The implementation of Local Economic Development initiatives towards poverty alleviation in Big 5 False Bay Local Municipality

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Abstract

This article examines the implementation of Local Economic Development (LED) initiatives in poverty mitigation in Big 5 False Bay, KwaZulu Natal. The fundamental element of LED initiative is the local action where members work together to boost economic activities. The initiative focuses on creating competitiveness of utilizing local resources amongst local communities, increasing sustainable economic development by ensuring that it is inclusive. Focus group discussions were held with existing co-operatives of men and women and interviews were conducted with governmental officials and community members. A questionnaire was employed to confirm responses and test the validity of information from the interviews. This study found that 60% of the population was unemployed whereas forty percent was employed. It further found that 47% of the total population in the study was not involved in the LED projects, and that means the majority (53%) of the study population was involved in the LED projects. The study revealed that LED initiatives instead; LED unit opted to apply for funding in private and public institutions. The study recommends that the municipality should find a way of creating a specific budget for implementing LED projects. The municipality should also accelerate skills development and the study area.

Keywords: LED, community project, municipality, poverty reduction.

Introduction

Rogerson (2010), Motswiane (2009) and South African Local Government Association (SALGA) Local Economic Development (LED) Position Paper (2010) assert that since the early stages of transformation in South Africa, a battle of ideas has raged over the soul and meaning of LED in South Africa. In 1996, the South African Constitution and the White Paper on Local Government (1998) made LED an obligation for local authorities and section 152 also obliges municipalities to promote LED in local communities (Heideman, 2011). Rogerson and Rogerson (2010) assert that local economies are robustly influenced by policies and processes formed by national government such as market liberalization and expanding global production systems. Meyer (2014) indicated that although municipalities were mandated to carry out LED activities, it is still a challenge because some of them lack the understanding of the meaning of LED; as a result, they fail to plan and implement LED initiatives. It has been noted in Motswiane (2009) that LED is a means of addressing economic problems in local areas gained by the collaboration between different stakeholders including the community. Furthermore, Tomlinson (2003) and World Bank Group (2011) assert that the main purpose of LED is to reduce the level of poverty by building up the

economic capacity of a local area through utilization of local resources to improve quality of life for all.

Akudugu and Laube (2013) confirm that LED becomes more effective when local stakeholders and authorities form partnerships with national planning agencies and international donors, jointly designing and implementing initiatives aimed at improving the local economy. Furthermore, there is a need for paradigm shift from top-down approaches to bottom-up approaches of local development by mobilizing local resources to implement LED initiatives with an aim of reducing dependence on central government and donor funds. The central debate was about whether LED initiatives should take a competitive or social welfare approach. Therefore, the focus was on providing a competitive local business environment, encouraging and supporting networking and collaboration between businesses and public or private community partnerships, facilitating workforce development and education, focusing inward investment to support cluster growth and supporting quality of life improvements (Rogerson, 2010). It focused on enhancing competitiveness, increasing sustainable growth and ensuring that growth was inclusive. It incorporated many local government and private sector functions including environmental planning, business development, infrastructure provision, real estate development and financial support to emerging businesses (World Bank Group, 2011). LED has been perceived as one of the most important ways of reducing poverty throughout the world. The World Bank Group (2011) stated that LED offers local government, the private and non-profit sectors, and local communities the opportunity to work together to improve the local economy.

LED is about local people taking control and responsibility for job-growth and the economic wellbeing of their community which will result in poverty being reduced. Throughout the world, LED brings about positive results when it comes to poverty reduction and other development issues such as employment generation, economic well-being, income generation, food security and increase of the standard of living of local people (Marais, 2010). Practicing LED means working directly to build up economic strength of a local area to improve its economic future and the quality of life of its inhabitants. The success of communities today depends upon them being able to adapt to the fast changing and increasingly competitive market environment. Local governments have an essential role in creating favorable environments for business success and job creation. LED considers a partnership between local government, business, and NGOs. Community based groups and private sector are established to manage existing resources and to create jobs that lead to the stimulation of local economy (uMhlathuze LED Strategy Review, 2008-2011). Moreover, it is a function of local governments to generate and manage local projects whose aim is to address inequalities between citizens as they are the key authority to mediate the public good (Rogerson, 2011). Rogerson (ibid) further stated that the provision of formal markets can be another important poverty-reducing strategy in many developing world contexts.

The contribution of various role players towards implementing LED initiatives

Ruecker and Trach (2007) point out that LED involves various key stakeholders and institutions from all levels of society: the public and private sector as well as civic society work jointly to create a unique advantage for the local and its firms. It is further noted that these key stakeholders are expected to utilize LED as the strategy to tackle market failures, remove bureaucratic obstacles for local businesses and improve the competitiveness of local businesses. However, the government bears the responsibility to ensure the success of LED. It must co-ordinate and support municipalities for LED through the Integrated Development Plan (IDP) process. It is also the role of the government to provide support to municipalities to implement their developmental

mandate; to provide the overall legislative and regulatory framework for LED, and to maintain strong inter-governmental relationships and institutions. It further provides the necessary resources to municipalities for the implementation of LED and to disseminate information to provincial and local government about LED. The last but not least responsibility of national government to LED is to increase administrative efficiency such as access to land and finances, and to monitor the outcomes and impact of municipal LED activities (Department of Planning and Local Government (DPLG), 2006). In 2003, the Kwa-Zulu Natal Province established the programme aimed at addressing the LED gap between rural and urban areas of the province. The Gijima Programme was formed against the backdrop of limited LED successes in smaller rural settlements and the practical problems such as poverty (SALGA LED Position Paper, 2010). The LED unit is engaged in managing an on-going stream of initiatives to improve the way of life of the community and improve the business environment to enhance job creation through enterprise development, growth and sustainability.

However, the key role of the municipal LED team is to facilitate LED activities to ensure that all role players work together systematically, effectively and efficiently to identify the best ways to improve the local economy and organize the environment to attract outside investors. Since LED is a complex process, it needs the active involvement of different stakeholders from different organizations which are concerned with the local economy. Stakeholder cooperation is best facilitated in a manner that is suitable to the particular organizations to which it is being addressed. Skilled facilitation can effectively unpack perceptions and tensions which exist and with a participatory approach, turn these into positive new initiatives that have the organization's core strengths and potential benefits (Gijima KZN Manual, 2010). These role players include NGOs and other organizations found in the community. NGOs are voluntary organizations that work with and on behalf of mostly local grassroots organizations in developing countries. They also represent specific local interest groups with concerns as diverse as providing emergency relief, protecting human rights, alleviating poverty, protecting the environment, increasing food production, and providing rural credit to small farmers and local businesses (Todaro & Smith, 2012).

Job creation and income generation

Rogerson (2010, 2013) pointed out that many South African studies have indicated that tourism is the most important job creator and is a powerful tool for LED. Interestingly, the South African government has recognized tourism as a tool that could drive local municipalities especially rural ones towards achieving LED initiatives by introducing a number of support enterprises to capacitate local people. Visser and Hoogendoorn (2011) assert that in trying to develop the tourism sector, it is very crucial to include traditional leaders who are mostly in rural municipalities. They further articulated that the tourism sector needs more attention from municipalities so that it could contribute up to its potential to the LED of the municipality. It is noted in the Integrated Development Plan (IDP) of Big 5 False Bay Municipality that tourism together with agricultural sector are the major employer in the area (IDP Review, 2014/2015). The local government needs to work with public, private and civil societies in the tourism sector to ensure that people enjoy social benefits where tourism related businesses are operating (van Schalkwyk, 2013).

The private sector or business practitioners understand very well what needs to be done for the business to grow. Businesses are in a position to guide and advise the government on how to run the LED Sections in its municipalities. They also support the small business development initiatives by giving advisory services and by sub-contracting (Mgutshini, 2012). Private

companies, including social enterprises and cooperatives, form the heart of the local economy and have a crucial role to play as partnerships with the public and community role players that will ultimately stimulate local economies. Furthermore, Rogerson (2014) assert that LED is the strategy of supporting the growth of small businesses as well as cooperatives as a vehicle for attracting more South Africans into entrepreneurial activities and boosting job creation. But Mosora (2012) argues that there is a high percentage of rural people who are unemployed as compared to the urban populace. He further states that rural populace faces difficulties of economic progress due to low workers' skills, low household income and lack of infrastructural facilities.

Research Methods

The study employed both qualitative and quantitative approaches to describe LED initiatives in poverty alleviation in Big 5 False Bay Municipality. Convenience sampling was used in selecting community members and cooperatives as research participants because of their availability. Primary data was collected from community members of Hluhluwe area using questionnaires and structured interviews. Focus group discussions were arranged with the cooperative of fifteen men and women who were involved in local economic activities such as agricultural and crafts activities. Questionnaires and interview questions were written in isiZulu because many did not understand English. Respondents were assisted by researchers to fill in the questionnaires. Informants (i.e. municipality officials) were selected for their perceptions and information about programmes and projects related to LED and their challenges at municipal level. Researchers used audio-tapes during focus group discussions and interviews of municipal officials. Data that were obtained from participants were transcribed then translated into English. The data were analyzed using Microsoft excel where all responses to questionnaires were coded so that the findings could be interpreted in quantities through tables. Content analysis was used to analyze qualitative data from interview questions where participants were granted the opportunity to express their opinions related to LED initiatives towards poverty alleviation.

Characteristics of the study area

Big 5 False Bay Local Municipality is located in the Northern part of KwaZulu-Natal Province. This Municipality is under uMkhanyakude District and is recognized by the KwaZulu-Natal Tourism Authority (KZNTA) as a unique tourist destination within the Province, and has potential to develop into a world-class destination. This is based on the district's rich and diverse natural resource base and its strategic location, which positions it to benefit from the South African Developing Country (SADC) development initiatives (IDP Review, 2013/2014). It is true that Hluhluwe consists of a large number of tourism businesses such as lodges, hotels, game parks and game reserves which are a part of LED. The problem is with the ownership of these businesses. Most of them are owned by people from other regions and even from overseas. About 16% of the total population has no schooling. A trend similar to other local municipalities within the study area indicates a decrease in the number of students acquiring post grade 12 qualifications, which implies that a number of students get lost along the system (Integrated Development Plan Review, 2013/2014).

Results and discussions

The study presents the analyses of the implementation of LED initiatives towards poverty alleviation as identified by respondents, focus groups and key informants.

Socio-economic demographic and LED Initiatives towards poverty reduction

Table 1 shows various variables that influence the effectiveness of LED implementation. These variables include education and main employment status.

VARIABLE	SUB-VARIABLE	FREQ.	%
	No Formal Education	4	13
Education Level	Primary Education	8	27
	Secondary Education	15	50
	Tertiary Education	3	10
	Total	30	100
	Employed	18	60
Employment	Unemployed	12	40
	Total	30	100

Table 1: Employment and level of Education by respondents

The table above shows that 13% of the study population had no formal education whereas 27% had primary education whilst 50% were matriculated. The findings indicate that only 10% of the study population managed to obtain tertiary qualifications. This indicates that the education level of participants needs improvement in order to avoid lack of locally qualified people with expertise and experience to initiate service delivery solutions. The study reveals that 60% of the population was unemployed and 40% was employed.

The respondents indicated that although some of them were employed, they were employed as manual laborers, cleaners, drivers, security guards, and support staff within cooking facilities in B&B's, lodges and hotels. This indicates that educated people have many alternatives in solving economic development problems. Binza (2010) sees LED as the tool providing services to communities and developing local economies to improve the socio-economic conditions. People without education find it hard to understand basic requirements for economic development. The findings of Todaro and Smith (2011) suggest more investments on education to ensure the bright economic future of the society. They further argue that if a person is educated, he or she is more likely to attain employment and not only get a job but also is more productive.

Services offered by local municipalities towards LED initiatives

Municipal officials indicated that there were LED projects that were rendered to communities to alleviate poverty such as those that were introduced by the Mayor. Some of these projects promote tourism since the study area is dominated by tourist establishments and more people rely on it as the source of generating income and creating access to food security. Municipal officials further indicated that the Municipality has LED unit which organizes and mobilizes local community members to form groups in order to start cooperatives and small businesses. This indicates that municipalities have capacity and competency in the field of development of activities (Sienkiewicz, 2014). Municipal officials further pointed out that LED projects focus on creating an

enabling environment in order to promote entrepreneurship amongst community members since most business are owned by people from outside the community.

Additionally, municipal officials stated that they assisted communities to start small businesses including, poultry farming, catering business and other potential businesses. They provided training based on financial life skills as well as marketing strategies. Koma (2014) alluded to the fact that LED cannot be separated from poverty reduction projects initiated and implemented at municipal level such as provision of free basic services and the provision of support for Small Medium and Micro Enterprises (SMMEs) and cooperatives. Municipal officials pointed out that most cooperatives were not registered with the government and made it difficult for them to access any assistance from government and private sector. The Municipality has developed the strategy in collaboration with Small Enterprise Development Agency (SEDA) to register and to deregister cooperatives. Municipal officials also noted with great concern that local municipalities, particularly those located in rural areas have a vast number of LED Programmes and projects; however, there is a negative or poor response from communities due to lack of business skills. The Municipality conducts workshops, as part of LED programmes, together with the Department of Economic Development. Similarly, Koma (2014) noted that rural areas in South Africa are characterized by inefficiency and lack of entrepreneurial skills.

Community participation in LED projects

This section addresses one of the objectives of the study which is about finding out whether communities do participate in LED projects in Big 5 False Bay municipality.

The results reveal that 47% of the participants were not involved in the LED projects within the study area. Respondents indicated that they were not aware of those projects due to communication breakdown between them and the Municipality. They further indicated that the main cause of unawareness of LED projects emanated from political differences where community representatives such as ward counselors and ward committees only disseminate information to communities that are affiliated with their political party. The focus group alluded to the lack of community participation on local government projects as clearly indicated by local municipality invisibility and failure to disseminate information about the availability of projects that promote LED.

The focus group further indicated that communities lack enthusiasm to participate in LED projects because some public institutions politicize LED projects and this consequently leads to poor service delivery. Whereas 53% of respondents stated that they were aware of LED projects, the major challenge was having access to them in order participate. The respondents further indicated that most LED projects were documented in Integrated Development Plan but the unfortunate part was lack of implementation. They clearly stated that ward counselors were incompetent in mobilizing community members to work together towards tackling poverty within their jurisdiction. However, Sienkiewicz (2014) noted that empowerment can be used as the strategy to stimulate pro-development activities and the shaping of the local business environment by local authorities in co-operation with individual enterprises or economic institutions. Municipal officials agreed that community members do not attend governmental functions and initiatives due to negative perceptions that municipalities are political institutions. This situation makes it difficult for municipalities to introduce and implement projects and programmes that will benefits all communities with an intention of stimulating local economy. The municipal officials insinuated that community involvement has to start from the LED strategic planning by involving their economic development needs that will benefit them by participating in projects implementations. The White

paper on local government (1998) stipulated that the local government should be developmental and should be committed to work with citizens and other stakeholders including the private sector and civil society organizations to find sustainable ways that can promote social and economic development as well as to improve quality of life.

This indicates that strategic planning should be an all-inclusive process of businesses, the government, laborers and the poor. Rogerson (2013) noted that if strategic planning is well done, it provides a way to clarify competitive advantage, identify cooperative opportunities and generate strategies that better achieve local priorities. The results indicate that to mobilize the community to work together that could be a tool to achieve LED initiatives towards poverty alleviation. The idea behind working together is to create a conducive environment that will allow the entire community to participate in economic activities to achieve LED. Furthermore, Rogerson's (2011) findings are in line with the results of this study where his emphasis is that LED is the process by which the public, business and non-governmental sector partners work collectively to create better conditions for economic growth and employment generation in a particular community.

LED as a means of creating job opportunities and income generation

The municipal officials assert that LED initiatives are the tool for job creating opportunities and means of income generation through establishment of entrepreneurship. This is supported by Sienkiewicz (2014) who stipulated that the LED determine the importance of the public sector in creating enabling conditions for economic development, particularly the development of entrepreneurship where local people were encouraged to formulate social and economic projects based on the utilization of local resources to meet their basic needs. Furthermore, LED initiatives do not have a strategy on how to create job opportunities for local communities. Moreover, the LED strategic plan that exists was formulated in 2009 and it does not address the current issues. Koma (2010) sees LED as the strategy to stimulate local employment opportunities in sectors that improve the community by utilizing local existing human, natural and institutional resources.

Municipal officials stated that one of the challenges is that communities lack entrepreneurship skills which make it difficult for them to establish their own businesses as the source of income. Applied Fiscal Research Centre (2000) noted that the role of LED is to respond to low local economic growth, high unemployment and to stimulate the economy by creating new job opportunities. On the other hand, respondents had a view that LED projects do not address their economic needs because these projects are based on crop and poultry farming which are imposed on them. They further pointed out that not all population has an interest in farming; as a result, communities are seen as failures in participation and implementation of these kinds of projects. If LED projects are imposed on communities, this indicate that municipalities are not clear about the meaning of LED and its implementation towards poverty alleviation by involving all relevant stakeholders (Koma, 2012).

The focus group indicated that they were advised by LED municipality officials to form an agricultural cooperative for the purpose of farming in order to generate income. However, the group emphasized that no farming equipment was provided and no training based on farming methods was given. Also, they were not trained on marketing their produce and on how to apply for funding. They further stated that there is a lack of project sustainability as some do not last even six months due to lack of support services from local governmental institutions including local municipalities. The respondents further pointed out that these LED projects do not have a positive impact as they do not serve the purpose of income generation because there is no follow up from public institutions; they just launch them and disappear. These findings show that there

is a lack of empowerment at local level by municipalities. Koma (2012) noted that LED aims to empower the most disadvantaged and poor sections of local communities to be able to raise sufficient income to meet their needs. The respondents and focus group share the same sentiment that LED projects still fail to address the issue of high unemployment and ways of generating income. However, Simonyi (2014) suggested that in order for local government to achieve its objectives, it would have to take more effort to develop local economy based on own local resources.

Limited resources towards effective LED

Municipal officials stated that limited budget hinders them from implementing some projects that can develop communities both socially and economically. They stated that sometimes community members bring ideas to them to start different projects only to find that there is no funding for those suggested projects because of limited resources. However, Sienkiewicz (2014) indicated that limited resources are crippling the implementation process of LED and emphasizes that local authorities must properly and effectively use public management tools to promote economic development in their area. Municipal officials also indicated that the shortage of staff is the major challenge in the implementation of LED projects.

LED projects and those who are LED officials lack capabilities to execute LED initiatives. This is supported by Binza (2010) in that municipal officials and leaders are uninformed and unknowledgeable about local government issues and in particular, LED matters. They further indicated that the LED unit does not have its own budget; they rely on the budget of corporative services department while LED is regarded as a strategic plan to address poverty, unemployment and inequalities facing the majority of local populace. Binza (2010) further noted that there is lack of funding for LED projects and lack of capital for development. Municipal officials indicated that they fail to respond when communities need assistance in LED projects due to lack of transport facilities. It is supported by Koma (2012) that South Africa is in crisis of the shortage of suitably skilled laborers and is identified as one of the obstacles mitigating local economy. These findings indicate that local authorities face numerous challenges that contribute to poor implementation of LED initiatives. It is also stated by Koma and Kuye (2014) that some of the challenges is shortage of skills required to drive growth and development, lack of administrative capacity and ineffective implementation of development policy frameworks. Furthermore, Rogerson (2009) argued that smaller municipalities have no such staff pool with the consequence that an urgent need exists to train LED officials as well as councilors.

Conclusion

In conclusion, poverty is still high at Big 5 False Bay Municipality. The municipalities should look at the lack of human capacity especially in their recruitment system. Since the National government is the one responsible for allocating resources to municipalities, they should give a better look at rural municipalities that can hardly generate their own revenue. Rural municipalities such as Big 5 need special financial and human resource attention from the national government; otherwise, the problem of poverty will not be reduced in rural areas. LED is about developing the economy for the communities in the locality. It is very important that the Big 5 involves and encourages the communities in all steps of the way in the LED.

As practiced in UMhlathuze Municipality, the Big 5 should move for a Private Public Community Partnership (PPCP). The municipality should take into cognizance the educational status of the communities and bring measures that will match the status of the communities in economic development. Without a reliable funding source for economic development, LED will not succeed. The municipality should find a way of creating a specific budget for LED. That could be achieved by applying for funds from the National Treasury, the Province, and the Department of Cooperative Governance and Traditional Affairs, and also by marketing the municipality to attract local and external donor organisations and investors in LED projects. This will help the municipality acquire more private funding because there will be on-going projects. This will make potential funders see that their funds will not be wasted.

The municipality should accelerate skills development and reduction of illiteracy. This can be done by creating and increasing partnerships with universities, colleges, research institutions, and training and skills development institutions for vocational training to fast track the pace of reducing illiteracy and skills shortage. This will help communities to have understanding of their economic development responsibilities and be in a position to also add value in the LED process. This can also be enhanced by developing infrastructure to support things such as internet access where communities will be able to access information without the municipality having to directly visit the communities.

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