

ENHANCING THE ROLE OF LED: A CASE OF THE XHARIEP DISTRICT MUNICIPALITY

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Abbreviations.

COGTA: Cooperative Governance and Traditional Affairs

DESTEEA: Department of Economic, Small Business, Tourism and Environmental Affairs

LED: Local Economic Development

SALGA: South African Local Government Association

SMME: Small Micro Medium Enterprise

Chapter 1

1.1. Introduction

Local economic development is not a new phenomenon in South Africa, it has been implemented in various forms prior to 1994. It has gain importance post-apartheid South Africa as a vehicle for economic growth, poverty reduction and increased development (Meyer and Stamer 2004). After the transition to democratic dispensation, local economic development became an obligatory mandate from the constitution of the republic of South. Section 152 of the act authorizes municipalities to deliver democratic and responsible government for local citizens. The main purpose of Local Economic Development (LED) according to Patterson (2008) is to rally the resources of communities, government, the private sector and the local civic organizations so that they turn municipalities' into centers of opportunities for all the residents, and are able to compete with the rest of the world. The success of turning municipalities into centers of opportunities depends on the initiatives taken by communities, jointly with government and the business sector to build their localities and promoting economic development.

According the white paper on local economic development, they regard local economic development as the promotion of social and economic development (Department of Provincial Affairs and Constitutional Development, 2008). The white paper advocated a developmental local governmental. The developmental local government means that the local government has to make an impact in the social and economic development or citizens or communities. This suggests that the local government has to provide more than just meeting the basic needs of communities. Municipalities are bound by the country's constitution to develop and enforce by laws, to promote the welfare of communities under their care by increasing employment opportunities and reducing poverty and inequality. Meaning that the local government has the fiscal powers to act on the mandate of the constitution and as directed by its uniqueness to execute its functions in relation the national policies and provincial policies adjusted to its locality. The fiscal powers of municipalities place them in a better position to raise funds in their

localities and spent their money within its jurisdiction, thus participating in the market for goods and services.

Although the roles of communities and other stakeholders like businesses are important in local economic development, local government and particularly LED practitioners are at the heart of economic development, development–planning, coordination and thinking, because they had to function in the interests of communities. Local government practitioners and especially those in LED are now confronted with the prospects of being central catalysts for local economic growth and development, not necessarily lead partners. They are supposed to develop strategies and programmes that will benefit the locality in terms of poverty alleviation and job creation. Although it is stated that municipalities are not directly involved in job creation, they are expected to play a pivotal role in creating a conducive environment for businesses and other stake holders to play that role.

1.2. Background

Local economic development (LED) refers to an inclusive process whereby the local government, business sectors, non-profit sectors and the community join hands to improve the functioning, economic growth rate and job creation of a local area. The whole process of local economic development is driven by the local economic development units in municipalities. LED is responsible for local economic development policy and strategy that will outline the role of the different sectors within the economy. The most notable role of local economic development is to facilitate the job creation, alleviation of poverty and the development and growth of the local economy. The inclusiveness of the process demands that all the stake holders should be taken into consideration when planning the local policies and strategies to be followed by municipalities.

However since the 2009 recession most municipalities are characterized by increasing unemployment rates and sluggish economic growth rate. The slow growth of many municipal economies simply means that there is more reliant on equitable share from the municipalities to

run local functions. The increasing unemployment rates of up to 30 percent and more in most Free State municipalities implies that locally raised revenue is getting smaller and smaller (QLMR,2017:Q2). The small own revenue is as a result of more and more people being unemployed and relying more on social grants and informal sector jobs to survive. The reliance on social grants and the rapid growth in the informal sector is an indication to municipalities that the number of individuals in the indigent register is on an increase, thus putting further strain on the limited resources of municipalities. However the national government does assist municipalities with conditional grants apart from equitable share allocations. Conditional grants are a way of the national government to make sure that national priorities are met within municipalities, and they are ring fenced for maximum compliance with national priorities.

Subdued economic growth rates of municipalities coupled with high and rising unemployment rates the province and most municipalities is a cause for concern (some municipalities have had extended negative growth rates like Matjhabeng as an example). The formal sector or the formal economy exist in parallel with the informal economy, and the formal economy is unable to absorb the vast army of the unemployed, hence the reliance on the informal sector to also play its role. As a result of trying to address poverty, unemployment and lack of economic growth and development, most of the current LED policies became more practical in coming up with the measures that directly support and encourage pro-poor LED strategies. The numerous support from the LED were for both the formal and the informal sector. The drastic measures of having to deal with the reality of support in LED brought about a number of policies and legislation to deal with the identified challenges from a national perspective. The role of sector departments in assisting municipalities with the numerous policies and legislation and the practicality of implementation is even more important to deal with challenges in LED. The kind of challenges faced by LED practitioners suggest that creativity and innovations are also needed at all levels by all participants for the betterment of the local economy (UN-Habitat, 2005). The participation calls for entrepreneurship at all levels of society because the current strategies seems to be unsuccessful in reducing unemployment poverty and increasing economic growth rates (Matlala, 2014).

For the purposes of this document the purpose of LED is to build up the economic capacity of a local area to improve its economic future and the quality of life for all, using the entrepreneurial ability of the society at all levels (World Bank, 2015). Which means that LED development-planning is about increasing the economic capacity of the area by providing the platform for an increased economic activity (conducive atmosphere policies) and Economic development to improve the life's of the poor people (pro-poor policies). This indicates that development-planning in LED in South Africa focuses on two broad directions or categories, firstly it attempts to pursue a pro-growth policies, where the emphasis is on economic growth and secondly, it attempts to follow pro-poor policies for a balanced economic development (Rogerson, 2010; Nel, 2001). As a result of the two categories, local economic development and planning has to be committed to working with local communities, local businesses and local group in order to find the balance between all the groups for the benefit of their localities. LED is a kind of policy that democratize the functioning of the locality.

1.3. Statement of the problem

There is an acknowledgement that the province and most of its District municipalities are faced with declining economic growth rates, increasing poverty and increasing joblessness despite the fact that municipalities are managing their own fiscal affairs. Local economic development is itself faced with many challenges despite the fact that legislation allows for its existence as an active participants in municipalities to deal with poverty, unemployment and inequality, and the broadening of the local economy. On the other hand LED can also be regarded as the solution to the many failures of various programmes in municipalities. LED is able to join together the objectives of generating sustainable growth and addressing the needs of the poor in their jurisdictions (Rodriguez-Pose & Tijmstra, 2005: 4).

Regardless of the good intentions there have been numerous reasons for the poor performance of the LED in impressing in its functions. Poor performance relates to among others, the clarity on conceptual framework of LED; the lack of real inputs from stakeholders or their inability to

participate meaningfully both in planning phase and execution phase; leading to a lack of clear roles by the stakeholders and the institutional arrangements to support LED (Matlala, 2014:13). Part of the solution to address the many challenges are to increase the cooperation and the coordination amongst the strategic partners to be able to deliver on the LED mandate. The deficiency or lack of the institutional arrangement at the level of the province is also hampering implementation of local economic development. There seems to be laissez-fair attitude from the strategic partners to play a meaning supporting role in the implementation of LED initiatives.

1.4. Aim and objectives of the paper.

The objectives of this paper is to:

- Research the extent to which LED can be at the center of driving local economies to sustained growth and development. In order for LED to be a driving force, the challenges facing LED needs to be addressed.
- Establish the kind of support given by institutions and sector departments in enhancing the implementation of local economic development.
- Identify the innovative way of doing things in LED.
- Outline critical support factors required for the successful implementation of LED initiatives in municipalities.

1.5. The research questions

The following research question guided the research:

1.5.1. What can be done to enhance LED to be the pillar of strength in municipalities and the center that holds every economic aspects together rather than just an ordinary unit within the structure of municipalities?

1.5.1.1 To enhance the role of LED to be the center of strength in municipalities requires that: What can be done to increase the support of the strategic partners to be elevated to offer their unwavering support?

1.5.1.2 How can the functioning of LED be enhanced to use its local human resource, its communities and businesses organisation to further economic growth and development thereby improving the livelihoods of communities?

15.1.3. How can LED be an engine of innovation and change in fast growing society?

1.3. What are the extent of critical support factors that can be generated towards the successful implementation of local economic development initiatives?

Implying that the understanding and positioning of LED and its functions within a broader local environment at the top of the policy agenda both within the municipalities and the provincial government will assist in the efficient functioning of LED while stimulating local economies. The recommendations are expected to contribute to the efficient reduction of unemployment and towards an increased economic growth.

1.6. Limitation of the research

The study will focus exclusively in the Xhariep District municipality area simply because of resource constraint and the time factor of extending the whole study to the province. Xhariep district is one of the poorest areas in the province that needs constant assistance because of its geographical environment.

1.7. Significance of the study

The study is driven by the need to investigate the enhancement of increased economic growth and development in the municipality. The study has been conceptualized from the point of view that LED is the central driving force behind local economic growth and development, which will contribute towards increase in job creation and economic growth. This will be done by identifying the challenges and suggesting the possible solutions for future planning. It is expected that the conclusions drawn will help improve the practical implementation of LED.

1.8. Methodology.

For the purpose of this research, the research methodology will be informed by literature review on primary and secondary sources on the role and functions of LED, policies and legislative mandates in order to identify areas to be further developed from prior studies and to fill the gaps that will justify the new investigation. Re-visiting the theories available in the subject matter, i.e., the pro-growth and the pro-poor theories and their relevance in assisting LED to accelerate service delivery outcomes.

The qualitative research methodology will be employed to describe and explain the institutional arrangements that play a role in supporting LED. The study will rely on structured questionnaire and semi structured interviews in order to collect data. Where possible document reviews will be done to understand the policy imperatives at play within the municipality.

Administering a questionnaire in order to have the views of the practitioners on the perceived role of LED, its support structures and challenges, best practices and how best can it be assisted to function optimally. The questionnaire is aimed at determining the age structure, the roles of LED in the municipality and the current functioning and funding thereof. In this instance the Xhariep District municipalities will be used as an example. This will include the location, the demographics and the economic survival of the municipality.

1.9. Research ethics

Research ethics involves striving to ensure that the consent of the participants to continue with the study as willing participants in the study are sought. The confidentiality of the participants and their anonymity should be respected at all times.

1.10. Research design

The research report will be outlined as follows:

1. CHAPTER 1

1.1. Introduction: introducing the concept of LED and its imperatives in South Africa. Background to the study and the problem statement. The aims and objectives of the study.

2. Chapter 2

2.1. Literature review: this is necessary in order to understand what has been published on the topic, the legislation and policies around the topic. The challenges already identified in some of the municipalities and possible solutions that was recommended. It will also be aimed at addressing the main question of what can be done to enhance the role of LED to be the pillar of strength.

2.2. Policy and legislative issues in LED: The extent to which legislation and policies are assisting the local economic development to grow the economy.

2.3. Challenges in LED: this section looks at the current challenges and what can be done to leverage on the local comparative advantage.

3. Chapter 3

3.1. Profiling of the Xhariep district

4. Chapter 4

Research design and methodology

5. Chapter 5

Data analysis

1.11. Limitations to the study

Though the study seeks to improve and enhance the functioning of LED and suggest different ways of growing the local economies in municipalities, however no interviews or questionnaire were directed at the political heads responsible for LED in municipalities. The view is that, the kind of questionnaire and information related to the political heads should be handled in the political space. The paper only intends to highlight the functioning and the important role of LED in general and using Xhariep district municipality as an example.

The second limitation relates to the functioning of existing projects in the district and the participants in those projects. No thorough investigation was done with regard to existing

projects and their contribution to local economic development and local growth. This line of reasoning could be an extension to the study that creates another study. The new study could be what is the impact of local municipal projects on the local communities, in terms of poverty alleviation and unemployment reduction in the District? Secondly it could be the contribution of LED in the reduction of unemployment and increasing economic growth in the local municipality.

Chapter 2

2.1. Literature review.

Literature review is a process that is very much essential because it enables the researcher to discover what is contained in the body of knowledge. The recent challenges and issues in LED will be discussed and elaborated upon.

2.1.1. The theory behind local economic development.

Local economic development has always been practiced before in the developed world and in South Africa pre 1994 (Rogerson, 2009). However in the past the focus was strongly on the marketing of locations to external investors, often with some incentives like reduced tax and/ or reduced costs of public goods and incentives for infrastructure development (Patterson, 2008; Reddy & Wallis, 2011). In the second phase of the local economic development the idea evolved into economic potentials, and striving to support the competitiveness of existing firms, promoting entrepreneurship and business start-ups with the process managed by central government (Patterson, 2008). In most cases planning was a top down approach via entrepreneurship development, and training programmes, providing access to finances, skills development, rural development and sectoral approaches (Rogerson, 1997). The latest and third phase of local economic development centered upon improving the individual business support, sectoral development support, by making the entire business and community environment more conducive to economic development (Rogerson, 1999; Patterson, 2008). The third phase of local economic development in South Africa emanates from the constitution of the Republic of South Africa, Act 108 of 1996 and the Municipal systems Act No 32 of 2000, which will be elaborated upon later in the paper (Rogerson, 2009:16).

The objectives of current and future organized arrangements in the functioning and support of a successful LED should be guided by strategic objectives underpinning this process. The strategic

objectives of the whole process includes the creation of a conducive climate for businesses to flourish, small towns revitalization (still in its infancy stages in the province), and economic growth of municipalities (Matlala, 2014: 21). LED should also support and improve the small and emerging businesses through their direct involvement and the supply chain processes where possible.

2.2. LED Defined

Local economic development is a joint effort by the local municipality, the community and the business sector in their efforts to advance the economic growth and development of their locality according to many proponents of LED (Rodriguez-Pose & Tijmstra, 2005: 3; Rogerson, 2009:13). As a result of this combined effort Local Economic development (LED) is defined by the United Nations Development Programme (UNDP) as “a locally driven development that seeks to identify, harness and employ local resources to stimulate the economy and to create job opportunities in a locality” (Reddy & Wallis, 2011). It is multi-dimensional, multi-sectoral process that combines the ideas of the local stakeholders, businesses and government in order to innovatively inspire local economies towards changes in national and international economic environment (Koma, 2012; LED Toolkit, 2005). However according to Nel (1999), Seduma (2011) there is no universally accepted definition of LED. But the sole idea in LED is to coordinate the local activities that will lead to enhancement in job creation in the locality, reduce poverty and inequality and economic growth. According to the above definition and from (Patterson (2008), I agree with the notion that LED is not a single project or an activity. LED is a continuous process that seeks to come up with answers to low economic growth, high and persistent unemployment rate, increasing incidences of poverty, increasing inequality, and by seeking to stimulate the economy *by creating enabling environment*. It implies collaboration and responsibility among all the participants, in the pursuit of improving the livelihoods of the people Rogerson, 2009: 14).

BOX 1

Enabling Environment.

“Enabling environment” means that infrastructural services must be reliable and that businesses must have access to markets and essential inputs into the business process. It also means that the regulatory process should be user-friendly with less red tape. Less red-tape means that the regulatory frame work should be user friendly. Suitable business sites should be made available for new business and for expansion by investors without much hassle. The support of business in terms of skills, safety, raw materials etc., are also important to encourage businesses to invest and enable them to be more efficient, productive and competitive”.

“Investment is another important element in LED. It involves the investment by government in construction, transport, infrastructure, water and telecommunications. Business investment includes new factories/ plants, mines, farms service industries or new equipment being purchased etc. investment by businesses can also lead to job losses if new technology require less labour. It is therefore crucial that LED practitioners are able to balance and maximize their efforts and create conducive environment for absorption of jobs that are lost. Investing in skills and continuous learning in business is an essential building block for maintaining comparative and competitive advantage”.

(DPLG, 2006).

The idea behind local economic development is that the local participants are best suited to identify resources within their locality, understand the local needs and work out plans to find the best possible solutions for a fully functional competitive economy (Reddy & Wallis, 2011; DPLG, 2006).

One of the problems facing the municipalities in terms of economic development and growth in their localities is how to undo the policy programmes of pre 1994 era regarding a number of things that includes settlement patterns (racial segregation), strong central government control, suppressed LED emergence etc., (Patterson, 2008). It is general knowledge that the previous programmes under the old regime deprived South Africans of the skills and access to

opportunities. According to Patterson (2008) the suppression of the emergence of LED in towns and cities of South Africa lead to the erosion of local autonomy. To revive the local economy we have to deal with the past, the current and the future economic situation of municipalities.

The current situation is that the economy of South Africa is still characterized by a dualistic economy which is an inheritance of the past, with a highly sophisticated formal economy that can compete at a global level and an informal sector that can merely survive (Seduma, 2011:12 and Patterson, 2008). Given the economy and coupled with a fatal unemployment rate of up to 34 percent and above in certain areas especially in the Free State towns and cities it is quite a daunting task to undertake (QLMR, 2017:Q2). As such continuous research is necessary to determine the role and impact of LED in towns and cities in the province. In order to address the developmental challenges inherent in the economy, a number of policies and legislation had to be realized. The current policy framework for LED was originally formulated in the South African Constitution, followed by other policies to run through the idea and make it work.

The provincial economy is characterised by many small towns' municipalities which are not self-sustainable. Many of the Free State municipalities depend on the equitable grants for their survival hence they are unable to allocate enough funds for their economic development because they don't have, but FFC (2016: 245) is of the view that municipalities are underspending their capital budgets. The underspending then becomes part of the challenges in municipalities, hence service delivery problems.

However there is no one size fits all in terms of successes in LED, because each locality has its own distinct uniqueness and challenges in terms of opportunities and challenges. LED strategies in most cases are controlled by the accessibility to land, the conditions and availability of infrastructure, natural resources and human capital necessary to combine the factors of production. The success of any locality will be determined by its ability to adapt and adjust to the challenges facing the locality (Reddy & Wallis, 2011). The ability and capacity to link developed and developing areas within the locality is very key in the South African context as they form the major challenges facing

localities. As a result of the two economic systems (developed and developing systems), there are also two strategies that are at work simultaneously in creating conducive conditions for economic growth, and they are the pro-poor strategies and the pro-growth strategies.

2.3. Pro-poor policies

The South African LED context rely much on pro-poor strategies, small scale projects and community development initiatives. The reason for such a pro-poor strategy is to try and level the plain fields due to past imbalances of separate development. In comparison with the Northern countries where LED has been practiced for many years, economic focus tends to be channeled to issues of investment in big business support and major projects for development (Meyer-Stamer, 2003). Reflecting the developed nations understanding of LED, which can be said is the situation in the advantaged parts of our society. The pro-poor policies are more survivalist in nature and operates on a smaller scale, targeting the poor. The majority of which tend to be at an informal level. The South African approach or strategy has been to use Extended Public Works Programme (EPWP) to target the poor members of society as a means to alleviate poverty, improve employment and job opportunities. However the nature of EPWP in the province is a short term poverty alleviation programme with no exit strategy. After the participants have left the programme they go back to be unemployed without any prospects of employment because they gained very little skills in the programme (Gafane, 2011).

2.4. The legislation in LED

2.4.1 Legislation and policies impacting on LED.

The policy basis for the current policy framework in LED is part and parcel of the Constitution of the Republic South Africa. Section 152 (1) (c) states that “the object of local government is to promote social & economic development” (Patterson, 2008). Whilst section 153 (a) of the Constitution states that “local government must promote social and economic development” and it must “structure and manage its administration, budgeting and planning process to give priority

to the basic needs of the community and to promote the social and economic development of the community” (Patterson, 2008).

2.4.2. Reconstruction and Development Programme (RDP)

The Reconstruction and Development Programme (RDP) (ANC, 1994) was the first document to give support to LED with its comprehensive integrated socio-economic development to support development policies of the government and redressing the inequalities and injustices of the past (Patterson, 2008:). The RDP’s focus was on social development of communities by providing services and using them to create employment opportunities (Mahlalela, 2014). It prioritizes the social welfare of individuals in a community, especially the formally disadvantaged groups and not necessarily economic growth (Mahlalela, 2014). RDP was a pro-poor policy which was discontinued.

2.4.3. GEAR

In 1996 The Growth, Employment and Redistribution Strategy (GEAR) replaced RDP however it was also abandoned as it was heavily criticized by the labour movement, Congress of South African Trade Union (COSATU). Its aim was to stimulate faster economic growth which was required to provide the resources to meet social investments needs (South African History On line, 2013). In the LED context the objective of GEAR was the utilization of public investment to upgrade municipal infrastructure thereby ensuring a balance between social policy and economic policy (Reddy & Wallis, 2011).

2.4.4. White paper on local government

In 1998 the government introduces the White paper on Local Government. The white paper introduced the concept of ‘developmental local government’, which is defined as : ‘Local Government committed to working with citizens and groups within communities to find sustainable ways to meet their social, economic and material needs, and improve the quality of their lives’(Patterson, 2008; DPLG, 2006). The white paper also makes it clear that “Local Government is not directly responsible for creating jobs. It is however 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” (Municipal System Act, 2000; Patterson, 2008).

According to the white paper, the role of LED is to facilitate the allocation of resources in creating an enabling environment. This will be done by the provision of infrastructure and basic services and the coordination of the more inclusive LED processes (DPLG, 2006). The role of LED can also be interventionist where the market is not responding to the needs of the community in order to address market failure. The interventionist part places the LED as an important role player and fit in force in the practice of Developmental local government. This results in the creation of a conducive environment for businesses to flourish, overseeing the construction and maintenance of infrastructure towards both businesses and communities. Assist and manage the formation of partnerships and cooperatives and mobilize support and participation of both the private sector and the community at large.

2.4.5. ASGISA

Accelerated and Shared Growth Initiative Strategy (ASGISA) was a further developmental strategy post 1994 which replaced GEAR in 2005. Its aim was to reduce poverty by 2010, and halving unemployment by 2014, from the 28% in 2004 to 14% in 2012, as it acknowledged the challenges of prolonged poverty, unemployment and jobless nature of economic growth in South Africa¹. It was also abandoned in 2010.

2.4.6. GNP

A New Growth Path (GNP) was broadcasted by the president in his State of the Nation address in 2010. Its aim was to quicken growth, and to do so in ways that swiftly reduce poverty, unemployment and inequality (South African History On line, 2013). However GNP could only last until 2013, before it was replaced by National Development Plan (NDP).

2.4.7. NDP

¹ South Africa’s key economic policies changes (1994 – 2013)| South African History.... Down loaded: 17/11/2017.

NDP is a long term socio-economic development planning map with a 2030 vision. NDP can be viewed as a policy blue print for eradicating poverty and unemployment over a longer period. It has its key outcomes to achieve the intended goals by using the MTEF as its bases for deliverables.

BOX 2

Medium Term Strategic Framework

- 1. Improved quality of basic education*
- 2. A long and healthy life for all South African*
- 3. All people are and feel safe*
- 4. Decent employment through inclusive economic growth*
- 5. A skilled and capable workforce support an inclusive growth path*
- 6. An efficient, competitive and responsive economic infrastructure network*
- 7. Vibrant, equitable and sustainable rural communities with food security for all*
- 8. Sustainable human settlements and improved quality of household's life*
- 9. A responsive, accountable effective and efficient local government system*
- 10. Environmental assets and natural resources that are well protected and continually enhanced*
- 11. Create a better South Africa and contribute to a better and safer Africa and the World*
- 12. An efficient, effective and developmental oriented public service and an empowered, fair and inclusive citizenship.*
- 13. An inclusive and responsive social protection system*
- 14. Nation building and social cohesion*

Downloaded from: <http://www.dpme.gov.za/keyfocusareas/outcomesSite>

2.4.8. Municipal Service Partnerships

There is also a White Paper on Municipal Service partnerships (MSP) with policy guidelines for municipalities engaging in strategic LED actions. This is in relation to creating a conducive environment for businesses to flourish, building capacity skills for service delivery and with the establishment and implementation of monitoring framework for MSP (Reddy & Wallis, 2011).

The current policy directive is the NDP which is a long term strategic plan which serves four broad objectives according to South Africa's key economic objectives:

- Providing overarching goals for what we want to achieve by 2030
- Building consensus on key obstacles to achieving these goals and what needs to be done to overcome those obstacles.
- Providing a shared long-term strategic frame work within which more detailed planning can take place in order to advance the long term goals set out in the NDP.
- Creating a basis for making choices about how best to use limited resources

Provincially there is the Free State Growth and Development Strategy (FSGDS) with its key economic drivers:

2.4.9. FSGDS

Municipalities are at the forefront of service delivery, therefore this requires that the implementation of national and provincial economic and any other policies be synergized at the level of municipalities. The synergy of policies at a municipal level requires that the municipality must align its developmental strategies, must coordinate its actions and realize integrated development outcomes envisaged by the national and provincial government (Koma, 2012). In turn the Provincial Growth and Development Strategy is tailor made to provide strategic direction on provincial issues taking its cue from the national strategy. It is a key instrument for the Free State province for planning and implementing its social and economic development within the National development plan. However it is not clear if the provincial development strategy has its own medium term strategy that guides the province and the municipal economic development strategies over shorter periods of time flowing from the National Medium term Strategic Framework. The coordination and implementation of provincial and national policies in municipal sphere remains a challenge as observed by Koma (2012) and Matlala (2014). It also creates the potential for policy disjointedness as a result of omissions and gaps in implementation and raises uncertainty within the other stake holders of municipalities as raised by different writers (Bond, 2002; Matlala, 2014 and Koma, 2012).

However the FSGDS has the following key pillars in place in order to advance economic growth and development within the province:

- Pillar 1: Inclusive economic growth and sustainable job creation;
- Pillar 2: Education, innovation and skills development;
- Pillar 3: Improved quality of life;
- Pillar 4: Sustainable rural Development;
- Build social cohesion and
- Pillar 6: Good governance.

These pillars are supported by 15 drivers that set the scene in terms of what should be achieved. They are not directly synergized with the NDP, however they are not too far away. The other reason could be that the drivers are more reflective of the province than generalizing issues from the NDP. However in terms of implementation there is no champion from the province to oversee that there is inclusive economic growth and sustainable job creation. The implementation should be driven from the Premier's office, but they do not form part of the organized meetings of municipalities.

The Free State Growth and Development strategy should be followed by the IDP of municipalities, which should put framework to the whole document with real situations taken from profiling of municipalities in identifying the comparative advantages of municipalities.

2.5. LED in practice.

The implementation of National and Provincial policies and instruments in the promotion of LED has been a very dynamic process because of the ever changing policies and instruments. The three key government policies driving local economic growth are: NDP, FSGDS and the IDP's supported by legislation and other policies. These policies are developed to take into consideration the development of enterprise, long-term sustainable growth and employment and are very necessary. In most cases the local government LED practitioners only receives information on the changes of these policies with little or insufficient training on how to integrate them and the implications of such policies (Mahlalela, 2014:43). Both the National practitioners and the provincial government has to ensure that the local practitioners have the necessary

capacity to take full advantage of the newly opportunities brought about by those changes (DPLG, 2006). Only when the local practitioners have full understanding of the changes can they be in a position to take full advantage of their own opportunities and competitive advantage that they can disseminate to their local people. In the locality IDP are the drivers of economic development as they include the LED and the in their very nature the participation of the community. The new developments also mean that authorities in municipalities has to be well-informed with new developments in line with the developmental mandate and the new redefined socio-economic context in which they operate for the benefit of the local residences (Reddy & Wallis, 2011). Part of the information to local authorities has to be supplied by LED practitioners through their participation in LED forums and their reports.

The whole idea in local economic development is firstly to support local authorities on projects decided upon by the municipality as part of poverty alleviation strategies, targeting short term jobs and small scale business. Secondly their role was to facilitate long term jobs through the creation of business opportunities, facilitating business infrastructure developments and stimulating and retaining industries (Seduma, 2011:12). However the majority of communities in the province and the rest of the country are separate from the major means of economic activity and subject to small projects, according to the skewed spatial development. It is the role of the LED to find a balance of introducing the marginal part of society back into the economic mainstream.

In the context of local municipalities, more often than not, they will need assistance to undertake major projects that will facilitate smooth transition of small businesses into the economic mainstream.

2.6. Key role players in support of LED.

2.6.1. Department of Cooperative Governance and Traditional Affairs

There are a number of organisations including government departments that are responsible for supporting LED initiatives. The Provincial Department of Cooperative Governance and Traditional

Affairs has the overall responsibility to provide leadership, direction and regulation in the formation of policies. Secondly The Department provides administration of policies, programmes and projects in order to ensure maximum development and growth impact of the programmes and projects. Thirdly the department is also supposed to initiate economic development programmes by providing public spending regulatory framework and promoting small business development and cooperatives. Lastly the department is responsible to coordinate capacity building in municipalities with regard to LED (Patterson, 2008). Most of the hands on support and monitoring to local government to improve their economic outcomes are done by the Provincial Department of COGTA.

2.6.2. Department of Economic Development, Small Businesses, Tourism and Environmental Affairs

The above Department is responsible for coordinating the economic strategy of the province, which includes the Tourism strategy, Small Medium and micro eEnterprise development and strategy and the overall economic development. The department strategies should be aligned to the Department of Trade and Industry as the overarching Department. Trade and Industry Department has the responsibility to see to economic growth and employment opportunities according to Mahlalela (2014).

2.6.3. The role of Municipalities in local economic development

LED is a constitutional directive to municipalities to advance socio-economic objectives of municipalities. According to the Integrated Development Plan (IDP), LED activities are legally mandatory as an important input into the process (Seduma, 2011:28). In most cases LED projects which are adopted in the IDP are fairly implementable, and providing jobs. However according to DPLG (2005), most of the jobs are small scale and only survive for as long as they are being sustained with public funding.

The reason for small scale projects is as a result of different views within municipalities, some view it as involving community poverty alleviation projects and some view it as responsible for economic sustainability (Seduma, 2011:13). However as mentioned by Rogerson and Nel (2005), LED takes the earlier view of small poverty alleviation projects. The ability to have an economic impact also rests with municipal financial support of LED, or resources allocated to LED (Mahlalela, 2014:42). In many instances LED are even finding it difficult to access funding within MIG funding, which is more of your infrastructure funding. Spending less on economic issues will result in less economic growth and thus defeating the pro-poor policies intended by the municipality, which in turn will lead to less collection of on municipal service.

There are other participants and programmes in the sphere of local economic development like Treasury in assisting municipalities with their financial obligations. SALGA assisting in small town's regeneration or alternatively Urban Renewal Programme, Integrated Sustainable Rural Development Programme (Mahlalela, 2014: 42). There are different spheres of government that also participate in the LED that include District municipalities, sector departments. Businesses, NGO's and community organisations also participate in the process.

2.7. LED in a 'developmental state'.

South Africa has adopted a developmental state and LED is viewed as an integral delivery mechanism of that developmental state. A developmental state is defined as a state in which the government is well involved in the macro and micro economic planning and implementation in order to economic activity and inclusivity (Maphunye, 2009). The Developmental State of South Africa was firstly coined in the Reconstruction and Development Programme in passing. The Municipal Systems Act of 2000 and the White Paper on Local Government of 1998 also hinted on the developmental local government. The Accelerated and Shared Growth Initiative for South Africa (ASGI-SA) as an economic policy frame work, accelerated it (Gelb, 2006). It signifies the return of a central role by the state in economic affairs. The focus was on public spending on infrastructure and skills development, and the identification of priority sectors as the drivers of economic growth. It also encouraged municipalities to pursue pro-poor policies in LED and be

pro-active to intervene in their local economies to address various socio-economic necessities (DPLG, 2001:54). However Seduma (2011) maintains that municipalities have not been successful in delivering a developmental state due to various reasons that may not be explored in this case.

2.8. Local economic development issues and challenges

1. **Partnerships in Local economic development:** It is common understanding that effective local economic development requires partnerships and the full participation of various stake holders within communities. This partnership or social cohesion is very important and it is one of the factors that are lacking according to Patterson (2008). Patterson also found out that there is a general mistrust between business and government especially at a local level (2008). Government is cautious in engaging well established businesses with regard to local development and businesses are also cautious of engaging government in matters that concerns their own development. As a result of this cautious approach from the two sides, development is being stalled (Patterson, 2008). Local economic development is seen as a function of government by businesses hence their reluctance to reinvest their profits back into the society in which they have profited and there are numerous debates in that direction, like the following extract:

BOX 3

Companies sit on their hoards:

According to the Mail and Guardian, "The private sector remains reluctant to invest the cash lounging on company balance sheets. Poor confidence in the economic environment has played a notable role in this, but the picture may be more complicated than it looks..."

The same picture was highlighted by Statistics South Africa's quarterly financial statistics of the private sector 2015, which "revealed that capital expenditure fell 9.3%, or almost R9-billion, between the last quarter of 2014 and the first quarter of 2015. Year on year the drop was much larger at 18%, down by more than R20-billion.

The report review more than 5000 private enterprises but excludes financial mediation and insurance, agriculture, forestry and fisheries, as well government institutions and municipalities. However the large fall in capital expenditure year on year could be as a result of low economic climate, resulting in companies investing less.

According to Statistics South Africa's executive manager of private sector Statistics, the capital expenditure by private businesses is very volatile and not governed by seasonal cycles and each company would take investment decision individually"

Extract from: Mail and Guardian.

<https://mg.co.za/article/2015-07-02-companies-sit-on-their-boards>

It is of vital important that the private sector should be encouraged to engage in local economic development effort. Municipalities are important in bridging the gap for social cohesion between the different stake holders. Until the different stakeholders work together for a common goal, LED will be driven by the local government with little or no real inputs from the private sector.

To deal with poverty issues there is also a need for community cooperatives. Cooperatives are a simple way of mobilizing and resuscitating the local economic activities. Many of the cooperatives die after a few years or just collapse due to conflict among members, corruption and maladministration. Lack of adherence to co-operative principles also aggravated the situation (DTI, 2012).

According to the Department of Trade and Industry "the low survival rate can be attributed to several factors, including the fact that there is not a dedicated agency designed primarily to support co-operatives on a focused basis, thus resulting in untargeted and uncoordinated support, characterised by poor mentorship; minimum investment dedicated to co-operatives; and a sense of neglect among all spheres of government and their respective enterprise development agencies" (DTI, 2012). On the other hand, co-operatives themselves have been formed for the purpose of accessing free money (Co-operative Incentive Scheme (CIS) grant), instead of genuinely building a co-operatives movement. Testimony to this is an ongoing conflict

among co-operative members over issues of money and the usage and ownership of assets, coupled with poor management and lack of co-operation (DTI, 2012).

The provincial

2. Common understanding of LED: In most cases the mandate of LED is not well defined in local government legislation according to Reddy & Wallis (2011) and as a result not clearly set out in the legal or regulatory frameworks of other sectors such as agriculture, manufacturing, trade and education. It is expected that LED should not be confined to a single sector but be able to serve all the other sectors. This can also have a substantial effect when it comes to resourcing the LED because it is not expected to report its work outside the municipality e.g., at national or provincial level. However they are expected to have a strategy and make inputs into the local IDP.

Mahlalela (2014: 43) is also of the view that there are different strategies presented in IDP's. The collective approach is not clear in terms of determining what an effective and sustainable LED is. Seduma (2011) is also of the view that there is a lack of internal monitoring and evaluation instruments in municipalities, in the implementation of LED because strategies are not clear. The lack of oversight role in terms of the contents of LED also complicate the problem for COGTA (Mahlalela, 2014:43). LED is not a priority for most municipalities except for its project orientation.

3. Financing LED: Municipalities receive most of their funding as equitable share, conditional grants and own revenue. For smaller municipalities or rural municipalities, there is a lack of own raised revenue, and the bulk of what the municipality has is equitable share to carry out local responsibilities (National treasury, 2011). This reliance simply mean that municipalities can only implement projects approved by the national or the funder in case of donor funding (Reddy & Wallis, 2011). As a result of this kind of funding, own local big projects such as erecting a mall by the municipality could be unfunded because of extremely constraint financial circumstances. The inability for municipalities to fund their own big projects including but not limited to big public goods projects can also have negative consequences for the ability of the municipality to raise its own funds.

There is also a problem of competing priorities within local government (Reddy & Wallis, 2011). This relates to the competing mix of service delivery issues and economic issues. Although basic service delivery is important in enabling LED initiatives, there should be a resource allocation in order to enhance service delivery with economic growth and development that should support basic service delivery. Local government needs economic growth in order to increase their pool of raising revenue, something that is needed in the long term. However in most cases short term demands tends to dominate. It is vital that during the planning process the developmental nature of local government should be taken into account as it is part of the priorities and objectives of municipalities in line with NDP outcomes.

The funding mechanism of LED even at a national level is still a concern, because LED is funded per project. At a local level the problem of funding is even bigger as municipalities in most cases only recognizes community programmes or projects to be funded from LED. The available funding from MIG is only for very small projects for poor communities, but only for infrastructure that is related to poverty alleviation. This kind of funding lacks impact as community programmes in general do not have a sustained life span or economic impact (Patterson, 2008; Nel & Rogerson, 2005: 19). In most cases funding for development purposes is available in different development agencies' that support development. However most municipalities do not have the required skills and /or competencies to access those funds. Sometimes it is just a lack of /or a disregard to find out what is available and how can it be accessed to benefit the locality. Geographic location can determine the kind of businesses and investment attracted to the local area.

According to Nel and Rogerson (2005: 19) the ability of a municipality to impact positively on poverty, job creation and economic growth also depends on the amount of resources available. There is no clear method among the municipalities on the funding method of LED. Most of the funding is a 5 percent allocated to LED from the MIG funding, which is just for small scale assistance, with very little impact on poverty and economic growth. With the current cost containment as a strategy to reduce unwanted spending, LED will be severely affected by a further reduction in resources, in favour of public goods and services.

4. The choice of geographical location: According to Brata (2009), geographic location and features have an important influence in the economy of certain areas. Location can either impose certain restrictions or they can also provide opportunities for local development. Localities can be devastated by their own localities or can draw advantages out of their own localities (Brata, 2009). For a town or city far away from the main urban area, investments are hard to come by except in cases where there are natural resources to be exploited, which will attract people and other supporting businesses (Reddy & Wallis, 2011). Location can also affect economic success because of patterns of human settlement, which also affects the kind of institutions available in the locality.

5. Local Business survey or profiling: Measures to improve the local enabling environment which includes local profiling are in most cases inadequate or done by service providers with no interaction with local stakeholders. This hampers the prospects of identifying the key issues in the local economic environment which are necessary for economic development (Brata, 2009). This kind of survey or profiling needs to be undertaken in a joint operation between all the relevant players/ or stakeholders in the locality. Otherwise it will lead to frustration on the part of private businesses when there is no correlation between what the municipality is doing and what is expected towards bringing change in the locality (Rücker & Trah, 2007). In many cases this will also include what is referred to as red-tape, which needs to be reduced as it is a serious obstacle for doing business (Rücker & Trah, 2007).

6. Coordination and cooperation: The lack of adequate coordinating competencies to drive the LED process forward and independently also hampers the growth of the LED process (Patterson, 2008). The nature of LED is that it involves a need for intergraded actions by different stakeholders and organisations within and outside the local area. An example could be a case where there is a need for a market place building to sell agricultural produce or what can be termed agri-parks. Inputs will be sourced from small farmers, corporatives, Department of Agriculture, architectural services for the design of the buildings, public health inspectors, water

and sanitation department, land use and rezoning department etc., the need to work inter-departmentally and with different stakeholders will have to be elevated and have a champion in order to have a successful project.

7. Planning and capacity related obstacles to development of businesses. Planning and development of enterprises has had certain difficulties due to other legislation such as environmental impact assessment before any construction can take place. According to Reddy and Wallis (2011), there are more regulations than before, prior to development being carried out. From the point of view of LED, local government has more regulations than the facilitation part of projects in LED. Since LED is more concerned with facilitation and a conducive atmosphere for businesses to flourish, such regulations hinder the normal processes of business development. Necessary skills are needed to facilitate planning and the many regulations involved (Mahlalela, 2014: 46). A careful balance between the environment and the need for economic development proposals also need competent skills to be able to balance and reconcile the process. However environmental planning especially urban planning needs highly competent skills to take cognisance of potential disasters that can be triggered by poor planning (Reddy and Wallis, 2011).

8. Competing priorities in LED. A good example of competing priorities is the case in Bloemfontein during the 2010 world cup. The local authority in the City decided to increase the pedestrian walking spaces towards the stadium in order to have a free flow of pedestrians by closing permanent car parking spaces next to very busy government offices. The result was that pedestrian congestion was reduced substantially during the world cup as intended, free flow was achieved and congestion was eliminated, may be it was a FIFA requirement. Subsequent to that decision was a lack of parking space meaning that officials and customers coming for services in government offices are permanently not having enough parking facilities. This has led to parking in the middle of the road in those roads that pedestrian walking spaces were increased (unintentionally inviting parking tickets from the law enforcement division of the municipality). Unfortunately there is no plan to revert to the old plan of more parking spaces to deal with an

ever increasing fleet of cars in the city. The problem has led to some of the private sector choosing to relocate their offices outside the Central business district. Creating other problems of small business being affected as their customers are moving out of walking distances. The result is an induced crime because of a loss of income in the central business district.

9. Lack of coordination for SMME: Coordination in LED should not only be confined to municipalities, departments and other stake holders that includes businesses and NGO'S. It is the responsibility of LED to coordinate discussions and meetings for the benefit of the local economy and poverty reducing mechanisms. Coordination between Supply chain directorates within municipalities is very crucial. LED should facilitate lately the registering of businesses into the provincial supplier data base and make sure that local businesses especially small businesses meet the requirements of registration and are able to source business from the local municipality and the general government. As a result the supply chain management should be made aware that they should by all means try to lookout for qualifying local business in the data base as they procure. Sometimes the latter statement could have unwanted consequences due to things like bribery etc.

10. Entrepreneurial and innovation led municipalities (The initiating role of LED in municipalities): The perceived role that municipalities now had to deal with is the formation of new institutions, the development of alternative industries, the improvement of the capacity of existing businesses especially SMME's, the identification of new markets, the transfer of knowledge and the nurturing of new enterprises (Koma, 2014). It is the role of the LED to take the above perceived roles into realities by taking the initiative of an innovative and entrepreneurial municipality into new heights. Taking the innovative role of the municipality into new heights requires an entrepreneurial and innovative-led municipality that takes calculated risk associated with long term rewards. The municipality can decide through the LED unit to bring unutilized resources that requires huge amounts of investment into production. An example could be Lejweleputswa area that needs fast tracking and facilitating deep mining in the gold triangle which will bring huge investment back into the municipality. This can happen if the

municipality through the government takes the initiative to fund research associated with deep mining, which will in turn also create new products in the mining industry. In such a case the state can own the rights of the product but give licenses for trading and earn royalties in the long run for owning the rights.

The second initiative that the LED unit can bring to the fore is to bring innovation that made elsewhere to improve productivity of underutilized resources. This kind of innovation has driven the China's economy to unparalleled levels of economic growth. The entrepreneurial ability of the local municipality can accelerate the process of an inclusive economic growth.

2.9. Conclusion

There is a good understanding in terms of the collaborative nature of LED between municipalities, business sector. In general LED is about the creation of conducive atmosphere for economic growth, but in practice it is more of a poverty alleviation programme. There are many challenges and constraints that have been identified in LED that need a coordinated effort in order to address them. The same challenges can be turned into success factors in LED if they are adequately addressed. However there is not much said in literature about monitoring and evaluation of the strategies and programmes in LED. There is no Department that is championing LED as part of its deliverable, but there are fragments of assistance from different Departments.

Chapter 3.

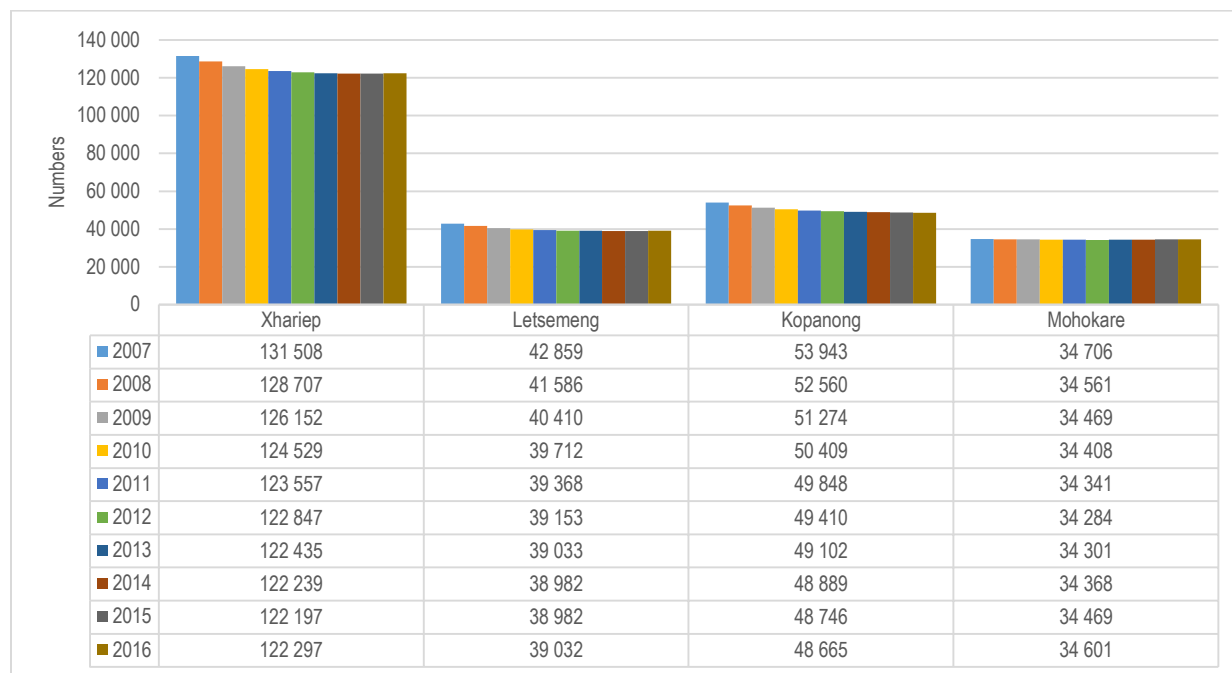
Xhariep as a case study.

3.1. Introduction.

Xhariep district municipality is situated in the southern part of the Free State province, named after the Gariep dam. It has the largest surface area of all the districts in the Free State covering an estimated area of 34130 km² and boasts the largest dam in South Africa, Gariep dam, which gets its water from the combination of the Caledon River and the Orange River systems (taken from: <http://www.xhariep.fs.gov.za>, 08/12/2017). It is typically a dry place with endless space, filled with vast tracts of sheep and cattle. The District is bordered by Eastern Cape to the south, Lesotho to the east and Northern Cape to the west. It also borders Mangaung Metro to the north and Lejweleputswa to the northwest. The Xhariep District consists of 4.3 percent of the Free State population in 2016, down from 4.9 percent in 2007(IHS Markit, 2017). The district is made up of three local municipalities; Letsemeng, Kopanong and Mohokare with a total of 16 small towns (taken from: <http://www.xhariep.fs.gov.za>, 08/12/2017). All of the Xhariep municipalities are category B3 municipality without a large town as core urban settlement, with small populations. The economy of the district relies heavily on agriculture, community services and diamond mining. The average GDP-R of the District stands at -2.2 percent in 2016 and is forecasted to improve to 2.8 percent in 2021 according to IHS Markit (2017), rallying behind positive results from the agricultural sector. Agricultural projections are expected to be positive however somewhat subdued in the forecasted period of 2021. One of the strengths of the District is tourism sector rallying around water activities in the Gariep dam vicinity. The tourism sector contributes

3.2. Demographics in Xhariep

Figure 3.1. Population trends in Xhariep.



Source: IHS Markit Regional explorer, 2017.

The population of Xhariep District consists of 4.3 percent of the Free State population in 2016, which is the smallest population in comparison to other district in the Free State. Its total population in 2016 was estimated at 122297 individuals, which has decreased by 9211 individuals from the 2007 estimates of 131 508 individuals. Xhariep’s population is relatively young with a 37.88 percent of the 00 – 19 cohort in relation to total population in 2016, and declining, as compared to 40.28 percent of the same cohort in 2006. The population of the district had been on a downward spiral between 2006 and 2017 according to IHS Markit, (2017).

3.3. Economic potential of the area

The economy of Xhariep is dominated by the community services within the tertiary sector with a 30.6 percent share in 2016 and an average of 29.5 percent over the review period. Two of the three local municipalities are dominated by the community services whilst Letsemeng is dominated by mining. Mining’s share is in the second place with a 15.2 percent in 2017 in the district, an increase of 1.5 percentage points from the 13.7 percent in 2007. Agriculture’s share

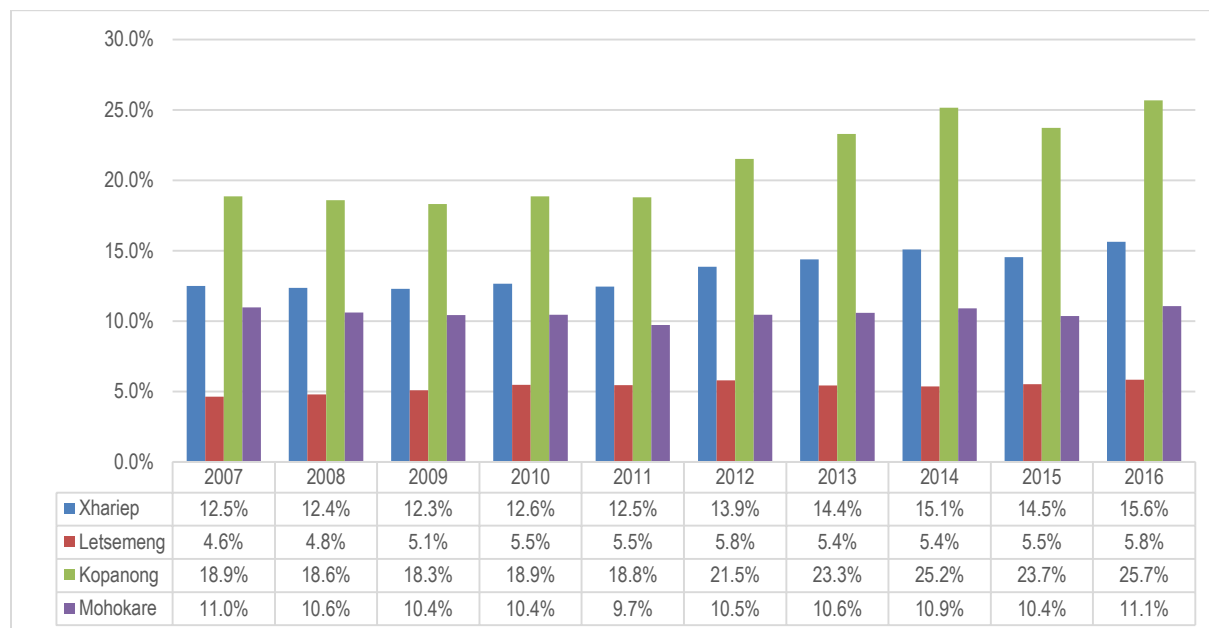
is in third place in the district with a share of 13.7 percent in 2017 and an average of 14.6 percentage points between 2007 and 2016. However agriculture is declining in the district. The growth rate of Xhariep has averaged 1.87 between 2007 and 2016 showing some potential to surpass that of the province in certain years, as evidenced by 2011 to 2014 at the back of positive results from the mining sector in Letsemeng.

3.4. The tourism sector

The total number of bednight in between 2007 and 2016 has been on an increasing trend, growing by 31 percent in the review period, from 523 547 individuals to 759130 individuals in the same period. However the domestic tourists have been on a decline in the period between 2007 and 2016 from 404 942 individuals to 259144, a decline in growth of about 56 percent. Whilst on the other hand there is an increase in international tourists from 118604 in 2006 to 499 986 individuals an almost 76 percent growth

The total contribution of tourism as a percentage of Gross Domestic Product (GDP) in Xhariep according to figure 3.2, increased from 12.5 percent in 2007 to 15.6 percent in 2016. The average tourism spending as a percentage of GDP over the review period is 13.6 percent, which is quite substantial. The highest contributor in spending by tourists as a percentage of GDP is Kopanong local municipality with a spending of 18.9 percent that has increased to 25.7 percent in 2016, at an average of 21.32 percentage points. Thanks to its thriving tourism sector along the Xhariep dam. The expectation is that growth in tourism will attract capital investment, which will in turn increase employment.

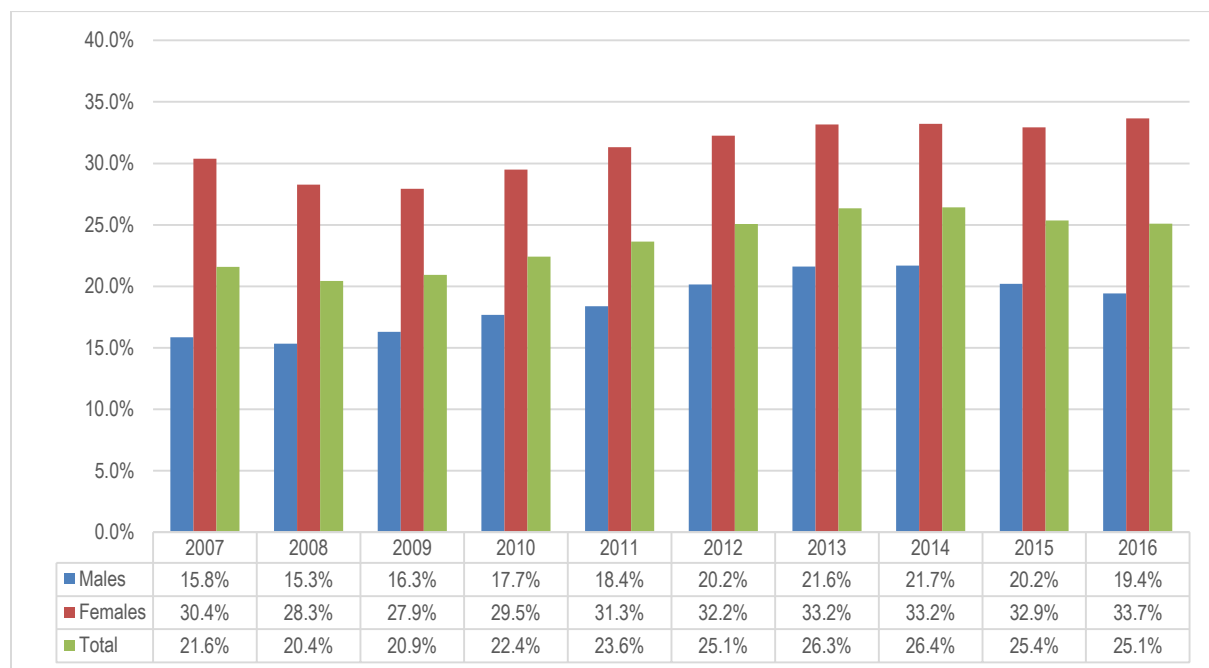
Figure 3.2: Total Tourism spend as % of GDP (Current prices)



Source: IHS Markit Regional explorer, 2017

3.5. Unemployment and poverty rates in the area

Figure 3.3. Unemployment in Xhariep



Source: IHS Markit Regional explorer, 2017.

Formal sector employment in Xhariep is concentrated in mining, household services and community services with a share of 19.2 percent, 19.3 percent and 18 percent respectively. However the share of employment in the mining sector in the district is increasing, a different scenario from the Lejweleputswa mining sector where the sector is shredding jobs. The unemployment rate of Xhariep has been on an increasing trend between 2008 and 2014 from 20.4 percent to 26.4 percent respectively and slightly decelerating in 2015 and 2016. The general increase in the unemployment rate could be a combination of factors like slow economic growth, a large number of entrants into the labour market outpacing the available opportunities, a natural slow build-up of the unemployed. Female unemployment which is naturally higher than male unemployment has been on an increase in the review period from 30.4 percent 2007 to 33.7 percent in 2016. In comparison male unemployment rate was lower than female unemployment rate but also increasing, from 15.8 percent in 2007 to 19.4 percent in 2018. Poverty rates are on an increase in the district, and they are stubbornly high. This could be as a result of high unemployment rates in the area.

3.6. Economic opportunities

The economic opportunities of Xhariep are centered around tourism and agriculture, though agriculture is on a decline it is still the third employer in the district behind households and the mining sector. The district has one of the biggest dams in the country and irrigation schemes could be very vital if developed extensively in order to boost agriculture. However the process is very much capital intensive. Tourism is already established in the Gariep dam area and it could just be expanded upon.

3.7. Conclusion.

Xhariep district is a very dry place with very little economic opportunities available for the district except for its tourism potential, hence out migration levels are high in the area. However cattle

farming and wild animal farming can still be developed successfully in the area. Mining still has the potential but a very limited one.

Chapter 4.

4.1. Research design and research methodology

Research design is a plan for gathering the necessary information (Creswell et al, 2016:72). It is a useful tool to understand the actual structure of the study for planning the research study. Research design assist in the selection of respondents, data gathering and techniques to be used (Creswell, et al, 2016:72). The researcher utilized the case study method in order to reach conclusions and make meaningful recommendations. The research design was more suitable to an individual municipality rather than all the Free State municipalities. The research design in this study focused on the LED enhancement in Xhariep district municipality as a focus area. The researcher embraced a qualitative research methodology to execute the study.

4.2. Qualitative research methodology

The research methodology allows the researcher to have different opinions of respondents who are participants as either active stake holders or those who are opinion leaders under the area of investigation. This will allow the researcher to get views from a variety of local economic development participants, including officials from COGTA, DESTEEA and local municipalities who have vested interest in local economic development. The researcher used exploratory questions, which enable the researcher to understand something without influencing the results. The Likert type of questioning was used because it allows the researcher to rank the responses in a certain way that covers the depth of a particular theme. A five point Likert rating scale was used. Where circumstances did not allow for questions to be administered, they were substituted with an interview based on the questionnaire.

4.3. Data collection

Qualitative data will be generated from the focused groups through a questionnaire and or a structured interviews depending on accessibility. The questionnaire was administered through the shared link services in Provincial Treasury's website. However the problem was that the majority of the respondents could not access the site especially those in municipalities, though simple instructions were given together with a once off access and a pin number for the shared services, specifically designed for the survey. The use of shared services was important because it automatically analyse the results and you don't have to know who responded. Thus confidentiality is restored, though sometimes you can guess who the respondents are especially in a small sample survey like the one we are dealing with. However only one department could access the shared link and participate in the questionnaire. At the end, the questionnaire was administered manually on a telephone as part of the interview process. Copies of questionnaire will be filed for future references. The questionnaire method and the interview method will enable the researcher to describe and understand the institutional arrangements adopted by sector departments targeted in the focused groups. The interview through the administering of the questionnaire followed a normal interview process of expanding the answers and elaborating on certain information as requested. The idea was to have as much information as possible without limiting the interview to only the Likert type of questions. At the end answers were slightly different from normal agree or disagree answer types on the Likert system.

4.3.1. Questionnaire and Interviews with official from COGTA

Questionnaire were sent to the IDP LED officials who are responsible for LED in the Department of COGTA to respond to them in order to understand the institutional arrangements that is being employed to assist municipalities in economic growth. One response from the questionnaire was received through the shared link services, however we could not make a follow up because the link system was designed to keep confidentiality.

4.3.2. Questionnaire with LED official from DESTEEA

The same questionnaire that was sent to COGTA was also sent to DESTEEA. However there seems to have problems on the DESTEEA's side of the emails. As a result no response was received. A follow up was planned to have a telephone interview with the officials responsible for LED in DESTEEA, however there was not enough time to locate the official. However an update will still be given later once the official has been located. Officials from DESTEEA are very necessary in the whole process of economic development in the province and the municipalities as they are the custodians of economic affairs in the province and also responsible for SMME's development and assistance.

4.3.3. Information from SALGA

The role of SALGA in the whole process of LED development is very key. SALGA is not a sector Department as such only structured questionnaire were send to officials of SALGA in order for them to clarify their respective roles that they play within LED. At the time of submission of the draft research the responses from SALGA were not yet received. But there was a promise to respond. The literature review from SALGA research revealed the following functions of SALGA in the LED space of municipalities. SALGA is non-government organisation that assist municipalities generally in local government issues. Its role in LED is to advice and support as a knowledgeable partner in the process. It normally collaborates with COGTA in the province for better LED outcomes, networking and information sharing. It is a strategic partner that enhances the role and capacity of LED. It assist municipalities by developing monitoring tools for the LED programmes.

4.3.4. Interviews with municipal officials

The officials from the LED unit in Xhariep District municipality were also sent questions to respond to, however they could not access the questionnaire through the shared link. Rather a telephone interview questionnaire was administered. The questionnaire in the interview were more of a discussion on the questionnaire itself because interviewee's could respond differently

by elaborating on certain issues without necessarily following the Likert system of ratings. However the requested information was still received and recorded by the researcher. The LED unit is responsible for the sound implementation of local economic development hence its importance in the whole process.

4.4 Data analysis

Data analysis will assist the researcher to make connections with the research question. The data will be processed without any predetermined theory of frame work. However the researcher will use thematic considerations to plot the data into different themes for analysis purposes. The following themes will play a major role in data analysis; 1) intergovernmental relations in the implementation of local economic development, 2) Institutional support in the practice of local economic development, 3) the support of SALGA, and 4) the institutional arrangements in the implementation of local economic development in Xhariep district municipality.

4.5. Reliability and validity

Reliability refers to a situation in which if the same questions were administered to a different section of the respondents in the same unit, it will result in similar findings. Validity refers to a situation where questions administered measures what they are supposed to measure (Creswell, Ebersöhn, Eloff, Ferreira, Ivankova, Jansen, Nieuwenhius, Pietersen, and Plano Clark, 201:238).

4.6. Conclusion

Not all the respondents did respond to the questionnaire however 50 percent of the respondents did respond which makes the whole process not to be abandoned through lack of response. Those that did respond will be analyzed and the rest of those that did not respond there will be a follow up on them as their views matter.

Chapter 5: Presentation of data

5.1. Introduction.

The findings of the research are presented in consideration to the research objectives in chapter 1 of the research report. The questions were based on the extent of enhancing LED to be at the center of economic activities in municipality. The views of the most influential participants will be discussed, though not all of them responded. The most critical views will be those of the support factors in LED.

5.2. Views on the role of COGTA in LED

COGTA responded to the questionnaire and no direct interview were planned in the immediate time after responding to the questionnaire, because of the confidentiality of responding to the share link, the identity of the responded was not disclosed, and the following was deduced from the questionnaire:

The department is responsible for the promotion of LED in all the municipalities and ensures that LED takes place in a conducive environment. One of the role of the department is to support LED through the Provincial LED forum, and the reviewing of LED strategies of municipalities. The Department will invite the different sector departments in the forum that can add value in the process according to their different technical skills.

However the department is not directly involved in LED capacity building programmes nor does it has standing cooperation with institutions of higher learning that can offer assistance in capacity building. Networking is promoted by the department and sharing of best practices to enhance the role of LED is promulgated on regular scheduled meetings as part of learning from each other. The department does not have a direct policy to assist municipalities with coordinated capacity building.

Financial assistance given to programmes of LED is not a direct function of the department and as a result the department does not have a dedicated person to execute that function. The challenges in LED of a financial nature are not normally part of the programme of interactions between the department and the LED officers, however the department ensures that LED officials are able to claim LED funding from MIG funding.

Coordinating and assisting with the formation, the information and promotion of SMME's is not a direct function but the department does invite specialists to come and assist in their normal scheduled meetings. The function belongs to the Department of Economic, Small Businesses, Tourism and Environmental Affairs. The authority to enforce the setting up of LED and the functioning of LED is the responsibility of COGTA. Compliance with national and provincial policies are to a certain extent part of their responsibility through inclusion in their strategies. However minimum requirements of competencies or skills in LED is not directly enforceable because the Department can only advise, it is more of a function of municipalities based on the separation of powers of the three spheres of government. **The importance of skills in LED will always be a contested territory because they are supposed to be at the cold face of service delivery.**

Views from the Office of the premier.

5.3. Views on the role of DESTEEA in LED

The Department was not readily available due to problems related to emails and unavailability to meet with the respondents. However the department is responsible for assisting SMME's and extent to which department assist with financial services or facilitate that process is not known at the moment. The role of the department in LED support is not clear due to the fact that COGTA is already occupying that space, unless their role is more of assisting with economic growth and development, which is a function of the department provincially. The issues that are raised will be explained later in a follow up once communication channels are organized.

5.4. Views from the Xhariep district municipality in LED functionality

The researcher conducted interviews with the responsible official of LED in the Xhariep district municipality to understand the functioning and assistance that they are getting to facilitate economic growth in the district. The official agreed that the primary role of LED in the district is to coordinate the functioning of other LED in order to improve economic growth to implement poverty alleviating projects. However the economic profiling of the district is done through service providers (consultants) who are supposed to engage the other stakeholders in the district as part of their terms of reference. This implies that the officials in the LED do not have the capacity to carry out the task of profiling and put up the strategy together. To a certain extent the businesses and the communities are consulted through community forums and they do participate in IDP programme. However the extent of their participation could not be verified because they were not consulted through either questionnaire or interviews.

Leveraging on other departments and stake holders to assist the municipality with initiating projects and programmes or their funding if they have them proves to be very difficult for the LED officials in the district. This also include the cooperation of other departments in assisting to implement the identified projects or programmes. Provincial projects and programmes are implemented by sector departments, and most of them are in the nature of EPWP. Coordination with local municipalities is also one of the setbacks in the district because each municipality is more or less acting on their own interests and little or no collaboration takes place. Part of the problem could be that there are no shared services that requires the intervention of the district.

Part of the problem that exist in the municipality is a lack of regular training and capacity building in LED. This has a negative effect in leveraging on the technical partners to assist the municipality. The programmes that the LED has in the municipality are very small programmes that does not need lots of financial assistance because the LED budget is very small to do anything major. As a result the LED participate in community projects that have a very small bearing on unemployment reduction and poverty reduction in the municipality. This simply means that there

is no long term programmes in place that can effectively target economic growth and development in the district. The assistance to SMME's or cooperatives does not have dedicated person to deal with, because it is a function of the DESTEEA. The department has an office or person dedicated for that function. There are no existence of Public Private Partnerships in operation in the municipality. Further reflecting on the capacity of the municipality to be able to leverage on other partners. The reason given for some of the failures of the district to take initiative is a lack of funding available for the unit, nor the ability to leverage on external funding, except for when the funders approach the municipality with projects.

5.5. Views from Letsemeng local municipality

In the interaction with the official from Letsemeng Local Municipality there is only one official for both the IDP and the LED. The official agree that the role of LED is to improve growth and economic development. The economic profiling of the municipality is done through the service provider who derives the strategy and the comparative advantage from the profiling. There is participation of the community and the business sector in the LED strategy of the municipality as it forms part of the service contracts. The municipality depends on other sector departments for assistance and support due to its capacity constraint. However the district does assist with its technical assistance in the municipality's own programmes and projects for a successful implementation.

The municipality is involved in community projects and EPWP as both the initiator and a partner of sector departments. There is no clear long-term planning from the municipal site for economic growth. There is an office for assisting SMME's in the municipality operated by the DESTEA. Cooperatives are also functional and are being assisted in the municipality. The municipality participate in the Public Private Partnership of solar energy which is a long term project intended to benefit the municipality through job creation and economic growth. The official in Letsemeng indicated that there is lack of Funds available for the LED to implement its plans and programmes. There is no extra funding at currently from development agencies to assist municipality with its projects. Internally there is some funding available but for small projects

5.4. Critical success factors (answering the questionnaire)

Once the views of Department of Economic Affairs, Tourism and Small Businesses is received the role of the Department and the role of the Department of COGTA will be clarified. The coordination role of COGTA should be able to bring all parties together in the interest of the LED units. However networking alone will not improve LED in general. Partnerships are needed between the businesses, and the communities and they should more or less of a long term nature as the small short term projects are not bearing the expected results of job creation and economic growth. Regional cooperation is also lacking, aligning the key economic activities can assist economic growth in the municipality. Skills development should take place at least once a year that is related to the job itself, because if skills development is left to the individual, project implementation, project management and financial management will be very difficult, a success factor in any project.

4.5. Recommendations

The general outcomes of the research with regard to the implementation of LED in the district, is that there are more problems facing the implementation of LED. LED support happens in bits and pieces because the sector departments are not fully coordinated in assisting LED. This is because every support given to the district is not coordinated by a central organisation or department. Municipalities are not following the strategies of the district especially in implementation. As a result coordination problems need to be championed by an authoritative person in the form of an MEC or a district Mayor. This will also necessitate that LED report regularly to such a person on the strategies they are employing and the implementation of those strategies.

The support given to LED should also include capacity building so as to strengthen their influence economic growth and development. COGTA is doing a great job in supporting LED and assisting them with strategic reviews and best practices, however their role is more of an advisor. There

is a need for technical people who will advise on the contents of the strategies in terms of monitoring and evaluation of programmes and projects.

The role of the department of DESTEEA needs to be clarified and once that is done, it will assist in coordination of the different programmes.

5. Conclusion

It is clear from the interactions with the role players that LED is not just implementing programmes, it is a multifaceted undertaking. As a result of its nature and the many policies and acts that needs to be understood, capacity building needs to be increased so that a clear understanding of what needs to be done is outlined and a coherent implementation can take place. This will take a step in the direction of decreasing some of the problems encountered in LED, like planning only for small projects and programmes and neglecting the bigger picture. The policies and Acts in LED gives direction to long term prospects of economic development and practically that is not happening as mandated. Support given to LED needs to be coordinated because there are about three institutions involved in LED space, and that coordination needs to be driven from a higher level with authority. Financing LED will always be a problem because other service delivery issues takes preference to LED, simply because LED is not seen as a long term strategy for economic development and that no authority is taking the responsibility of LED at the decision making forums.

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