentoring services will be enhanced (MTSF, 2009 – 2014: 22).

2.5.1.7 Revitalization of Rural Towns:

Evidence from various studies shows that common among all dynamic regions (urban or rural) is always the presence of a vibrant centre or service node. In this regard, spatially targeted grants such as the Neighborhood Development Grant Programme will be provided for the revitalization and development of rural towns to serve as service centre of rural economies providing inputs into agricultural production, outlets for the agricultural produce, logistical hubs for the coordination of rural economic activities and a base for the development of agro processing enterprises. This will involve the development of hard and soft infrastructure, including institutional networks for marketing, storage, advisory services, finance and improved agro logistics. Such investments will be guided by the potential of each area to ensure maximum social and economic returns (MTSF, 2009 – 2014: 22).

2.5.1.8 Explore and Support Non-Farm Economic Activities:

Government will support initiatives to seek out other forms of economic potential of rural areas, including tourism, light manufacturing and cultural work so as to ensure that rural areas fully utilize their unique assets and basic resources and characteristics (MTSF, 2009 – 2014: 23).

2.5.1.9 Institutional Capacity Development:

Government recognizes the need for an integrated approach that puts emphasis on coordinating various sector initiatives. A regional development approach with rural, urban and general anti-poverty strategies as its elements will be adopted. Achieving better development outcomes in rural areas will require improved alignment of the efforts of rural local government, national and provincial departments and other public agencies (MTSF, 2009 – 2014: 23).

2.5.1.10 Co-operative Development:

MTSF (2009) further emphasizes the importance of supporting the development of emerging cooperatives and encouraging an enhanced role for agriculture cooperatives in the value chain, included in agro-processing. Actions in this regard include:

- Establishing/verifying a database of cooperatives and building capacity
- Savings, mobilization, ensuring that 10% of surplus is saved as per the Cooperatives Act, 2005 (Act 14 of 2005).
- Developing one-stop shops where cooperatives and other farmers can have access to marketing and other information related to agricultural and other activities, as well as access to government services.

The government of South Africa committed all available resources towards the enhancement and upliftment of human livelihood. To achieve this objective, national programme like the MTEF assist in directing all government efforts towards the realization of this objective. For all levels of government to positively respond to this call, it is critical that the extent, measures and distribution of poverty in South Africa is understood.

2.6 THE EXTENT, MEASURES AND DISTRIBUTION OF POVERTY IN SOUTH AFRICA

This section focuses on the MTEF (2009) poverty issues discussed above, especially rural poverty in South Africa against the background of trends in certain developing countries.

2.6.1 The Extent of Poverty in South Africa

Idasa maintains that extreme inequality in the distribution of income, assets and basic social services characterizes the extent of poverty in South Africa. The experience of most South African households is of outright poverty or continuing vulnerability of being poor (Idasa, Internet (www.idasa.gov.za): 2006; Reitzes, 2004: 3 and Umsebenzi, 2004: 12). According to the UNDP Human Development Report 2003 (UNDP, 2003) widespread poverty and the growing gap between the rich and poor continue to hamper social development. Many households have unsatisfactory access to basic social services such as clean water, electricity, proper shelter and primary health care. Malnutrition and other various forms of nutritional deficiencies are also widespread (Mngxitama, 2001: 3 and Reitzes, 2004: 3).

Some of the causes of poverty in South Africa lie in the deliberate policies of dispossession and exclusion of apartheid and the legislation and institutions through which it was implemented. These included the apartheid educational programme whereby, for example, whites had advantages over blacks in acquiring the skills necessary to fill jobs at the upper end of the economic pyramid, job reservation and the allocation of land along racial lines as well as the establishment of the homeland system. It is this element that makes poverty in South Africa different from poverty elsewhere in the world (Zegeye and Maxter, 2002: 2, 15). According to the UNDP Human Development Report of 2003, other factors that contribute to poverty and inequality in South Africa include:

- A high skewed distribution of wealth;
- Inequality in earnings;

- Weak access to basic services by the poor;
- Low economic growth rate and a current economy's inability to generate enough jobs;
- Environmental degradation;
- HIV/AIDS; and
- Inadequate social security system (UNDP, 2003: xvii).

Unemployment, which is on the rise, is also one of the main culprits behind the country's poverty (UNDP, 2003: xx). In South Africa, wages are a key source of income. The implication of this is that, appropriate remunerated work is an important means of improving the living standards of people. South Africa's unemployment rate is high. It was much higher among blacks in 2003 at a rate of 36.8% compared to 14.1% for others racial groups (Economic Justice Update, 2003: 3; UNDP, 2003: xx). Between 1995 and 2002 the number of people classified as unemployed, according to the narrow definition of those actively seeking work, had risen from just over 1.9 million to over 4.2 million, an increase of over 2.3 million.

This is in spite of an increase in expenditure on public works programmes that ended up employing a total of 124,808 people since 1998 of which most of these jobs were temporary. In 2004, unemployment was high, with varying statistics that ranged from just over 30% to as high as 42%, although actual unemployment was considered higher (Irinnews, Internet (www.dplg.gov.za): 2004).

2.6.2 The Local Economic Development (LED) Approach to Poverty Alleviation in the 1990s and Beyond

The beginning of the 1990s witnessed an international shift in economic growth driven strategies to promote development towards a new range of LED (Abrahams, 2003: 189 and Simon, 2003: 133). Compared to previously discussed development policies which focused on participation in the global economy, Simon (2003: 133) argues that LED primarily relies on small-scale and community-based initiatives which utilize indigenous

skills and the participation of the community in order to ensure survival. LED initiatives involve a more proactive approach taken by people to create economic opportunities and improve social conditions in their own communities, particularly among those who are most disadvantaged, e.g. low income, unemployed and homeless people (DPLG, Internet (www.dplg.gov.za): 2005).

The concept is founded on the belief that problems facing communities, such as, unemployment, poverty, job loss, environmental degradation and loss of community control need to be addressed holistically with the participation of those who are directly affected (World Bank, Internet ©: 2005 and DPLG, Internet: 2005). There are a number of LED community initiatives to tackle specific social and economic problems at the local level. However, they usually combine a number of programmes, which include among others:

- Investment in human capital development;
- The provision of technical assistance and training for self-employment and business start-up;
- Support for enterprise creating or expansion (often community or cooperatively owned);
- Community empowerment and local institution building;
- Redistribution of resources, promotion of local creativity and innovativeness; and
- The mobilization of local resources (Abrahams, 2003: 189 – 190).

In many developed countries, the concept of LED has assumed major importance as a development approach and it is regarded as an important tool to deal with poverty alleviation (Abrahams, 2003: 189).

2.7 THE ROLE OF MUNICIPALITIES IN THE RURAL LOCAL ECONOMIC DEVELOPMENT (LED) PLANNING PROCESS

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

Table: 2.1. Roles that municipalities can play to promote LED

MUNICIPAL ROLES	EXPLANATION OF MUNICIPAL ROLE
Co-ordinator	In this role the municipality acts as a co-ordination body. An important tool for co-ordination in the IDP draws together the developmental objectives, priorities, strategies and programmes of a municipality. The IDP can be used to ensure that LED initiatives are coordinated with other municipal programmes, and appropriately linked with national and provincial initiatives.
Facilitator	In this role the municipality improves the investment environment in the area. For example, the municipality may streamline the development process, or improve planning procedures and zoning regulations.
Stimulator	In this role the municipality stimulates business creation or expansion. For example, the municipality may provide premises at low rent to SMMEs, or compile brochures on local investment opportunities, or promote a particular tourism theme or activity in a key venue
Entrepreneur Development	In this role the municipality takes on full responsibility of operating a business enterprise. A municipality can also enter into a joint venture partnership with the private sector or an NGO.

Source: (Department of Provincial and Local Government, 2000: 2)

Municipalities assume different roles at different times. They play a more direct role in some LED initiatives than in others. However, nearly every effort to develop a local economy will require some input, participation and support from the citizens as well as the local government.

2.8 KEY ROLE PLAYERS IN RURAL LOCAL ECONOMIC DEVELOPMENT (LED)

In LED, where preference is shown for the “bottom-up” approach to reach the goals of economic development and employment creation, in favour of the “top-down” approach, a fundamental shift took place in the role players involved (Blakely, 1989: 69). The development of a local area has shifted from being the policy enclave reserved for the national government, to become the concern of all governmental levels, all sectors and the community itself, and related activities are no longer limited to the public sector (Vosloo, 1998: 9). It has become apparent that different players in different localities have decided to take on a pro-active role for the development of an area and to accept responsibility for LED (May, 2000: 216). This has led to different role players becoming involved in LED in different places. Every party has a different contribution to make and in combination, this could prove to be a very successful undertaking. Spratt (1995: 322) adds that a local area can greatly benefit from the combination of government’s access to resources and power with the private sector’s management ability and flexibility.

Involved parties play different roles in terms of who they are, why they choose to be involved in the development of a local area, and what they have available to contribute to the process of LED initiatives. LED also implies that new roles usually emerge among institutions such as the government, the private sector and communities, often involving organized partnerships. Pugh (1995: 266) makes specific reference to the changing role of government from the traditional role to a role where government is required to steer policies and actions towards developmental growth, institutional reform and integration into the international economy. All in all, LED remains primarily a local initiative and the choice is in the hands of the community to take charge of its economic and employment creating future. It is important therefore to note that LED does not advocate the

concentration of power in either the private sector or the government, it aims rather at improving the performance of the institutions involved (be it government agencies, firms, NDOs or communities) (Vosloo, 1998: 10). Measuring the impact of LED projects allows municipal councils to assess the LED projects and instruments that work well, and the failing ones. By measuring the impact of LED projects and instruments, municipalities learn about approaches that work in their particular circumstances and those which do not. This assessment help municipalities to choose projects and instruments which best realize their objectives (Nel, 1997: 6). It will assist municipalities to target their resources effectively, and avoid wasting time and resources on projects which do not effectively realize the development objectives of the municipality (May, 2000: 218). Municipalities are well positioned to drive local economic development particularly through their Integrated Development Plans, a matter to which the discussion now turns.

2.9 INTEGRATED DEVELOPMENT PLANNING (IDP) AND RURAL LOCAL ECONOMIC DEVELOPMENT (LED)

As defined in chapter 1, an IDP is a process by which future development is achieved in an orderly, sensible and manageable manner and financial resources for such development are allocated in a disciplined and responsible way. Heron (2008: 42) argues that in light of continued high level of underdevelopment in developing countries, it seems that development planning has been poorly undertaken, poorly maintained, has failed in its totality or in the worst case has been absent from the start. The question why development planning continues to fail, despite the zeal with which it was initiated, still haunts governments and development institutions (Theron, 2008: 42). Development planning consists of two components which complement one another, namely development and planning (Theron, 2008: 43). Every municipal council needs a planning process in terms of its IDP to assist the municipality in formulating objectives for the development of the municipal area, setting priorities, and deciding how to structure the municipal budget and administration in order to realize the council's developmental objectives (LED Policy (Draft) Paper, 2001: 68). In linking the concepts of development and planning it is necessary to adopt a holistic approach, as suggested by Chambers

(1993: 9-14 in Theron 2008: 43), that looks at development by using four interacting levels on which a new development paradigm should be based:

- **The normative level** – The argument is that development should be people-centred. Many development scholars, practitioners and politicians advocate for development that is people centred. This new participatory planning paradigm entails a process of reversal in learning in which change agents/ development practitioners become, not experts, but the learners through a process of mutual social learning and the beneficiaries of development becomes their teachers.
- **The conceptual level** – Development is not progress in a single direction, but a process of continuous adaptation, problem solving and opportunity exploiting. Development institutions and their change agents – again speaking ideally and postulating theoretically – need to depart from the traditional blueprint, a rigid and prescriptive top-down planning model, towards a holistic understanding of the meaning-giving social, political and economic contexts at grassroots level in which development takes place (Chambers, 1993: 9-14, in Theron, 2008: 44).

To enable this holistic approach, change agents need to be retrained or re-orientated towards action research methodologies which brings them closer to the realities of development beneficiaries.

- **The Empirical level** – as shown by Burkey (1993), Chambers (1997 and Olivier de Sardan (in Theron, 2008: 45), the social, political, economic and environmental conditions at grassroots levels (both urban and rural) are diverse and complex. Local level challenges should be addressed holistically and in an interdisciplinary manner, with a partnership approach between developers/ change agents and local beneficiaries (Chambers, 1997: 162 – 187, in Theron, 2008: 45).
- **The practical level** – according to Theron (2008: 46) this level integrates the above three levels. The central thrust to this point of departure is decentralized decision making and grassroots participation and empowerment.

This process allows ordinary citizens to have a say in the decision making processes that affect their livelihoods in their localities. When communities are involved in the

identification and implementation stages of development, they tend to own the initiatives and ensure its sustainability. According to the White Paper on Local Government (1998), Integrated Development Planning is a process through which a municipality can establish a development plan for the short, medium and long term. The main steps in producing an integrated development plan as articulated by the White Paper on Local Government (1998) are as follows:

- An assessment of the current social, economic and environmental reality in the municipal area – the current reality;
- A determination of the community needs through close consultation;
- Developing a vision for development in the area;
- An audit of available resources, skills and capacities;
- A prioritization of these needs in order of urgency and long term importance;
- The development of integrated frameworks and goals to meet these needs; and
- The formulation of strategies to achieve the goals within specific time frames.

The core components of the integrated development plans are clearly articulated by the Local Government Municipal Systems Act (Act No 32 of 2000) in Section 25. An integrated development plan must reflect:

- The municipal council's vision for the long term development of the municipality with special emphasis on the municipality's most critical development and internal transformation needs;
- An assessment of the existing levels of development in the municipality which must include an identification of communities which do not have access to basic municipal services;
- The council's development priorities and objectives for its elected term, including its local economic development aims and its internal transformation needs;

- The council's development strategies which must be aligned with any national or provincial sectorial plans and planning requirements binding on the municipality in terms of legislation;
- A special development framework which must include the provision of basic guidelines for a land use management system for the municipality;
- The council's operational strategies;
- Applicable disaster management plans;
- A financial plan, which must include a budget projection for at least the next three years; and
- The key performance indicators and performance targets determined in terms of section 41.

According to the Policy Paper on Integrated Development Planning (2000: 4), Integrated Development Planning for local government is a form of planning that involves linkage and co-ordination between all sectors of activity that impact on the operation of a local authority. The Policy Paper on IDP (2000: 4) further states that all the policy documents and legislation produced by the line departments that demand planning action or developmental activity in the local sphere must be considered in developing policy for IDPs. Theron (2008: 68) argues that an important component of the overall planning process is the initial decision to accept planning as a means of addressing development problems and pursuing desired goals and objectives. Gunter (2005) points out that Integrated Development Plans are seen as a way forward for LED in South Africa, as a mechanism that will help develop capacity and help integrate government departments so as to ensure a consolidated LED process. In municipalities that do not have any LED policy, IDPs may be the path towards developing a LED strategy (Gunter, 2005: 32). Rogerson (2004: 12) views LED as being of central importance to sustainable development.

Blakely (1989: 77) suggests that the first planning step that any organization interested in LED must take is to decide on the role it wants to play in the development process.

He listed six phases and tasks LED planning process in table form as presented below. These phases inform the planning process of LED so that LED programmes can be implemented.

Table: 2.2: The Local Economic Development Planning Process

Phase I	<p>Data gathering and analysis</p> <ul style="list-style-type: none"> • Determining economic base; • Assessing current employment structure; • Evaluating employment needs; • Examining opportunities for and constraints on economic development; and • Examining institutional capacity.
Phase II	<p>Selecting a local development strategy</p> <ul style="list-style-type: none"> • Establish goals and criteria; • Determining possible courses of action; and • Developing a targeted strategy.
Phase III	<p>Selecting local development projects</p> <ul style="list-style-type: none"> • Identifying possible projects; • Assessing project viability, community – commercial – location – implementation
Phase IV	<p>Building action plan</p> <ul style="list-style-type: none"> • Pre-assessing project outcomes • Developing project inputs • Financial alternatives • Identifying project structures
Phase V	<p>Specifying projects details</p> <ul style="list-style-type: none"> • Conducting detailed feasibility studies; • Preparing business plans; and • Developing, monitoring and evaluating program

Phase VI	<p>Overall development plan preparation and implementation</p> <ul style="list-style-type: none"> • Preparing project plan implementation schedule; • Developing an overall development program; • Targeting and marketing community assets; and • Marketing financial needs.
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Source: (Blakely, 1989: 77)

Implementing LED requires that municipal officials be provided with the requisite training in order to carry out their duties effectively and efficiently (Phango, 2005: 133). Phango further contends that a comprehensive strategic planning process is necessary for advancing and strengthening LED activities. Primer (2003: 10 -13) in Phago (2005: 133) advocates a five-stage strategic planning process necessary to guide LED initiatives, namely:

- **Stage 1:** Is the effort of organizing. This involves the creation of shared values between the stakeholders and also refers to the identification of who should be involved.
- **Stage 2:** Involves local economic assessment. The assessment considers the context of the local economy including the identification of strengths, weaknesses, opportunities, and threats. The purpose is to establish a baseline understanding of the local economy.
- **Stage 3:** Is the creation of LED strategy. This is the stage where the vision, goals, objectives are created and where programmes and projects and action plans are decided.
- **Stage 4:** Is the implementation of LED strategy. Implementation depends on the skilled human resources and procedures followed in ensuring institutional capacity such as budgeting; and
- **Stage 5:** Involves the reviewing of LED strategy, which refers to the establishment of monitoring and evaluation measures. These measures assist in

quantifying impacts of local economic development toward the community in particular (Phago, 2005: 133).

Local Economic Development planning process forms the basis of rural development and rural LED a discussion which follows.

2.10 RURAL DEVELOPMENT AND RURAL LED

Rural development is prioritized by the current government in South Africa with the sole aim of dealing with underdevelopment especially in rural areas as a result rural development framework was developed. The Rural Development Framework (1997) defines rural as the sparsely populated areas where people farm or depend on natural resources, including the villages and small towns that are dispersed through these areas. Rural development can be achieved by helping rural people to set their priorities for development in their own communities through effective and democratic bodies, and by providing access to discretionary funds and by building the local capacity to plan and implement local economic development (Rural Development Framework, 1997: 6). LED is one of the strategies that municipalities, especially rural based ones, adopt in an effort to increase local income. As a strategy it is intricately linked to the IDPs but as we have seen requires an intricate process of planning and integration into other mainstream municipal objectives and activities. This discussion leads to the following deductions and conclusions discussed below.

2.11 DEDUCTIONS AND CONCLUSION

Although the application of LED in poverty alleviation initiatives is still in its infancy in South Africa, it is however evident from this chapter that all stakeholders, the government (National, Provincial and Local spheres), business, labour and rural communities are willing to learn from urban and international experience in the field of development. Significant progress was made in the development of LED policies and strategies during the course of 1994 and 1995. The fact that LED policy is part of

government development priorities indicates the commitment that exists to the development of new, relevant approaches which can address rural economic challenges. The following deductions are therefore made.

- Kotze and Kotze (2008: 103) point out that development is about change for the better in the lives of those who were previously excluded from development initiatives. If development is about changing lives of ordinary citizens of any country, local economic development is therefore the major tool to achieve that. It is therefore concluded that LED is needed to fight unemployment and poverty which are the main challenges facing rural areas. It points to the fact that Mthonjaneni's people could be brought into mainstream development processes through rural LED initiatives.
- The goals of LED tend to revolve around a set of common issues such as job creation, empowerment, the pursuit of economic growth, community development, the restoration of economic vitality and diversification in areas subject to recession and also establishing the locality as a vibrant, sustainable economic entity, often within a global context (World Bank, 2001, in Nel & Rogerson, 2005: 5). It is thus critical that as municipalities, such as Mthonjaneni develop LED strategies, which are mindful of the global context within which the municipality exists as well as the multiplicity of goals that LED is expected to achieve.
- A survey conducted by Nel and Binns (2005: 52) among South African local authorities in 2001/2002 on their perception and involvement in developmental local government found that there has been a dramatic increase in direct involvement in LED by local municipalities. However, the calls for improved infrastructure, services and governance and the promotion of various forms of enterprise and community support, as stated in the 2006 LED framework show that all is not well in the pursuance of LED.
- The calls are an indication that LED is very difficult to achieve in large numbers of small town municipalities which are inadequately staffed, poorly resourced and over-reliant on the annual prospect of equitable share from the central government

treasury (Nel & Rogerson, 2007: 10). It is against this backdrop that this study was conceptualized for Mthonjaneni Municipality.

- Partnerships with non-public sector organizations do feature in policy documents, but there needs to be far greater recognition of the potential of the private sector, community-based organizations and non-governmental organizations to embark on LED, whether at regional, local authority, suburban, village or neighborhood level (Nel & Humphrys, 1999: 286).

Finally, the generation of revenue in local municipalities in South Africa is a major obstacle in service delivery, primarily because municipalities are not self-reliant and mostly depend on government grants for survival. Without delivery of services like water, electricity, sanitation and roads, it is unlikely that LED strategies will flourish to yield desired objectives.

While South Africa remains a country with high levels of poverty and under development, Mthonjaneni Municipality is addressing these challenges through the local economic development strategy. LED projects, among other programmes, are being implemented to improve the lives of the poor, especially the rural poor within the municipal area as discussed in the next chapter.

CHAPTER THREE

MTHONJANENI MUNICIPALITY'S RURAL LOCAL ECONOMIC DEVELOPMENT (LED) STRATEGY - CASE STUDY

3.1 INTRODUCTION

In the past few years it has become evident that South Africa's economy is capable of higher levels of economic performance. Consequently the government aims, principally through the Medium Term Strategic Framework (2009 – 2014) to push purposefully towards its 2014 vision to achieve six percent gross domestic product (GDP) growth from 2010 onwards, and to reduce unemployment and poverty by half. In order to achieve higher growth and development trajectory, the South African economy may need to undergo some fundamental restructuring. The growth spurt of the past few years has been underpinned by two key factors. The first is a household consumption drive facilitated by relatively low interest rates, low inflation, broadening middle class resulting from employment equity, and the growth of social grants to the poor. The second has been the high global demand for commodities (Mthonjaneni LED, 2011/2012: 7).

3.2 ECONOMIC OVERVIEW OF MTHONJANENI LOCAL MUNICIPALITY

The identification of viable development opportunities is dependent on a number of factors, including aspects such as demographics in the study area, various socio economic indicators, the economic profile of the municipal area, as well as spatial concentration and distribution of activities. Analysis of the Mthonjaneni Municipality will focus on the assessment of these various development issues and their impact on the formulation of development strategies for the area (Mthonjaneni LED, 2011/2012: 11). The following is an outline of the basic features of Mthonjaneni's economic profile.

3.2.1 Vision

According to Mthonjaneni Local Municipality's LED Strategy (2011/2012: 12) strives to:

- promote local economic development through investments and establishment of partnerships
- provide quality services to all residents through establishment of proper communication channels improved infrastructure, and maintenance of financial viability

3.2.2 Mission

The Mthonjaneni Municipality's mission is to promote a quality social economic environment for all living within it boundaries by:

- providing opportunities for all to aspire to a better future;
- providing a safe and secure environment;
- providing a high level of affordable essential basic services;
- supporting the poorest of the poor and vulnerable groups;
- providing service excellence;
- encouraging community participation in service delivery; and
- Subscribing to and promoting good governance (Mthonjaneni LED, 2011/2012: 12).

3.2.3 Demographic Profile

Demographics in general refer to the characteristics of the population residing and working within a specific area. Demographic indicators within Mthonjaneni Local Municipality include the total population; gender structure; population growth and the impact of HIV/ADS; age structure; household size; poverty levels and educational levels (Mthonjaneni LED, 2011/2012: 12).

3.2.3.1 Population

Table: 3.1: Population

	2007	2001	1996
Total Population	53 908	50 383	36 848

African	52 894	49 435	35 305
Coloured	261	244	151
Indians	35	33	58
Whites	718	671	1 091

Source: Mthonjaneni Socio-Economic Report 11/2007; MLM IDP; Stats SA 1996; Community Survey 2007

Africans constitute the majority of the population of the area, estimated at approximately 98% (Mthonjaneni LED, 2011/2012: 12). This emphasises the fact that the majority of the people in Mthonjaneni Municipality form part of the Previously Disadvantaged Individual (PDI) group. In general, unemployment among this group is the highest and; consequently, poverty levels. This implies that initial attention should be given to establishing sustainable and viable job opportunities within the area (Mthonjaneni LED, 2011/2012: 12). A weakness of the 2007 community survey is that data is not available at ward level. As such, the ward information used in this study has been obtained from the 2001 Census.

Table: 3.2: Population per Ward (2001)

	2001	1996
Ward 1	6957	3186
Ward 2	6502	5811
Ward 3	11194	7332
Ward 4	10533	7867
Ward 5	9319	8339
Ward 6	5877	4313

(Source: STATSA, 2001 and 1996)

3.2.3.2 Employment Structure

Table: 3.3: Employment Structure

	2007	2001	1996
Employed	7 297	6 820	4 730
Unemployed	7 184	6 714	2 542
Not Economically Active	15 949	14 906	

Source: Mthonjaneni Socio-Economic Report 11/2007; MLM IDP; Stats SA 1996; Community Survey 2007

Economically Active People refers to all people between the ages of 15 and 65 who are able to and willing to partake in economic activities (Mthonjaneni LED, 2011/2012: 13). The above information indicates that in 2001 the total labour force for the Municipality was 13 534. Using the escalation of 7%, this indicates that the current labour force in the municipality is 14 481 people (Mthonjaneni LED, 2011/2012: 13).

3.2.3.3 Occupation Profile

Table: 3.4: Occupational Profile

	2001	1996
Senior Management	201	90
Professional	164	308
Technical	614	129
Clerks	449	159
Services Related Workers	494	241
Skilled Agriculture	923	816
Craft and Trade	480	266
Plant Machine Operators	584	248

Elementary	2 357	1 298
Undetermined	556	
Total	6 822	3 555

Source: Mthonjaneni Socio-Economic Report 11/2007; MLM IDP; Stats SA 1996; Community Survey 2007

3.2.3.4 Employment per Sector

Table: 3.5: Employment per Sector

	2001	1996
Farming	2 619	1 558
Mining	28	37
Manufacturing	249	570
Utilities	36	52
Construction	151	134
Trade	842	357
Transport	218	151
Business	268	113
Social	1 053	581
Private Household	481	469
Undetermined	872	786

Source: Mthonjaneni Socio-Economic Report 11/2007; MLM IDP; Stats SA 1996; Community Survey 2007

The majority of formal and informal employment opportunities are in the small town of Melmoth, which is the main administrative node of economic significance within the municipal area (Mthonjaneni LED, 2011/2012: 14). This has resulted in a negative

impact on the surrounding rural areas, since the majority of inhabitants in these areas are from the low-income group. The inhabitants depend on informal trading and subsistence farming in order to survive (Mthonjaneni LED, 2011/2012: 14). Apart from light industry, the town is largely dependent on commercial farming, which forms the basis of Mthonjaneni economy. The main activities in the area include timber and dairy, as well as a small cluster of farmers specializing in avocados targeted for the export market (Mthonjaneni LED, 2011/2012: 14).

3.3 KEY ECONOMIC SECTORS FOR MTHONJANENI MUNICIPALITY

The economy of Mthonjaneni Local Municipality is currently closely tied to neighboring local municipalities and the district. The short term prospects of economic development for Mthonjaneni are limited as the Spatial Development Framework does not make provision for future industrial expansion and the apparent constraints caused by the topography of the surrounding areas. The majority of available land is either state owned or belongs to Ingonyama Trust (Mthonjaneni LED, 2011/2012: 15). The revised Spatial Development Framework does, however identify areas of local economic significance. These include multi-use areas (with emphasis on tourism and industry), and agriculture. The development of agriculture in previously disadvantaged areas has not been fully exploited because of land tenure issues. Tourism is yet another example of a sector that has not been fully exploited because of lack of capacity in the municipality (Mthonjaneni LED, 2011/2012: 15). Poverty alleviation projects in the municipality have turned out to be not viable due to:

- Lack of technical skills and support;
- Lack of market access; and
- Lack of funding.

Much still needs to be done for this area to move to the next level of economic activity for example the identification of land for developing its own primary agriculture and agro-processing industries. In order to achieve this there is a need to devise strategies to attract investment in the local municipality (Mthonjaneni LED, 2011/2012: 15).

3.3.1 Sectoral Performance

(i) Manufacturing

Limited levels of manufacturing are practiced in the municipality and are largely focused on agro-processing (Mthonjaneni LED, 2011/2012: 27). Further agro-processing potential has been identified in the municipality's LED plan in the following areas: deciduous berry and citrus fruit processing; large-scale production of vegetables; poultry processing; and production of bio-fuels; and essential oil processing (Mthonjaneni LED, 2011/2012: 27).

(ii) Agriculture

The agricultural sector in the municipality has a dual nature with both commercial and traditional farmers contributing to this sector. Commercial agriculture is largely based on two mono-crops in the form of sugarcane and forestry (Mthonjaneni LED, 2011/2012: 27). Both of these sectors have also been at the forefront of assisting in the development of emerging farmers. In other traditional areas of the municipality, traditional forms of cropping are practiced. As noted in the uThungulu District Municipality's IDP (2009/10), the development of this sector is hindered by a low skills base, a lack of markets, and organised bodies for financial assistance. Other forms of agriculture practiced in the municipality include citrus, nuts and animal husbandry (Mthonjaneni LED, 2011/2012: 27).

(iii) Tourism

The LED plan notes that interest in northern KZN has been increasing particularly from overseas visitors. New identified markets include bird watching, cruise tourism, and educational tourism. It is noted that all these areas can increase tourism development in the region as a whole (Mthonjaneni LED, 2011/2012: 28).

It is noted that the local municipalities in the uThungulu District Municipality (DM) have all identified the need for greater tourism support and coordination from the DM in aiding the development of tourism related SMME's and new tourism opportunities (Mthonjaneni LED, 2011/2012: 28). The LED plan notes that tourism opportunities exist

in nature photography; bird watching; botanical studies; hiking; and fly-fishing at Phobana Lake. Further tourism opportunities also exist in the areas of mountain biking and quad biking (Mthonjaneni LED, 2011/2012: 28).

3.4 LED POTENTIALS AND CONSTRAINTS

The following section summarises the LED *Potentials* and *Constraints* for the municipality as identified in the Mthonjaneni LED Strategy (2009) and IDP (2010/2011).

- **Manufacturing:** The following potential manufacturing projects were identified within the municipality of Mthonjaneni. Berry and citrus fruit processing, large-scale production of vegetables, poultry processing and production of bio-fuels and essential oil processing. There are constraints that were identified by Mthonjaneni Municipality associated with these potential projects. The constraints identified are limited suitable industrial land within easy access and ownership by the rural community, lack of access to finance by rural youth and women who have no credit rating required by finance institutions, lack of project management and business skills required to ensure project sustainability and profitability.
- **Agriculture:** potential agricultural projects are identified in fruit plantations, poultry farming, layer farming, cattle farming, bee keeping, forestry plantations, essential oils and sugar cane. Constraints for these potential agricultural projects were identified. Due to lack of finance, emerging farmers often do not have start-up capital and as stated above, cannot access financial assistance due to low credit ratings. The municipality also identified limited land supply for large-scale farming activities as well as lack of knowledge and expertise and that some farmers begin their endeavors with minimal knowledge.
- Another constraint identified is poor and/or lack of roads, water and electricity infrastructure in most rural areas. There is a huge need to capacitated individuals running these projects. This makes it difficult for rural communities to initiate big agricultural projects within the municipal area.

- **Tourism:** potential tourism projects identified as follows: A Zulu cultural village could be developed showing Zulu heritage (pictorially and through videos, CDs, books, storytelling, poetry and praise singers) should be developed at Mgabhi where Nandi, the Mother of the Zulu nation (King Shaka's mother) is rested including eco-tourism activities which includes nature photography; bird watching, botanical studies, hiking; and fly-fishing at Phobana Lake. Constraints identified in eco-tourism is a weak tourism image and no brand name for the Mthonjaneni municipality area, lack of identified and trained local tour operators, poor road signage and directions and poor and/ or lack of proper roads, water and electricity infrastructure.

3.5 MUNICIPAL LED UNIT AND LED FORUM STRUCTURE

3.5.1 Municipal LED Unit

The LED component for the Mthonjaneni Municipality is housed within the Corporate & Community Services department and reports directly to Director Corporate & Community Services. There is currently one (1) staff member within the LED unit, which makes it extremely difficult for her to cover all corners of the municipality.

3.5.2 Mthonjaneni Local Rural LED Forum

The Mthonjaneni Municipality's LED Plan (2010/11) proposed the establishment of a municipal-wide LED forum. The Forum has been identified as a crucial and critical structure that ensures that a strategic focus on achieving balanced development and growth across the local economy is managed and achieved. Participants for this forum include the following provincial departments, public entities and other stakeholders:

Provincial Government Departments

- Department of Economic Development and Tourism
- Department of Agriculture, Environmental Affairs and Rural Development
- Department of Cooperative Governance and Traditional Affairs
- Department of Social Development
- Department of Transport

Public Entities

- KwaZulu-Natal Tourism Authority;
- Trade and Investment KZN and

Others

- uThungulu District Municipality;
- All Local Municipal councilors;
- Ward Committee members;
- NGOs operating within the municipal area;
- Traditional Authorities representatives (eNtembeni Tribal Authority and KwaSanguye Tribal Authority);
- Business Forum and
- Farmers Association.

3.6 FUNCTIONS OF THE RURAL LED FORUM

The main function of this Forum is to deal with all strategic issues related to rural Local Economic Development of Mthonjaneni Municipal area by continually engaging as key stakeholders in the public and private sector and develop strategic priorities for economic development for Mthonjaneni municipality's area of jurisdiction. The forum also tries to reach on broad agreements over a development path and programme for the municipal area and what each social partner (government, business, labour and community sector) should contribute to the implementation of the programme. The Forum further fosters strategic dialogue, scenario-building, and the formal development of municipal LED strategy.

The Forum is also responsible for ongoing reflection on territorial development, constant adjustment and refinement of vision and strategy, based on an ongoing process of strategic conversation to foster continuous strategic dialogue in the area (Mthonjaneni LED, 2011/2012: 37). It aims to continually develop interventions and strategies that will ensure development within various economic growth and development sectors. In

addition it ensures the alignment of Mthonjaneni Local Economic Development Plan with these sectors to those of bordering municipalities, the uThungulu District and to the Provincial Growth and Development Plan. It also looks at the annual review of progress achieved and challenges by ensuring a monitoring and evaluation framework is developed.

The LED Forum also assists in identifying and prioritising development potential projects for the municipality as shown below.

3.7 DEVELOPMENT POTENTIAL AND DIRECTION FOR MTHONJANENI

The LED Forum prioritises projects with greater potential of being implemented and makes recommendations to the Mthonjaneni Municipal Council for consideration, approval and budget allocation. Consolidated potential development opportunities are as follows:

Table: 3.6: LED Projects

SECTOR	PROJECT	RESOURCE	BUDGET
Agriculture	Poultry Farming	Abattoir	None
	Vegetable Planting	Nursery, Hydroponics & Fresh produce market	None
	Fruit Plantation	Seeds and Fencing, Fruit Juice plant	None
	Cattle Farming	Equipment & Materials	None
	Aquaculture Development	Different Species	None
	Bee Keeping	Specialized Cubicles	None
Tourism	Cultural Village	Various Activities	None

Retail & Trade	Shopping Mall	Various Retail Outlets	
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Source: Mthonjaneni LED, 2011/2012: 32

Feasibility studies and business plans for all the above prioritized projects were completed and submitted to various sector departments for funding. The Shopping Mall project (Melmoth Shopping Centre) was completed on the 31st November 2011 and approximately 2000 job opportunities were created during construction with more than 1000 permanent after construction.

Every country aims to increase its national income over a period of time. If the national income rises, the more the needs of the population can be satisfied and there will be greater welfare for all (Mthonjaneni LED, 2011/2012: 32). Since the satisfaction of needs cannot be measured directly, economic welfare is measured by the range of goods and services produced thus growth means the increase in the quantity of goods and services in a country over a period of time (increase in GDP) (Mthonjaneni LED, 2011/2012: 32). An increase in economic growth rate and national income of the country can be achieved by raising general productivity and an increase in output per factor of production (Mthonjaneni LED, 2011/2012: 33). The availability of factor of production of the correct quality in the quantities required is also necessary to generate economic growth. Production factors normally include labour, capital, natural resources (or material), and entrepreneurship.

The cluster concept is an internationally acclaimed approach to industrial and economic development (Mthonjaneni LED, 2011/2012: 33). An industrial cluster has at its core a sector, but what is drawn into the cluster impacts on the competitiveness of that cluster. The latter refers to the forward, as well as backward linkages to integrate the total value chain. The viability of the formed cluster is dependent on several elements, including the number of linkages, availability of raw materials, marketing and supporting services (Mthonjaneni LED, 2011/2012: 33). The cluster concept is based on the assumption that the main goal of a business is to maximise profit. This can be attained in more than one way:

- Minimizing cost;

- Optimizing production and/or output; and
- Agglomeration economies

The latter is considered as the basis for cluster development. Agglomeration refers to the spatial concentration of related economic activities. Due to the relationship between these activities and the spatial proximity to one another, a situation develops where certain agglomeration economies are achieved which enables business to maximise profit and become more efficient and competitive (Mthonjaneni LED, 2011/2012: 34). Agglomeration includes the following:

- Economies of scale;
- Localisation economies;
- Urban concentration economies; and
- Transfer economies.

The South African government has set itself a national target of boosting growth to 6% a year by 2010 and halving unemployment by 4%. The current growth rate of roughly 4.5% is fuelled by strong consumer spending (largely by an emerging black middle class who has amassed considerable buying power and consumes mostly imported goods) and higher commodity prices from the export of raw materials (Mthonjaneni LED, 2011/2012: 34). This kind of growth is not sustainable. What is needed is a balance and diversification of the country's economic growth engines underpinned by the following:

- Promotion of increased value-addition per capita characterized particularly by movement into non-traditional tradable goods and services that compete in export markets as well as against imports.
- Long term intensification of the country's industrial on process and movement towards a knowledge economy.
- Promotion of a more labour absorbing industrialization path with a particular emphasis on tradable labour absorbing goods and services and economic linkages.
- Promotion of a broader based industrialization path characterized by greater levels of participation of historically disadvantaged people and marginalized regions in the mainstream of the industrial economy.

- Contributing to industrial development on the African continent with a strong emphasis on building its productive capabilities.

Therefore, it is important to support and encourage investment in projects that align themselves with the above economic guidelines. The projects identified above, when implemented, will:

- Generate competition and help bring down prices of certain food items;
- Help reduce account deficit as some of the identified products have huge export potential;
- Accelerated skill development and participation in ownership by previously disadvantaged individuals; and
- Because of their labour absorbing nature, will lead to increased employment of the masses.

3.8 SUSTAINABLE GROWTH STRATEGIES FOR THE LED DEVELOPMENT

3.8.1 Capacity building of Entrepreneurs

The following strategic issues are very important for successful strategic management of LED in Mthonjaneni Local Municipality (Mthonjaneni LED, 2011/2012: 46-48).

- Conduct research and product development prior to starting venture. The more planning and thought that goes into the project, the more likely it will succeed.
- Look for people who are dedicated, friendly and cheerful with an ability to make guests feel welcome, and make visitors their sole priority for the duration of their visit.
- Set the right pricing structure for tourist products. This will ensure that not only does your business break even, but it remains profitable.

3.8.2 Organised Marketing Activities:

The Mthonjaneni Municipality's LED strategy indicates that marketing activities should include installing signage at strategic areas and advertising the many attractions of the area. Other promotional activities should include establishing a website to cater for potential tourists who use computers to search for holiday destinations, compilation of investment profile for the municipality as well as maps that show all tourist attractions and other potential development opportunities within the municipality. Placing an investment profile at various information offices in neighboring local and district municipalities could also put the municipality on the tourist map. A brochure could also be left at feeding holiday destinations and advertising in community and regional radio stations.

Participating in trade and investment exhibitions and linkages with surrounding developing tourism nodes like battlefield in Dundee, Ladysmith, Newcastle, Utrecht and Vryheid; Memel and Wakkerstroom, which are focused on the weekend getaway market for Gauteng and the individual attractions of these areas as a cultural, arts and crafts and bird watching areas could not only create job opportunities but open up other opportunities in the municipality. In addition the municipality needs to network with Trade and Investment KZN and other provinces and the national government including working with the education sector and training authorities to access training funds. By encouraging the private sector operators to assume the primary responsibility for marketing could also add value to individual investments. This strategy is also important in those instances where partnerships between the private sector and communities are being formed. Mthonjaneni Local Municipality and Uthungulu District Municipality in collaboration with any identified agency will be primarily responsible for promoting the area as an investment destination. This needs to take the form of, inter alia, websites, brochures, booking facilities, information offices, trade fair promotions and internet marketing. All this cannot be achieved without proper and active community participation which will be discussed below.

3.9 COMMUNITY PARTICIPATION:

Fundamental to successful community based development is the participation and buy-in of the various beneficiary communities (Mthonjaneni LED, 2011/2012: 48). The whole philosophy behind community based development is to initiate a development momentum, which is driven by the people themselves as opposed to politicians and development organisations. This act improves community buy in and commitment to the process and helps avoid situations where proposals for development are imposed on the recipient communities (Mthonjaneni LED, 2011/2012: 48). Communities should be given relevant information with various development scenarios together with a capacity building programme (Mthonjaneni LED, 2011/2012: 48). This approach could empower community structures over time and assist them to make appropriate development decisions in future. In order to achieve this it is necessary to define the process, which will ensure that the development opportunities identified in this strategy document are presented in such a way that the community will have significant input and say over the projects which are eventually chosen for implementation (Mthonjaneni LED, 2011/2012: 48). Community based development planning should include a pre-assessment of the viability of what has been proposed. The intention of this is to avoid the discussion of proposals with community structures which are not likely to succeed. While this high level evaluation is being performed, target communities and structures must be identified. It is critical that these proposals are not presented as cast in stone. There must be room for incorporating ideas from the community (Mthonjaneni LED, 2011/2012: 49). Proper and active community participation will guarantee the success of rural LED implementation within the municipality. This then leads to the following conclusions as illustrated below.

3.10 CONCLUSION

The LED plan for Mthonjaneni Municipality provides a framework and guidelines demonstrating the functional characteristics of the economy with a broader economic context. The purpose of the plan is to provide a mechanism to guide and focus resources and energies in a particular direction.

To this end, opportunities that have been identified have been undertaken in a consultative and transparent manner. These opportunities have been identified as catalytic projects that will contribute towards unlocking the economic potential of the municipality.

Although the employment structure shown in this chapter is five years old as provided by Stats SA, the reality on the ground is still the same. The number of unemployed rural people is still high and there is no change to the occupational profile and skills level. The realisation of a thriving economy can only materialize with the efforts, commitment and drive that pride itself on strategic opportunities that are realisable, implementable and sustainable. It is acknowledged that the framework for economic development has been created. It is now incumbent on the respective stakeholders within the municipality to make this a reality. The Mthonjaneni Municipality is committed to change this situation within its available means and resources and working together with all relevant stakeholders through public participation process. The effectiveness of the Mthonjaneni Municipality's rural LED programmes are analysed in relation to research findings in the next chapter.

CHAPTER FOUR

ANALYSIS OF MTHONJANENI RURAL LOCAL ECONOMIC DEVELOPMENT EFFECTIVENESS AND RESEARCH FINDINGS

4.1 INTRODUCTION

Research is a process that involves obtaining scientific knowledge by means of various methods and procedures (Welman, Kruger & Mitchel, 2007: 2). These various methods and procedures have been considered in this research to analyse the impact and effectiveness of Mthonjaneni municipality's rural local economic development initiatives aimed at improving the lives of the communities within its locality. Nel (1999:51) in Gardyne (2005:78) suggests that LED programmes, particularly those which focus on the achievement of social objectives, require specific research methods which permit the objective assessment of both social and economic achievements. Further assertion was made by this author in that the recognition of the importance of understanding social achievements such as empowerment, unified communities and improved quality of living, leads to the conclusion that previous standardised evaluation measures that focus solely on quantitative economic scores are of limited relevance (Nel, 1999). Gardyne (2005:79) advises that when seeking to understand complex relationships involving rural communities, it is essential that the researcher adopt appropriate methods that are relevant to LED initiatives. This chapter elaborates on the research techniques used by the researcher, discussions with the identified respondents as well as the analysis of Mthonjaneni's Local Economic Development effectiveness.

4.2 RESEARCH METHODS USED IN THIS RESEARCH

The focus of this research is to analyse the role and effectiveness of rural Local Economic Development on poverty eradication in Mthonjaneni Local Municipality area of jurisdiction. Secondly, it identifies the challenges encountered by the municipality's LED Unit in implementing LED programmes and projects.

The main research questions deal with rural local economic development strategies that have been put in place in the Mthonjaneni Local Municipality to push back the frontiers of poverty and unemployment. These questions are highlighted in chapter 1:

1. What are the major LED challenges facing Mthonjaneni Local Municipality;
2. What support system exists for LED, as well as the role of different stakeholders' and agents in the development and implementation of rural Local Economic Development strategy and;
3. Most importantly, to what extent does Mthonjaneni rural communities especially women and unemployed youth participate in LED programmes for the municipality.

The research method used in this dissertation was designed to incorporate the elements that have already been identified by scholars in the field as being critical components that must be considered for an impartial analysis through a set of indicators. The method also incorporates literature review on LED which gave a theoretical perspective of the study. The choice of this method was based on the following requirements:

- The method must be as objective as possible so that the appearance of factors in a satisfying or dissatisfying situation will not be dependent on an evaluation decision by the researcher.
- The format used must prevent biasing elements from influencing the subjects' responses. In other words, consideration must be given to the structure of the questions in order to avoid the possible defensive behaviour of the respondents.
- In order to minimise the effect of varying environments, it is essential that the study must be conducted in one organisation at one location.

In view of these requirements the face-to-face structured questionnaire interaction with the identified respondents was conducted. The researcher had a structured set of questions which form the major instrument for the collection of primary (quantitative) data. These were read to the respondents and answers were recorded by the researcher.

The questionnaire was used since it is faster and not costly to use in sourcing comparable and quantifiable information. Due to lack of recording facilities, the researcher used a qualified Committee Officer of the Municipality as the scribe to record all responses while conducting interviews with the respondents. The interviews were conducted in IsiZulu with the identified respondents with the exception of municipal officials where English was used.

The document analysis of the secondary (qualitative) data complements the primary data sourced by the use of questionnaires. This assists to verify the respondents' responses in this research. It is imperative to acknowledge that these research methods do not conflict but rather complement each other. To get the required data few municipal funded projects were identified and relevant individuals were interviewed as outlined below.

4.3 SELECTED MUNICIPAL FUNDED LED PROJECTS

For the research questions to be answered and to achieve the intended objectives, the researcher identified individuals who are chairpersons of municipal funded LED projects within five (5) rural wards of the municipal area who were interviewed as a group. A summary of these is given in table 4.1 and a detailed discussion thereafter. These wards and projects are as follows:

Table: 4.1: Selected municipal funded rural LED projects

Ward No.	Project Name	Area	Budget Allocated
Ward 2	Essential Oils Project	Mfule Mission	R600 000.00
Ward 3	Poultry Project	Dlozeyana	R450 000.00
Ward 4	Aloe Production Project	KwaSanguye Tribal Authority	R180 000.00 (For Feasibility Study)
Ward 5	Poultry Project	KwaGcongco	R480 000.00
Ward 6	Garden Project	Siyavuna	R110 000.00

4.3.1 Background for These Projects

- **Imfule Essential Oils Project** is in ward 2 of the municipality. This project was initiated in 2006 by the community of Mfule as a job creation project assisted by the municipality's LED Unit. It was then included in the 2006/2007 Integrated Development Plan and Mthonjaneni Local Economic Development Strategy which was approved by the Council in 2006. An application was made by the municipality's LED Unit to uThungulu District Municipality to fund the project, which was approved in the 2008/2009 financial year. The funds were targeted at fencing, planting of essential oils seeds (2 hectares) and training for committee members. The municipal LED Unit and the ward councillor through community participation facilitated the election of the Project Steering Committee members. The project started with a group of twelve individuals made-up of eight women and four men. Out of the twelve members seven of them were youth. The Project Steering Committee members formed and registered a Co-operative assisted by the municipal LED Officer. The LED Unit linked this project to a local farmer (Mr McMarry) an expert in essential oils plantation who also served as a mentor for the group and assisted in harvesting, processing and selling their produce in overseas market.

The main aim of this project was to provide rural communities with a sustainable source of income and work opportunities that would benefit the entire area and fight poverty in the process. The aim was within reach since the project realised R65 000.00 from its first harvest which was saved in a Co-op bank account. The project however started to encounter challenges when the members of the Co-operative demanded huge monthly payments from the money saved in the bank account. The municipal LED Unit organised and facilitated a number of meetings between the Project Steering Committee, the community and the municipality which were not fruitful. The project was then vandalised and the Project Steering Committee members refused to work or to allow other members of the community to maintain the project.

The municipal LED Unit is now in a process of resuscitating the project in partnership with the community and the ward councillor.

- **Poultry projects for both wards 3 and 5** of the municipality (Dlozeyane and KwaGcongco respectively) are now not functioning. Both projects were identified by their respective communities in the 2004/2005 IDP process. The LED Unit also ensured that they were included in the municipal LED Strategy for 2005 which was approved by Council. Mthonjaneni municipal Council approved these two projects for funding in the 2005/2006 financial year budget. The municipality through the LED Unit facilitated the selection of Project Steering Committees by the communities.

Twelve (12) Project Steering Committee members were selected per project with the majority being women and youth. Both project structures were funded by the municipality and more funding was provided for chicks, and other necessities excluding capacity building to the project steering committee members. They used all the available funds from the sales for themselves instead of investing it back to the project. Both these projects are now not functioning and the project structures are being vandalised.

- **Aloe Production Project in ward 4**, KwaSanguye area was identified by the community at a 2009/2010 IDP review meeting convened by the municipality and was supported by an Inkosi of the area. A group of fifteen youth from KwaSanguye Tribal Authority initiated the project and the Inkosi provided them with land. The municipal LED Unit included this project in the municipal LED Strategy and due to limited funding at Mthonjaneni Municipality, an application was made to the Provincial Department of Cooperative Governance and Traditional Affairs (Cogta) which approved an allocation of R180 000.00 for a feasibility study and a business plan for the project.

Due to internal limited capacity, a consultant was employed to develop a feasibility study and a business plan for the project which was approved by

Council. The Mthonjaneni Municipality has not prioritised this project for implementation in its 20010/2011 and 2011/2012 financial year's budget due to limited finance.

- **Siyavuna Garden project in ward 6** was initiated in 2003/2004 financial year by a group of fifteen (15) rural women. This initiative was supported by the community to such an extent that a local headman (Induna) allocated them a piece of fertile land next to the river. The municipal LED Unit identified this group of women and formalized their projects by including it in the municipal IDP and LED Strategy. This then enabled the group to get financial assistance of R110 000.00 from the municipality in the 2004/2005 financial year for fencing, buying seeds and working materials to increase their production.

The project is still functioning very well as a food security strategy for the community. All project members are committed to the success of the project and the LED Unit and Department of Agriculture local office are assisting the group in managing the project. Effort is being made by the municipal LED Unit to graduate this project to a Small Medium status which will allow members to sell their products at an open market on a large scale instead of it serving as a food security strategy only. This will enable members to have sustainable incomes.

All projects identified are managed by project steering committee members who are respondents in this research.

4.4 IDENTIFIED RESPONDENTS

Chairpersons or team leaders of these municipal funded rural LED projects were interviewed by the researcher as a group to determine the impact and effectiveness the municipality's local economic development programme in changing their lives.

These projects were conceptualized between 2006 and 2008 and implemented between 2007 and 2011 encompassing areas such as poultry, gardens and essential oils plantation. All the projects identified intended to fight unemployment and poverty in the rural areas

of the municipality. All identified projects received budget allocation from Mthonjaneni Municipality, which was used for building the project and buying raw materials needed to kick-start the project.

Group interviews essentially comprise a qualitative technique for collecting information (Welman, Kruger & Mitchell, 2007: 201). Focus groups consist of a small number of individuals or interviewees that are drawn together for the purpose of expressing their opinion on a specific set of open questions (Welman, Kruger & Mitchell, 2007: 201). The researcher directs the interaction and inquiry either in a very structured or unstructured manner, depending on the aim of the investigation (Welman, Kruger & Mitchell, 2007: 201). Focus groups are small structured groups with selected participants, normally led by a mediator. They are set up in order to explore specific topics, and individual views and experiences through group interaction (Litoselliti, 2003:1). Focus groups are special groups in terms of purpose, size, composition and procedures; they are carefully planned discussions designed to obtain perceptions on a defined area of interest in a permissive, non-threatening environment (Litoselliti, 2003: 1). The aim of a focus group is to obtain multiple views and attitudes, and often require complex negotiation of the on-going interaction process among participants (Litoselliti, 2003: 3). The above authors indicate that the important purpose of group interviews is not to undermine individual interviewing but to gather diverse views and opinions as possible on an identified problem. The group facilitator should not try to influence the group by forcing them to say what he or she wants to hear, but the facilitator must encourage group members to be open and honest in responding to questions without fear or favour.

The following potential challenges were highlighted by Stewart and Shamdasani (1990) in (Welman, Kruger & Mitchell, 2007: 202) regarding focus groups and why they should not be overlooked by researchers.

- Members of a focus group should be selected carefully to prevent any problem regarding the quality of information. Therefore, the researcher must not select friends or family members as they will have a negative influence on the anonymity of answers given by respondents.

- The participants of so called experts on the subject under discussion should also be controlled or limited because they can intimidate or inhibit responses from others.
- Hostile respondents should also be controlled or not selected.

Added to this, selected municipal senior political office bearers as well as senior municipal officials were also interviewed on one-on-one basis. These respondents are senior decision makers within the municipality and have significant influence in the budget allocations and prioritisation of projects to receive funding within the municipality. The National Government in South Africa places strong emphasis on women and youth empowerment in rural development initiatives. It is then imperative that Mthonjaneni Municipality adhere to this call by government. The identified senior political office bearers included the Mayor and the Speaker of the municipality. These are policy makers and approve budget allocations on prioritised projects as identified in the LED Strategy and IDP. The Mayor of the municipality is the political head and responsible for all budget issues affecting the municipality. The Speaker was identified as the chairperson of the Council in Mthonjaneni Municipality; her views were useful and represented the councilors' views on rural local economic development in the municipality. The two officials selected were the Municipal Manager and Local Economic Development Officer. In addition to their decision making and powers the officials also have to directly deal with rural LED projects in their daily duties. Their views are therefore more useful in determining how the municipality deals with the rural local economic development challenges. Other officials in the municipality had very little knowledge of initiatives and projects taking place within the municipal area. The interviews held with all the identified respondents reveals the findings as outlined next.

4.5 RESEARCH FINDINGS

This research consulted a number of available sources in order to collect useful and relevant data for the study. The secondary data was obtained from the available literature and the primary data was collected through the use of structured questionnaires and interviews with the respondents.

The researcher only used certain information from the respondents considered more relevant to the study. The main aim of this chapter is to present and discuss empirical research findings including the ethnographic research through the use of a case study of the Mthonjaneni Municipality. It was indicated earlier in chapter one of this study that many South Africans reside in rural areas, which suffer from past underdevelopment and the fact that they were previously sustained on non-viable incentives to promote the aims of separate development. It was further revealed that residents of the Mthonjaneni Municipality are no exception to this painful reality and their livelihoods have not improved.

The research was designed to ask and answer the following key preliminary questions in relation to rural local economic development in the Mthonjaneni Municipality;

- What rural local economic development strategies have been put in place in the Mthonjaneni Local Municipality to push back the frontiers of poverty and unemployment?
- What are the major LED challenges facing Mthonjaneni Local Municipality and what support system exists for LED?
- What is the role of different stakeholders' and agents in the development and implementation of rural Local Economic Development strategy?
- To what extent do Mthonjaneni rural communities especially women and unemployed youth participate in LED programmes for the municipality? And
- What is the impact of rural Local Economic Development strategies on socio-economic issues affecting the Mthonjaneni Local Municipality?

Rural local economic development strategies in the Mthonjaneni Local Municipality and the extent to which they push back the frontiers of poverty and unemployment

In responding to this question, the researcher endeavoured to get the level of understanding around the critical issues of rural LED, the strategies in place, the extent to which communities participate in the implementation of the LED strategies and the outcomes thereof. Below is a breakdown of the findings.

1. Conceptual understanding of rural LED

The findings of the study revealed that a range of rural local economic development strategies have been implemented in this municipality with several small and micro enterprise projects already in place since 1994. These were implemented against the backdrop of the Mthonjaneni Municipality's Local Economic Development strategy which was adopted by council in 2009. The LED projects of Mthonjaneni Municipality are mainly agricultural projects which draw on the huge agricultural potential of the area and which are seen as the most appropriate in creating jobs and reducing poverty. These projects include poultry, farming, aloe and essential oils growing, processing projects as well as vegetable projects. These projects are at various levels of strength but are all typically at the inception phase and still heavily reliant on the municipality for support to succeed.

Municipalities establish these LED projects by providing project beneficiaries with seed and money which is used to fence off the land and to purchase the requisite farming inputs. In addition, the municipality offers capacity building to the project steering committee members who are normally limited to basic bookkeeping and minute taking skills.

There appears to be little profit accruing from most of these enterprises. Instead, municipal funding which is meant to establish the projects on a sustainable path is used to pay salaries of project beneficiaries. Such a situation is not surprising seeing that the majority of project beneficiaries are poor, unemployed and lacking in many basic household supplies. It would be folly to expect that beneficiaries will wait for the project

to pay dividends before they can draw some form of salary. A plausible response to this, in light of a people centred approach to development, would be for the planners to incorporate coping mechanisms that project beneficiaries would rely upon while the LED projects are in their initiation stages.

The project beneficiaries themselves do not seem to have a concrete understanding of what these LED projects are meant to achieve and appear to only focus on short term gains of the projects. This is seen in their demand for excessive salaries, their inability to channel enterprise profits back into projects as further investment including their failure to secure the enterprise infrastructure which has, in some cases, been vandalized. This was revealed in the interviews with project beneficiaries who also indicated that while they have heard about LED, they did not fully understand its meaning or its relevance to unemployment and poverty alleviation. The findings are in contrast to municipal officials who appear to have concrete understanding of LED initiatives in the municipality. This was revealed in the interview with the Speaker of Council who defined Local Economic Development as *'a process where the municipality provides funding for sustainable projects identified by the communities with the aim of creating job opportunities.'* Similar understanding of LED was displayed by the Municipal Mayor who defined rural local economic development as *'a process where local people take charge of their lives by deciding how limited municipal resources are going to be distributed and used with aim of reducing poverty and creating employment opportunities.'* But it is not only the politicians (Mayor and Speaker) who seem to have a concrete understanding of LED in the municipality. The Municipal manager displayed a sound understanding of the concept. He sees it as a means to provide economic development opportunities relating specifically to the creation of jobs and to provide sustainable economic opportunities in the agricultural sector.

What is clear from the above findings is that there is a lack of a common conceptual understanding of the LED strategy and outcomes. While municipal officials are clear on the matter, it does not appear that this clarity has sufficiently been communicated to the owners of the enterprise. Without this common understanding, municipal initiatives are seen as yet another form of welfare to which communities are entitled without any form

of ownership or responsibility on their part. A possible reason for this lack of common understanding is also found in the level of engagement between the municipality and the community, a matter to which the discussion now turns.

2. Community participation

A defining feature of the South African local government model is the space provided to ordinary people to become actively involved in governance. In fact, uniquely, the legal definition of a municipality is that it comprises not just the councilors and the administration, but the local community as well (Carrim, 2011: 1). Rural economic development is based on the concept of developing self-reliance, through human resource development and skills enhancement. The central objectives of this are to alleviate poverty by improving the capacities of disadvantaged communities to create sustainable livelihoods for themselves (Slabbert, 2004: 192). Local Economic Development focuses on combining training, human services and enterprise development to enhance access to and creation of jobs, careers and self-sufficiency for disadvantaged communities. It aims to equip people in disadvantaged communities to be able to take advantage of existing job opportunities and to create new job opportunities by opening small businesses (DPLG, 2000a: 5).

The extent of community participation in rural Local Economic Development initiatives within the Mthonjaneni Municipality seems not to be at the desired level. The only channel that the municipality uses to enhance community participation is ward committees which are established to serve as a communication structure with communities. The Speaker and the Mayor of the municipality revealed that they are the only voice of the communities in the municipality and quarterly meetings are held to express views and opinions on different issues affecting the community. Since these structures are chaired by Ward Councilors and their recommendations of rural development are forwarded to the municipal Council through the very ward councilors, their effectiveness and success largely depend on the commitment of the said ward councilor. Ward committees are made up of ten members representing different stakeholders and interests of a ward. Often times the rural LED is not represented. There

are no LED specific community participation sessions with the communities at ward level addressing issues of unemployment and poverty. The project beneficiaries confirmed this in the interviews where they indicated that:

'No LED projects community participation takes place in their respective wards. General community meetings are not held at ward levels and councilors are very difficult to access. Even when community meetings are held, they seldom hear about them and the venues where meetings are held are far from them which makes it difficult to attend without transport being provided.'

The municipality relies on IDP meetings held annually to determine the needs of different rural communities which are most often not rural LED specific. Community participation in Mthonjaneni Municipality is of utmost importance as nothing happens without community buy-in to a project.

Major LED challenges facing Mthonjaneni Local Municipality and support systems that exist.

Taking the legislative mandate of local government into consideration, there are a number of implementation related challenges which shape the direction of rural LED. National Framework for LED in South Africa (2006 – 2011: 15) states that the key role which local governments can play in the LED process has been identified by the US Council for Urban Economic Development (CUED) which states that Local Governments are the primary, but not exclusive, institution for LED. Within this context, Local Government has three key roles to play:

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

With regard to the Mthonjaneni Municipality and in relation to the roles of local government in LED, the following issues were identified.

1. Key rural LED challenges facing Mthonjaneni Municipality

Despite these local government roles as indicated above, there are key challenges impacting on the ability of the Mthonjaneni Municipality to implement rural LED initiatives within its area of jurisdiction. Lack of accurate, adequate and inclusive municipal rural local economic development strategy makes it difficult for the municipality to tackle unemployment and poverty. Local economic development strategy for this municipality is developed in isolation of other stakeholders such as, provincial government departments, district municipality, private sector and local communities. This finding was confirmed in the interviews with project beneficiaries when they listed key rural LED challenges facing the Mthonjaneni Municipality as follows:

- i) Lack of support from the Mthonjaneni Municipality ward councillors and municipal LED Unit officials in the form of capacity building and training on project management skills, marketing, basic bookkeeping and project monitoring. The municipality also fails to fund LED projects expansions and revival of dead projects.*
- ii) Lack of coordination between the Municipality and all the stakeholders involved with rural LED initiatives within its area of operation. Most importantly, the municipal's failure to establish Local Economic Development Forum aimed to create an interaction platform with other potential funders.*
- iii) Lack of LED projects sustainability plan developed by municipal LED Unit in conjunction with the project beneficiaries to ensure that all rural LED projects within the municipality are sustainable and able to create more job opportunities.*
- iv) Lastly, the squabbles among the project steering committee members when there is money available from the project sales which create a challenge to rural LED projects viability.*

High unemployment and low skills levels among the community and municipal council staff respectively are major barriers to rural LED implementation. Mthonjaneni Municipality makes a contribution towards improving social and economic life of its communities however it also has the greatest concentration of poverty pockets. The municipal Speaker, Mayor and the Municipal Manager confirmed this by saying, the financial and skills capacity of the municipality does not allow for full and effective support of community based economic development structures. Local Economic Development Forum is not in place, this is more attributed to limited skills in the municipality. Inter-governmental relations between the National and Provincial government departments, especially the Department of Economic Development, the Department of Cooperative Governance and Traditional Affairs and the Department of Agriculture and Environmental Affairs and uThungulu District Municipality can assist local economic development in rural communities it has not been established. The Mthonjaneni Municipality does not follow the National Framework on Local Economic Development in implementing its LED programmes due to the fact that its LED strategy is not reviewed and aligned with the framework. The following challenges encountered by Mthonjaneni Municipality in implementing rural LED programmes were cited by the municipal Speaker, Mayor and the Municipal Manager:

- i) Lack of skills and financial capacity of the municipality;
- ii) Lack of proper LED Forum;
- iii) Lack of political direction and
- iv) Lack of properly revised LED strategy that is aligned to the National Framework on LED and Provincial Growth Development Strategy (PGDS).’

Furthermore, Mthonjaneni municipality’s LED Unit is located in the Directorate of Corporate and Community Services with very limited financial resources. There is one LED Officer in the unit who has been in that position for over four years now with very little alignment of duties with other directorates, such as Finance and Technical Services. There seems to be no synergy and inter-departmental good working relations between LED Unit and other departments in the Mthonjaneni Municipality. Rural LED is not a priority for Finance and Technical departments in such a way that they do not have

programmes and staff members responsible for local economic development in their respective departments. Staff turnover is also a major problem in the Mthonjaneni Municipality as many qualified staff members move on to bigger municipalities where they get higher salaries.

The role of different stakeholders (especially women and unemployed youth) in development and implementation of Mthonjaneni rural Local Economic Development strategy.

The Municipal Manager indicated that in order to develop and implement a credible rural LED strategy for the Mthonjaneni Municipality, careful attention has to be given to all relevant drivers or stakeholders' within the municipality that are actively involved with rural LED programmes as indicated in the National Framework for LED in South Africa. All stakeholders from within and outside the Mthonjaneni Municipality are invited to contribute to the development and implementation of the rural LED programmes identified in the strategy and the IDP. The Mthonjaneni Municipality, the municipal LED Forum and the rural community, especially women and unemployed youth are identified as the three major stakeholders that are critical in the development and implementation of Mthonjaneni rural LED strategy.

1. Role of the Mthonjaneni Municipality

The Mthonjaneni Municipality plays a critical role in driving the rural LED programme aimed at creating employment opportunities and reducing the levels of unemployment affecting the community.

Due to limited available human capacity and financial resources, the municipality is failing to meet the expectations and aspirations of the community and national government in creating sustainable job opportunities for rural communities.

Table 4.2: *Role of the Mthonjaneni Municipality on LED*

Municipal role	Explanation of municipal role
Co-ordinator	In this role, the Mthonjaneni Municipality acts as a co-ordinating body. An important tool for co-ordination is the Integrated Development Plan (IDP), which draws together the developmental objectives, priorities, strategies and programmes of the municipality. The IDP is used to ensure that rural LED initiatives are co-ordinated with other programmes and appropriately linked to provincial, district and private sector initiatives.
Facilitator	In this role, the Mthonjaneni Municipality improves the investment environment in the area. For example, the municipality streamlines the development process and improves planning procedures.
Stimulator	In this role, the Mthonjaneni Municipality encourages the active participation of all stakeholders in the development of rural LED strategy and its implementation towards the creation of job opportunities for rural women and youth.
Developer	In this role, the Mthonjaneni Municipality takes full responsibility of operating as a developer. The municipality also enters into a joint venture partnership with the private sector or NGOs.

Source: DPLG 2000b: 2 (adapted):

2. Role of the LED Forum

The Municipal LED Forum is supposed to play a key role in integrating job creation activities, combining all stakeholders and off-budget resources, and energizing innovation and excellence in rural local economic development (National Framework for LED in South Africa, 2006-2011: 33).

Mthonjaneni Municipality is failing to perform this function as was indicated by project beneficiaries that there are no LED structures in place, like Local Economic Development Forum which creates a perfect platform for dialogue with other role players such as the uThungulu District, Government Department, Private Sector, NGOs and representatives of communities involved in LED projects. This was also confirmed by the

municipal Speaker and the Municipal Manager who indicated that the Mthonjaneni Municipality does not have a Local Economic Development Forum and portfolio committees in place. This hampers development since there is no coordinating structure in place to discuss pertinent issues related to rural local economic development where other stakeholders can participate meaningfully. There are no inter-departmental LED teams with a focus on LED projects.

Participation of the forum is therefore non-existent and the development and implementation of rural LED strategy tends to be a compliance exercise by the Mthonjaneni Municipality not informed by relevant issues affecting and responding to stakeholders aspirations. The Speaker confirmed that the Council identified a councillor responsible for LED issues within the municipality but, with no significant involvement at this stage since the said councillor had just been voted into office with no training or capacitation on rural LED related mandates.

3. Role of the Community on LED

The National Framework for LED in South Africa (2006 – 2011: 15) emphasise that local rural community members should be fully involved in the local rural development process. The Mthonjaneni Municipality aims to ensure that its rural LED processes are community driven, but the project beneficiaries interviewed indicated that there is no community participation at all. It was established that rural LED community meetings are not held at ward levels which made it difficult for communities to access councillors. As indicated earlier, project beneficiaries maintains that LED meetings are held, they seldom hear about them and the venues where meetings are held are far from them which makes it difficult to attend without transport being provided by the municipality.

One member of the community acknowledged that he used to attend some community meetings but indicated that participation does not take place because communities are being told by councillors and municipal officials LED activities and projects will be promoted, how and when without being included in decision making. Some members of the focus group stated that they had never met with their Ward Councillor and more shockingly others said they did not know who their councillor was.

The findings from the research showed that municipal political leadership realises the important role that communities should play in rural LED initiatives. They maintained that the active engagement of all community stakeholders in LED processes is essential to its successful implementation with the aim of reducing poverty levels. There is a strong need for a joint vision between the municipality and the organised structures of community stakeholders on rural LED projects and prioritisation to facilitate and manage developmental efforts.

The impact of rural Local Economic Development strategies on socio-economic issues, affecting the Mthonjaneni Local Municipality.

Socio-economic issues that affect Mthonjaneni Municipality are poverty, unemployment, diseases, HIV/AIDS, inequality and crime. Unemployment is still rated as a major socio-economic challenge not only in the Mthonjaneni Municipality's area, but in South Africa as a whole. This situation leads to poverty and the prevalence of diseases within communities. This calls for the municipality to use its scarce available resources optimally in order to maximize its impact on rural LED within the municipal area. The focus group interviewed contended that the Mthonjaneni Municipality does not adequately respond to rural local economic development needs of its citizens because the majority of municipal funded projects do not address the LED needs for the rural communities. The municipality spends a bigger slice of its budget on infrastructure projects such as halls and crèches which do not provide a direct response to the socio-economic challenges faced by rural local communities.

The Mayor of the municipality confirmed this by indicating that the rural LED strategy of Mthonjaneni Municipality has very little impact in reducing unemployment and poverty in the area due to limited skills and financial capacity of the municipality. This is proved by the fact that out of a total population of 53 908 residents of Mthonjaneni Municipality, only 7 297 people were employed in 2007. As indicated earlier, the situation is still a reality. Analysis of the research findings leads to the following conclusion.

4.6 CONCLUSION

It is imperative to indicate that information obtained for this study is critical for the analysis of the Mthonjaneni Municipality's rural LED as well as for making deductions and making necessary recommendations. This chapter presented the data collected from the identified project beneficiaries, the senior political office bearers of the municipality who include the Speaker and the Mayor, as well as the Municipal Manager and the Local Economic Development Officer.

Drawing from the objectives of this study, it is evident that the role of Mthonjaneni municipal council (councilors and officials) in developing rural local economy needs to be revised and monitored in line with the national guidelines on LED. Local councilors who are the decision makers in the council are not capacitated on rural LED related matters and only a few councilors like the Mayor and the Speaker have a slight understanding of LED. Limited LED Unit staff members and the available LED budget are among other challenges that the Mthonjaneni Municipality has to put more effort into, in order to make necessary improvements.

The collected data presented a clear state of rural local economic development strategies of the Mthonjaneni Municipality, the role of different stakeholders and its impact on reducing unemployment and poverty levels, which forms part of the critical questions for this dissertation. It was however noted that in answering the research question about the challenges encountered by the Mthonjaneni Municipality in implementing rural local economic development the following issues were common in all responses.

- i) Lack of skills and financial capacity of the municipality;
- ii) Lack of proper structures like LED Forum;
- iii) Lack of political direction and
- iv) Lack of properly revised LED strategy that is aligned to the National Framework on LED and Provincial Growth Development Strategy (PGDS).

Another central problem of this study was to determine whether rural communities of Mthonjaneni Municipality participate in rural local economic development initiatives, and in particular whether LED projects are successful in addressing poverty within the municipality. Responses from the respondents clearly confirmed that there is no participation of communities in rural LED initiatives for various reasons. The next chapter deals with the analysis of the research findings and provides a summary of the chapters as well as recommendations and conclusions.

CHAPTER FIVE

RECOMMENDATIONS AND CONCLUSIONS

5.1 INTRODUCTION

This study focused on the analysis of rural local economic development in the Mthonjaneni Local Municipality and its effectiveness in addressing socio-economic challenges of unemployment and poverty affecting the communities. In his state of the nation address, President Thabo Mbeki reiterated his call that: “... *success in the growth of our economy should be measured not merely in terms of returns that accrue to investors or the job opportunities to those with skills. Rather, it should also manifest in the extent to which the marginalized in the wilderness of the Second Economy are included and are at least afforded sustainable livelihoods ...*” (President Mbeki State of the nation address, 11 February 2005).

This study was conducted among the selected project beneficiaries made –up of chairpersons of Municipal funded rural LED projects from four wards of the municipality, senior municipal political office bearers (the Speaker and the Mayor) and senior officials of the Mthonjaneni Municipality, the Municipal Manager and Local Economic Development Officer. This chapter provides a synthesis of the study followed by an analysis of the research findings linked to a theoretical framework. This is followed by the recommendations in terms of the findings that emerged from the research results as analysed in the previous chapters.

5.2 SUMMARY OF PREVIOUS CHAPTERS

Chapter One addressed the general research overview wherein empirical observations of the researcher in defining the nature, scope and extent of the research problem was investigated, research questions, research objectives and the research design and methodology of the study where the theoretical foundations are conceptualized. It also defines key terms and concepts to avoid inconsistent usage and interpretation.

The chapter also provided a background and rationale for the research the provisions of Chapter 8, Section 73 of the Local Government: Municipal Systems Act (Act No. 32 of 2000) which formed the core of the problem statement. Section 73 of the Act states that:

A municipality must give effect to the provisions of the Constitution and:

- (a) Give priority to the basic needs of the local community and*
- (b) Promote the development of the local community and ensure that all members of the local community have access to at least the 50 minimum levels of basic municipal services.*

The central thrust of this study was to determine whether rural communities of the Mthonjaneni Municipality participate in rural local economic development initiatives, and in particular are municipal funded rural LED projects successful in addressing unemployment and poverty within the municipality. Furthermore the focus was to analyse the role of rural Local Economic Development strategies in reducing unemployment and eradicating poverty in the Mthonjaneni Local Municipality. The research also aimed to determine the impact and effectiveness of community participation programmes implemented by the Mthonjaneni Municipality to promote better services delivery. Five municipal funded projects in five wards of the Mthonjaneni Municipality were used to determine the benefits of community participation in terms of assessing the impact community participation had on these projects in order to address the issue of poverty and unemployment. In conclusion, it can therefore be stated that the hypothesis which was formulated for this research was proven to be correct. To investigate the identified problem and aim of this research, the focus was divided into four research objectives;

- Firstly, to study the role of Mthonjaneni municipal council (councilors and officials) in developing rural local economy;
- Secondly, to analyze and reflect on problems with regards to practical implementation of rural local economic development strategy and social upliftment programmes in Mthonjaneni Local Municipality; and

- Lastly, to make recommendations to Mthonjaneni Local Municipality council with regards to improvement on rural local economic development plan development and implementation.

Chapter Two dealt with the review of literature on transformation of local economic development in South Africa from pre-democratic era to the post 1994. A comparison of practices between the previous government and the current one give a view of the effectiveness or ineffectiveness of the Mthonjaneni Local Municipality's rural Local Economic Development strategy. Secondly, this chapter presented a theoretical analysis of the concept of LED, and an evaluation of the developmental role of Local Government. Lastly, this chapter views the role of LED in municipalities, as well as the notion of rural local economic development.

The chapter started by stating that a high level of unemployment in the Mthonjaneni Local Municipality's area of jurisdiction is an indication of the prevalence of abject poverty. It also reviewed literature on poverty perspectives, poverty alleviation approaches, the extent, measures and the distribution of poverty in South Africa. Literature review depicted that community-based strategies associated with a new, more sustainable LED paradigm emphasise the importance of working directly with low-income communities and their organisations (Bond, 2005: 63). In conclusion Kotze and Kotze (2008: 103) point out that development is about change for the better in the lives of those who had been previously excluded from development initiatives. If development is about changing lives of ordinary citizens of any country, local economic development is therefore the major tool to achieve that. This means that LED is needed to fight unemployment and poverty the main challenges that face rural areas.

Chapter Three looked at the Mthonjaneni Municipality, citing the demographic factors and location of the Municipality. A section of this chapter dealt with the state of LED in Mthonjaneni Local Municipality, key areas in the LED strategy as well as proposed future development associated with LED. This chapter presented a brief background of the Mthonjaneni Municipality and the state of LED in the rural areas of the municipality.

Secondly, the study looked at the LED programmes in the Integrated Development Plan (IDP). Lastly, the research focused on the planned future development of Mthonjaneni Municipality and its association with LED. The chapter draws a clear picture of the state of LED in the Mthonjaneni Municipality by showing that more still needs to be done to improve its impact in changing the lives of its citizens and to effectively reduce the levels of poverty and unemployment.

Chapter Four focused on data analysis as well as the observations of the researcher. The analysis gave an account of whether the rural local economic development programmes proposed and used by the Mthonjaneni Local Municipality are effective in improving the lives of the communities especially in rural areas. This chapter gave the researcher more useful data collected through discussions and the answered questionnaires that were provided to selected respondents, the focus group, the Mthonjaneni Municipality's Speaker and the Mayor as well as two experts. The information collected from the interviews revealed that very little has been achieved by the Mthonjaneni Municipality as far as LED is concerned.

Chapter Five presented the overall conclusions drawn from the research. In addition it suggested recommendations based on the opinions, viewpoints and critiques of rural local economic development of Mthonjaneni Local Municipality.

5.3 ANALYSIS OF DATA COLLECTED

In this section, data collected from respondents and presented in the previous chapter is analysed against the theoretical framework of rural local economic development as discussed in chapter two of this study. This analysis is presented in a table format in three (3) columns. The first column indicates the Key Rural LED Performance Areas which present the theoretical framework as indicated in the National Framework for LED in South Africa as well as in chapters 2 and 3 of this study. Column two (2) looks at the ability of the Mthonjaneni Municipality to implement LED programmes in its area of jurisdiction. The third (3) column deals with the recommendations and corrective measures that the Mthonjaneni Municipality need to consider and implement.

Table 5:1 Analysis of Mthonjaneni Municipality’s LED

Key Rural LED Performance Areas	Mthonjaneni Municipality’s implementation of rural LED	Recommendations
Municipalities should have LED structures in place, e.g. LED Forum	The municipality does not have the LED Forum in place, which makes it difficult for other stakeholders to be involved in LED related issues	LED Forum should be established
Municipalities need to develop their own LED policies, which will serve as a guide on how LED issues are handled.	Mthonjaneni Municipality’s LED Strategy was adopted in 2009 and not reviewed annually in line with the IDP and Budget.	Annually review municipal LED Strategy in line with the IDP and Budget.
Municipalities should have sufficient human capacity for the effective implementation of LED programmes.	Only one staff member in the Mthonjaneni Municipality (LED Officer) responsible for LED function for the entire municipal area.	Municipal organogram to be reviewed and a second post for LED Officer should be created.
Municipalities need to conduct and coordinate LED training and workshops to the community-based LED organisations and individuals.	The municipality has not conducted LED training and workshops. Other members of the focus group do not know the role of LED.	LED related trainings and workshops should be organised for communities and councillors as well.
Local municipalities must initiate, organise and coordinate LED	The municipality has been unable to initiate any successful LED	The municipality needs to strengthen its internal structures to be able to

programmes for the benefit of the local people.	programmes, however it does coordinate with other sector Departments and uThungulu District.	successfully coordinate initiated LED programmes and projects.
Regional integration and coordination between spheres of government and other neighbouring municipalities.	The municipality is working with uThungulu District Municipality; however it has borne no fruits at this stage.	Possibility of establishing District LED Forum where integration and coordination of LED can be done at District level as well.
Development of community-based LED strategies with emphasis on working directly with rural communities.	Very little has been done by the Mthonjaneni Municipality in working directly with rural communities.	More funds should be allocated in the budget to allow frequent and easy access to rural communities.
Municipalities should facilitate the inter-governmental relations on LED issues.	The municipality has worked with Provincial Departments of Cogta, Economic Development & Tourism and Public Works.	More Departments need to be engaged by the municipality to ensure that all its communities benefit.
Implementation of LED related service delivery projects aimed at job creation and poverty alleviation.	Mthonjaneni Municipality lacks adequate financial and human resources to be able to implement LED service delivery projects. Levels of poverty and unemployment are still very high in this municipality.	More funding should be allocated for LED related activities on an annual basis.
Municipalities should establish SMMEs to enable the local economy to grow.	The municipality does not have a SMME strategy in place.	SMME strategy should be developed and establish a structure in terms of an approved strategy.

5.4 RECOMMENDATIONS

It is evident from the above analysis that huge gaps between the theoretical framework and the practice of rural LED in the Mthonjaneni Municipality exist. The research was designed to answer key preliminary questions in relation to rural local economic development in the Mthonjaneni Municipality. It is therefore clear that much more needs to be done by the Mthonjaneni Municipality to bridge this gap and bring the municipality closer to its constitutional mandate of improving the lives and well-being of its communities. The following recommendations are presented to the Mthonjaneni Municipality and other similar rural municipalities for an effective and efficient implementation of rural local economic development which, it is hoped, will reduce the scourges of poverty and unemployment.

i) **LED Unit restructuring.**

During a discussion with the LED Officer, it was clear that the Mthonjaneni Municipality should consider restructuring its organogram with the aim of strengthening the LED Unit. The research findings revealed that it was not possible for one LED Officer to coordinate, manage and monitor all rural LED projects within the municipality. Project beneficiaries do not get the necessary and adequate assistance from the available LED practitioner that could ensure the sustainability of their projects. It is recommended therefore that:

- The position of the LED Manager and one (1) additional LED Officer should be included in the organogram so that all LED programmes can be well managed, coordinated and controlled. The following structure is proposed:

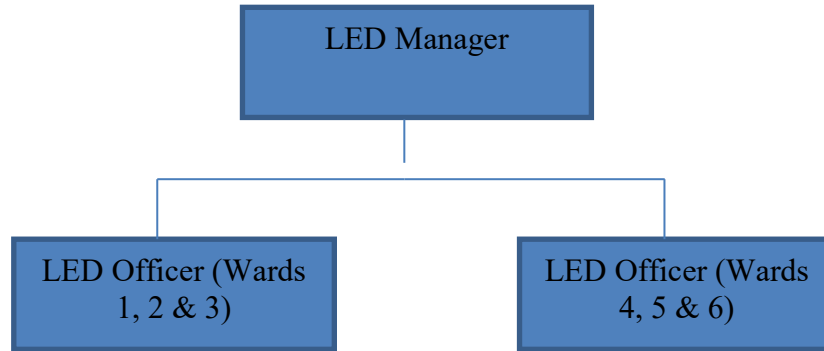


Figure 5.1 Proposed LED Unit Structure

- The LED Unit at the Mthonjaneni Municipality falls under the Directorate of Corporate & Community Services which is headed by one Director. The municipality should consider separating these into two Directorates and LED Unit be moved to the Directorate of Community Services.
- Qualified individuals with relevant qualifications a National Diploma or Degree in Social Studies or Community Development with major subjects being Economics, Public Administration or Business Administration will have to be recruited to address rural LED projects identification implementation and coordination challenges facing the municipality.

ii) Establishment of Municipal LED Forum.

This research established that the Municipality lacked an LED Forum whose purpose would be to serve as a crucial and critical structure that will ensure that a strategic focus on achieving balanced development and growth across the local economy is managed. It was further established that such a forum could benefit from the input of various institutions and departments from various spheres of government. In this regard, the following are suggested:

- Mthonjaneni Municipality should establish a Local Economic Development Forum as required by its Local Economic Development Strategy. The municipal Mayor, the Speaker, the Municipal Manager, the LED Officer and the project beneficiaries all came to a consensus agreement over the

establishment of an LED Forum. The forum should be composed of the following participants:

Provincial Government Departments

- The Department of Economic Development and Tourism: *to assist in the identification, packaging and funding of all rural local economic development and tourism projects within the municipal area that can assist in creating job opportunities for the community. The Department financially assisted the municipality, with R4 million rand which was allocated to upgrade Ndundulu Market Stalls as identified by the LED Forum. This project has created approximately 60 sustainable employment opportunities for communities in ward 6 of the municipality by selling fruits and vegetables to motorists travelling through R66/R32 route at Ndundulu.*
- The Department of Cooperative Governance and Traditional Affairs: *this department assists with funding identified by rural LED projects through special projects fund. The development of a feasibility study and business plan for Aloe Production projects in ward 4 of the Mthonjaneni Municipality was funded by this department. The participation of this department in the municipal LED Forum should be encouraged so that identified projects can receive necessary funding.*
- The Department of Agriculture, Environmental Affairs and Rural Development: *this department should assist in the identification of suitable land for community gardens, source funding and work together with the municipal LED Officer in training the project beneficiaries in ploughing, weeding and harvesting methods that would ensure maximum production.*
- The Department of Social Development: *this department creates an enabling environment for empowering the poor and vulnerable through*

the promotion and support of community development work, strengthening of institutional arrangements and dialogue with civil society. The department develops policies, strategies, programmes and tools for empowering and building the capacities of the poor and vulnerable as well as affected communities to unleash their potential for sustainable community development. These programmes focus on assisting the poor and vulnerable groups to access decent work and improve their income, assets and capabilities to enhance their livelihood (DSD Strategic Plan 2010 – 2015: 54).

Public Entities

- *The KwaZulu-Natal Tourism Authority: to assist the municipality in the identification of all tourism potential sites within the area and to market such to potential funders and tourists.*
- *Trade and Investment KZN: to unearth trade and investment opportunities that exists within the municipality and more especially in relation to rural local economic development enterprise.*

Others

- *uThungulu District Municipality: to serve as a coordinator between the municipality and other sector departments through the intergovernmental relations structure and mayors forum. To provide funding for projects identified by the LED Forum.*
- *All Local Municipal councilors: as local elected representatives, councilors are responsible for approving all projects identified by the LED Forum and the allocation of budgets. Councilors are therefore an important stakeholder of the LED forum.*
- *Ward Committee members: ward committees are established to enhance participatory democracy in local government (Ward Committees Training*

Manual 2000:16). Ward committees have a direct interest in municipal affairs since they represent the interests of their residents. Ward committee members would have a meaningful contribution on rural LED issues within the municipality.

- *NGOs operating within the municipal area: non-governmental organization could assist the municipality's LED Forum and rural LED enterprise beneficiaries with their expertise in sourcing funds for LED projects from the private sector and other funding agencies. NGOs could also assist with capacity building to LED project beneficiaries in project and financial management skills.*
- *Traditional Authorities representatives (eNtembeni Tribal Authority and KwaSanguye Tribal Authority): as the custodians of available land within the municipality, Amakhosi are an important stakeholder of the LED forum. Mthonjaneni municipality is more rural, therefore all identified rural LED projects are implemented with the authority of an Inkosi. The inclusion of traditional structures is critical for the successful implementation of rural LED projects.*
- *The Business Forum: the business representatives could assist by informing the LED forum members of needed quality and quantity of products and services in the market. This could ensure that identified rural LED projects respond to the demands in the market.*
- *The Farmers' Association: expertise and agricultural technology could assist the small scale garden projects beneficiaries to get exposure and necessary skills on farming at a large scale. Large scale farmers could mentor the small rural LED project beneficiaries on the conventional ways of doing business.*

The municipal LED Forum should have an annual schedule of monthly meetings where all stakeholders including the rural communities are invited and encouraged to present their ideas on rural LED projects with a potential of creating job opportunities for the youth and women within the municipal area. The municipal LED Forum could

identify sustainable rural LED projects for the municipality, and ensure that these projects are properly packaged and requests for funding are submitted to potential funders.

iii) Annually review municipal LED Strategy in line with the IDP and Budget.

During the Focus Group discussions, it became clear that a review of municipal rural LED strategy was rarely undertaken. This led to the failure of the Mthonjaneni Municipality to implement rural LED in a co-ordinated manner, which impacted on service delivery and employment levels within the municipal area. It is thus suggested that:

- Due to lack of internal human and financial capacity the Mthonjaneni Municipality should approach the Provincial Department of Cooperative Governance and Traditional Affairs for assistance in reviewing its LED Strategy in line with the IDP and the Budget.

iv) Development of LED programmes targeting youth and women.

The municipal LED Officer and the Municipal Manager mentioned that the municipality does not have programmes targeted at the youth and women that can improve their livelihoods due to lack of internal financial and human capacity. This has led the municipal officials performing their functions in an un-coordinated manner. It is therefore recommended that:

- The municipality should strengthen its internal structures in order to successfully coordinate initiated rural LED programmes and projects targeting the unemployed youth and women.

The LED Unit should also develop a monitoring and evaluation tool to measure the impact of rural LED programmes on reducing the already high levels of poverty and unemployment in the area.

v) Facilitate inter-governmental relations on LED issues.

The municipal Mayor and the Speaker indicated that an inter-governmental relation was not coordinated within the municipality on rural LED issues. This led to government departments operating in isolation from each other within the municipal area which result in very low impact on poverty alleviation and job creation for the rural poor. It is therefore recommended that:

- Facilitation of the inter-governmental relations on rural LED issues should be conducted by the office of the Mayor as the political head of the municipality.
- Working together with MECs from different government departments, the Mayor of uThungulu District Municipality and Mayors from other local municipalities will enable the Mthonjaneni Municipality to implement fundamental rural LED programmes that they cannot implement on their own due to limited capacity and funding.
- The Mthonjaneni Municipality's Mayor through the uThungulu District Municipality Mayor's Forum should propose the possibility of establishing uThungulu District LED Forum where integration and coordination of rural LED programmes can be done at District level as well.

vi) Funding for LED training, workshops and community participation.

During a focus group, it became clear that some members of the LED project beneficiaries had little or no understanding of the rural LED concept. The Mayor also indicated that some councillors had no understanding of rural LED programmes and projects. Since councillors are members of Council, the final decision making structure of the municipality, it is critical that they fully understand the concept of rural LED and its implementation. It is suggested that:

- LED related training and workshops should be organised by the Mthonjaneni Municipality for rural communities, municipal officials and councillors focusing on rural LED projects identification, coordination, monitoring and implementation.
- The National Framework for LED requires local municipalities to work closely with local communities. Mthonjaneni Municipality should ensure that more funds are allocated under LED vote for community participation programmes by providing transport to community members attending rural LED projects and community engagement meetings.

5.5 CONCLUSION

It is critical to note that these recommendations are presented not only to Mthonjaneni Municipality, but to similar rural municipalities for an effective implementation of rural LED programmes that will reduce poverty and unemployment. The Council and management of Mthonjaneni Municipality should make all necessary financial and human resources available so that the rural communities can see real change in their livelihoods through the LED strategy.

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MTHONJANENI MUNICIPALITY

FOCUS GROUP FROM FIVE (5) MUNICIPAL WARDS

**ANALYSIS OF RURAL LOCAL ECONOMIC DEVELOPMENT IN THE
MTHONJANENI LOCAL MUNICIPALITY.**

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Instructions for filling in the questionnaire:

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- b) Use the space s provided to write your answer to the question. Please Print.
- c) If the question does not apply, please indicate.

SECTION A

FOCUS GROUP BIOGRAPHICAL INFORMATION

1. AGE

16 – 25: _____

26 – 35: _____

35 – 40: _____

41 – 50: _____

50 and above: _____

2. FOCUS GROUP GENDER

a) Male

b) Female

3. FOCUS GROUP MARITAL STATUS?

- a) Married
- b) Single
- c) Divorced
- d) Widowed

4. FOCUS GROUP OCCUPATION

- a) Student
- b) Worker
- c) Pensioner
- d) Unemployed
- e) Self employed

5. FOCUS GROUP EDUCATION LEVELS

- a) Primary School
- b) Secondary School
- c) High School
- d) Higher Learning

6. FOCUS GROUP RESIDENTIAL AREAS

- a) Ward 1
- b) Ward 2
- c) Ward 3
- d) Ward 4

- e) Ward 5
- f) Ward 6

SECTION B

1. **Question:** What is focus group understanding of Rural Local Economic Development?

Answer: _____

2. **Question:** To what extent does the focus group participate in the rural local economic development of the area?

Answer: _____

3. **Question:** Do you know your rights and duties as a member of the Mthonjaneni local community?

Answer: _____

4. **Question:** Who informed you of your rights?

Answer: _____

5. **Question:** Do you know your ward respective councillors? If yes, who and if no, why?

Answer: _____

6. **Question:** Are your respective ward councillors attending to your rural local development needs? Elaborate.

Answer: _____

7. **Question:** How do you view your municipality? Is it responding to the rural local development needs of its community? Please support your statement.

Answer: _____

8. **Question:** Do you think the municipality is addressing your local development needs to your satisfaction?

Answer: _____

9. **Question:** Do you attend public participation meetings convened by your respective ward councillors? Yes or No if the answer is 'yes' how often?

Answer: _____

10. **Question:** How do you know when there is going to be a ward or IDP meeting in your area?

Answer: _____

11. **Question:** Does the municipality attend to your complaints on time?

Answer: _____

12. **Question:** What is your perception of the Mthonjaneni Local Municipality with regards to rural local economic development?

Answer:

- 13. Question:** In your view, does the Mthonjaneni Local Municipality involve you in taking decisions on issues affecting you? Please support your answer.

Answer:

- 14. Question:** Has the Mthonjaneni Local Municipality been able to promote LED in rural areas?

Answer:

- 15. Question:** What role does the municipality play in promoting rural local economic development?

Answer:

16. **Question:** Is the Mthonjaneni Local Municipality doing anything to reduce unemployment within the area? Yes or No if the answer is 'yes' how? if 'no' what should be done?

Answer:

17. **Question:** Do you have access to Mthonjaneni Local Municipality's records? If the answer is 'no', why?

Answer:

18. **Question:** How do you participate in municipal affairs?

Answer:

MUNICIPAL SPEAKER

MTHONJANENI MUNICIPALITY

**ANALYSIS OF RURAL LOCAL ECONOMIC DEVELOPMENT IN THE
MTHONJANENI LOCAL MUNICIPALITY.**

You are kindly requested to participate in this questionnaire. All information given will be treated with confidentiality and anonymity and will only be used for the purpose of the study.

Instructions for filling in the questionnaire:

- a) Mark the applicable answer/s with (X)
- b) Use the space/s provided to write your answer to the question. Please Print.
- c) If the question does not apply, please indicate.

1. **Question:** What is your position in the Municipality?

Answer: _____

2. **Question:** How many people are there in your LED Unit?

Answer: _____

3. **Question:** To what extent does Mthonjaneni Local Municipality, understand the concept of developmental local government?

Answer: _____

4. **Question:** Has the Mthonjaneni Municipality achieved its role as a developmental local government?

Answer: _____

5. **Question:** How does the Mthonjaneni Municipality define the concept of local economic development?

Answer: _____

6. **Question:** Is there a Councillor responsible for LED in the Municipality? Yes [] or No [], If Yes to what extend does he or she get involved with LED issues, if no Why?

Answer: _____

7. **Question:** Is there an LED forum and portfolio committee in the municipality? If Yes what does it do? If No why?

Answer: _____

8. **Question:** What are you doing with rural local economic development initiatives issues around the municipality?

Answer: _____

9. **Question:** What are the challenges faced by the municipality in implementing local economic development to rural unemployed women and youth?

Answer: _____

10. **Question:** In your opinion how far has the municipality gone with local economic development particularly to poor communities?

Answer: _____

11. **Question:** How do you involve communities especially unemployed youth and women in local economic development issues?

Answer: _____

12. **Question:** Does Mthonjaneni Municipality support community based economic development structures in rural areas? If Yes, how and if No, why?

Answer: _____

13. **Question:** Does your municipality facilitate the intergovernmental relations issues of LED?

Answer: _____

14. **Question:** Is the Mthonjaneni Municipality doing anything to reduce unemployment in rural areas?

Answer: _____

15. **Question:** What are your recommendations on addressing future challenges for rural LED in the Mthonjaneni Municipality?

Answer: _____

MUNICIPAL MAYOR

MTHONJANENI MUNICIPALITY

**ANALYSIS OF RURAL LOCAL ECONOMIC DEVELOPMENT IN THE
MTHONJANENI LOCAL MUNICIPALITY.**

You are kindly requested to participate in this questionnaire. All information given will be treated with confidentiality and anonymity and will only be used for the purpose of the study.

Instructions for filling in the questionnaire:

- a) Mark the applicable answer/s with (X)
- b) Use the space/s provided to write your answer to the question. Please Print.
- c) If the question does not apply, please indicate.

1. **Question:** What is your understanding of Rural Local Economic Development?

Answer: _____

2. **Question:** Does the Mthonjaneni Local Municipality have strategy/strategies to promote rural LED?

Answer: _____

3. **Question:** Who is responsible for managing local economic development in Mthonjaneni Local Municipality?

Answer: _____

4. **Question:** What internal structures are there within the municipality for rural LED? (e.g., LED Unit etc):

Answer: _____

5. **Question:** How do you ensure accountability of the internal structures responsible for LED?

Answer: _____

6. **Question:** Does the Municipality encourage community participation particularly in rural local economic development issues? If Yes, How? And If No, Why?

Answer: _____

7. **Question:** How many LED programmes do you know especially for rural communities within Mthonjaneni Local Municipality.

Answer: _____

8. **Question:** Do the community, business sector, government sector departments and other stakeholders support the municipal LED strategy/ies? If Yes, how, if No, why?

Answer: _____

9. **Question:** What is your municipality doing in promoting rural local economic development?

Answer: _____

10. **Question:** At what level is rural LED overseen, politically?

Answer: _____

11. **Question:** How do you involve communities' especially unemployed youth and women in local economic development issues?

Answer: _____

12. **Question:** Does the Municipality have a separate budget for local economic development programmes? If Yes, how much if No, why?

Answer: _____

13. **Question:** What are the problems encountered by the Mthonjaneni Local Municipality in implementing LED programmes?

Answer: _____

14. **Question:** Does Mthonjaneni Municipality support community based economic development structures in rural areas? If Yes, how and if No, why?

Answer: _____

15. **Question:** Does your municipality facilitate the intergovernmental relations issues of LED?

Answer: _____

16. **Question:** Are there any future plans proposed by the municipality for local economic development initiatives for unemployed rural women and youth?

Answer: _____

17. **Question:** Does the Mthonjaneni Municipality follow the National Framework on Local Economic Development in implementing its LED programmes?

Answer: _____

18. **Question:** Are there any challenges that the municipality is faced with in terms of implementing National Framework on Local Economic Development?

Answer: _____

19. Question: What is the impact of rural LED strategies in the Mthonjaneni municipal area?

Answer: _____

20. Question: Is the Mthonjaneni Municipality doing anything to reduce unemployment in rural areas?

Answer: _____

21. Question: What are your recommendations on addressing future challenges for rural LED in the Mthonjaneni Municipality?

Answer: _____

MUNICIPAL MANAGER:

MTHONJANENI MUNICIPALITY

**ANALYSIS OF RURAL LOCAL ECONOMIC DEVELOPMENT IN THE
MTHONJANENI LOCAL MUNICIPALITY.**

You are kindly requested to participate in this questionnaire. All information given will be treated with confidentiality and anonymity and will only be used for the purpose of the study.

Instructions for filling in the questionnaire:

- a) Mark the applicable answer/s with (X)
- b) Use the space/s provided to write your answer to the question. Please Print.
- c) If the question does not apply, please indicate.

1. How is support for rural local economic development organized?

1.1 Question: What is your understanding of rural local economic development within Mthonjaneni municipality's context?

Answer: _____

1.2 Question: What internal structures are there within the municipality for rural LED? (e.g. LED Unit etc):

Answer: _____

1.3 Question: Who is responsible for managing rural LED in Mthonjaneni Local Municipality?

Answer: _____

1.4 Question: To who is this person accountable?

Answer: _____

1.5 Question: How do these units fit within the municipal structure? (e.g. which directorate)

Answer: _____

1.6 Question: What external mechanisms have you established for both LED planning and implementation? E.g. economic development agency, LED forum, PPP, etc.

Answer: _____

1.7 Question: Please provide details of any interdepartmental LED teams and what their focus is.

Answer: _____

1.8 Question: At what level is rural LED overseen, Politically and Administratively?

Answer: _____

1.9 Question: Does the LED Unit interface with other spheres of government? If so, which Departments?

Answer: _____

1.10 Question: What partnerships do you have? Formal (legal, or with written agreements) and Informal:

Answer: _____

1.11 Question: How is rural local economic development defined in the Mthonjaneni municipality?

Answer: _____

2. Mthonjaneni Local Municipal LED strategies and policies

2.1 Question: What is the focus of the Mthonjaneni municipality's rural local economic development strategy?

Answer: _____

2.2 Question: What are the key issues that the LED strategy seeks to address in Mthonjaneni Municipality?

Answer: _____

2.3 Question: To what extent is community participation considered in rural LED planning and implementation?

Answer: _____

2.4 Question: What are the main policy documents you are using to promote rural LED within the area in priority order? (1 = highest)

- IDP
- Spatial Development Plan
- LED Plan
- Budget
- Economic strategy
- Land use strategy

Others

2.5 Question: What other stakeholders are providing rural LED services in the area?

Name	Focus
1.	
2.	
3.	
4.	
5.	

2.6 Question: What is your strategic intervention for the pro-poor local economic activities in the municipality?

Answer: _____

2.7 Question: Are you aware of any rural local economic development initiatives for especially rural unemployed women and youth that exist in Mthonjaneni municipality?

Answer: _____

2.8 Question: What role does the municipality play in the rural local economic development initiatives by the local people particularly youth and women?

Answer: _____

2.9 Question: Are there any future plans proposed by the municipality for local economic development initiatives for unemployed rural women and youth?

Answer: _____

2.10 Question: Does the Mthonjaneni Municipality follow the National Framework on Local Economic Development in implementing its LED programmes?

Answer: _____

2.11 Question: Are there any challenges that the municipality is faced with in terms of implementing National Framework on Local Economic Development?

Answer: _____

2.12 Question: Is there any basic business skills development initiated by the municipality to uplift communities with income generating initiatives?

Answer: _____

2.13 Question: Does the Mthonjaneni Municipality have any working relationship with financial institutions involved in LED programmes? If Yes, which institutions and If No, why?

Answer: _____

2.14 Question: Does the Mthonjaneni Municipality have any working relationship with the uThungulu District Municipality’s LED Unit, neighboring municipalities and sector departments?

Answer: _____

3. Rural LED Funding

3.1 Question: What funds were allocated for rural local economic development in the IDP budget for the last two (2) financial years? (*2008/2009 and 2009/2010 financial years*)

Answer: _____

3.2 Questions: What funds are allocated (and projected) for rural local economic development in the IDP budget for the next three (3) financial years? (*2010/2011, 2011/2012 and 2012/2013*)

Answer: _____

3.3 Question: How many job opportunities has the Mthonjaneni municipality's LED created in the IDP budget for the last two (2) financial years? (*2008/2009 and 2009/2010 financial years*)

Answer: _____

3.4 Question: How many new businesses has your municipal LED created in the IDP budget for the last two (2) financial years? (*2008/2009 and 2009/2010 financial years*)

Answer: _____

3.5 Question: Are you satisfied with the progress that your municipality is making with rural LED?

Answer: _____

3.6 Question: On a scale of 1 – 10 how dynamic do you rate your municipality's LED strategy?

Answer: _____

QUESTIONNAIRE:

APPENDIX 5

LOCAL ECONOMIC DEVELOPMENT OFFICER:

MTHONJANENI LOCAL MUNICIPALITY

**ANALYSIS OF RURAL LOCAL ECONOMIC DEVELOPMENT IN THE
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Instructions for filling in the questionnaire:

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- b) Use the space/s provided to write your answer to the question. Please Print.
- c) If the question does not apply, please indicate.

Questions:

1. What is your position in the Municipality?

Answer: _____

2. How many people are there in your LED Unit?

Answer: _____

3. Has the Municipality afforded you with any form of training and development in your position?

Answer: Yes or No If No why?

4. What is your understanding of rural local economic development?

Answer: _____

5. Does the Mthonjaneni Local Municipality have a local economic development strategy/ies?

Answer: _____

6. What strategy/ies have you implemented in promoting rural local economic development?

Answer: _____

7. Does the Municipality encourage community participation particularly in rural local economic development issues? If Yes, How? And If No, Why?

Answer: _____

8. How many LED programmes do you know especially for rural communities within Mthonjaneni Local Municipality.

Answer: _____

9. Do the community, business sector, government sector departments and other stakeholders support the municipal LED strategy/ies? If Yes, how, if No, why?

Answer: _____

10. What is your municipality doing in promoting rural local economic development?

Answer: _____

11. What challenges have you encountered in promoting rural local economic development within your municipality?

Answer: _____

12. What activities have you done in promoting LED programmes in rural areas?

Answer: _____

13. How do you involve communities' especially unemployed youth and women in local economic development issues?

Answer: _____

14. To what extent does the community participate in the economic development of their area?

Answer: _____

15. Does the Municipality have a separate budget for rural local economic development programmes? If Yes, how much if No, why?

Answer: _____

16. Has the Mthonjaneni Local Municipality identified potential private sector and business sector partners on issues of LED? If Yes, Who are they and what do they contribute?

Answer: _____

17. What are the problems encountered by the LED Unit in implementing LED programmes for the Mthonjaneni Local Municipality?

Answer: _____

18. Does your municipality have a small business advice centre and what are its functions?

Answer: _____

19. Does Mthonjaneni Municipality support community based economic development structures in rural areas? If Yes, how and if No, why?

Answer: _____

20. Does the municipality have an LED Forum? If Yes, who are the members and if No, why?

Answer: _____

21. Does your municipality facilitate the intergovernmental relations issues of LED?

Answer: _____

22. What is the impact of rural LED strategies in the Mthonjaneni municipal area?

Answer: _____

23. Is the Mthonjaneni Municipality doing anything to reduce unemployment in rural areas?

Answer: _____

24. Do other Departments in the municipality have LED functions? If so indicate.

Answer: _____

25. What are your recommendations on addressing future challenges for rural LED in the Mthonjaneni Municipality?

Answer:
