

**The link between Local Economic Development and the Expanded Public Works  
Programme for socio-economic development in municipalities**

by

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Submitted in fulfilment of the requirements in respect of the Master's Degree  
qualification in Governance and Political Transformation in the Department  
Governance and Political Studies in the Faculty of the Humanities at the  
University of the Free State

1 August 2018

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## Declaration

I, Teboho Adam Kholoanyane, declare that the Master's Degree mini-dissertation that I herewith submit for the Master's Degree qualification in Governance and Political Transformation at the University of the Free State is my independent work, and that I have not previously submitted it for a qualification at another institution of higher education.

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## **Acknowledgements**

“Those who complete the course will do so only because they do not, as fatigue sets in, convince themselves that the road ahead is still too long, the incline too steep, the loneliness impossible to bear and the prize itself of doubtful value” – Thabo Mbeki

It is the above quote that sustained me throughout the course; every time I wanted to despair I would read it and I would feel renewed energy.

I would like to thank my wife, Bonakele Kholoanyane, for her support and belief in me throughout my studies. You have been a pillar of strength, my love. I hope this will also inspire my children, Dimpho, Nthabeleng, Thato and Mphoentle to realise the value of education. I am grateful for the support that my family gave to me during my studies, the many hours spent without them - thank you, guys!

I would also wish to thank my friend and comrade, Bhekizizwe Mdhuli, for his support and encouragement. Without your encouragement I would never have taken the first step.

A word of gratitude to my supervisor, Dr Basie Olivier. Thank you for support and valuable feedback. You managed to bring out the best in me. It is much appreciated.

Lastly, but not the least, I would like to thank Dr Tanja Coetzee and her incredible staff for their support, motivation and encouragement throughout the journey. Thank you. You are a great team.

## List of abbreviations and acronyms

ASGISA	Accelerated Skills Growth Initiative of South Africa
BCMM	Buffalo City Metropolitan Municipality
CoGTA	Cooperative Governance and Traditional Affairs
CWP	Community Work Programme
DPLG	Department of Provincial and Local Government
DPW	Department of Public Works (National)
ECD	Early Childhood Development
EGP	Employment Guarantee Policies
EPWP	Expanded Public Works Programme
FASA	Franchise Association of South Africa
FDDM	Fezile Dabi District Municipality
FMG	Financial Management Grant
FPL	Food Poverty Line
GDP	Gross Domestic Product
GDS	Growth and Development Summit
GEAR	Growth Employment and Redistribution
GVA	Gross Value Added
HCBC	Home Care Based Care
IA	Implementing Agents
IDP	Integrated Development Plan
ILO	International Labour Organisation
ITB	Internationale Tourismus Borse
LBIP	Labour Based Infrastructure Programme
LBPL	Lower Bound Poverty Line
LED	Local Economic Development
LIPW	Labour Intensive Public Works
MDG	Millennium Development Goals
MFMA	Municipal Finance Management Act

MGNREGS	Mahatma Gandhi National Rural Employment Guarantee Scheme
MIG	Municipal Infrastructure Grant
MTEF	Medium Term Expenditure Framework
NGO	Non-Governmental Organisation
NDP	National Development Plan
NDPG	Neighbourhood Development Partnership Grant
NDPW	National Department of Public Works
NPC	National Planning Commission
NSS	Non-State Sector
PFMA	Public Finance Management Act
PSNP	Productive Safety Nets Programme
PWP	Public Works Programme
RDP	Reconstruction and Development Plan
SACN	South African Cities Network
SMME	Small Medium Micro Enterprises
SOE	State Owned Enterprises
UBPL	Upper Bound Poverty Line
USA	United States of America
WPA	Works Progress Administration
WPLG	White Paper on Local Government
WTM	World Travel Market

## **Chapter 1: Introduction and background to the study**

### **1.1 Introduction**

The aim of this study is to establish the link between Local Economic Development (LED) and the Expanded Public Works Programme (EPWP) for socio-economic development in municipalities. Municipalities are directed by section 152(1)(c) of the Constitution of South Africa Act 5 of 2005 (The Constitution), to structure and manage their administration and budgeting and planning processes, to give priority to the basic needs of the community, and to promote the social and economic development of the community (The Constitution). This mandate places an obligation on municipalities to create an enabling environment for economic development to take place and to make resources available for the fulfilment of this mandate.

The EPWP, on the other hand, is a national programme implemented in all spheres of government and state-owned enterprises. The ultimate goal of the EPWP was to contribute to government's efforts to create employment opportunities that require minimal technical skills and are short-term, labour intensive and temporary jobs. The EPWP is one of many socio-economic policy interventions that the government has introduced to employ the unemployed and largely unskilled individuals (Moeti 2013:14).

South Africa has one of the highest unemployment rates in the world. Politicians often use this fact as a vote-seeking tool by promising to create employment; however, this is rarely done (Wilkinson 2014:1). The Diagnostic Review Report of the National Planning Commission (NPC) describes the high rates of unemployment and underemployment as characterised by "large proportion of out-of-school youth and adults that are not working. Those in low income households who are working support many dependents and earn little relative to the cost of living. This is a central contributor to widespread poverty. Inactivity of broad sections of society reduces our potential for economic expansion" (NPC 2011:9).

## **1.2 Actuality, motivation and background**

Local Economic Development (LED) is a high priority in the local sphere of government in South Africa. The country sought to build a developmental local government that has the capacity to decisively intervene in the economic affairs and future of its community and to create an enabling environment for economic activity and growth to take place. This mandate is directly derived from section 152(1)(c) of the Constitution.

The purpose of LED is to build the economic capacity of a local area to improve its economic future and to improve the quality of life for all. It is a process by which public, business and non-governmental sector partners work collectively to create better conditions for economic growth and employment creation (Naledi Local Municipality LED Strategy 2011:3).

The vision for LED in South Africa is that of robust and inclusive local economies that exploit local opportunities, address local needs, and contribute to national development objectives such as economic growth and poverty eradication (DPLG 2006:2). Municipalities have an essential role in creating a favourable environment for business success and economic growth. LED is thus a partnership between local government, business, and the community and its interests.

The participants in these local economies are the biggest resource for local economic development. If local government, business and the community can use all their resources, skills and abilities effectively, they will be able to take full advantage of economic opportunities. They could use their innovation and participate to establish, run and grow thriving enterprises. Local people could produce locally made and branded products for the domestic and international market that are of high quality and appeal to the needs of different consumers. They could develop solutions and products that are affordable and meet the needs of poorer communities. All this could happen if there is an

enabling environment created and supported by the municipalities through adequate funding.

LED is important for the following reason:

- It creates jobs and new employment opportunities;
- It increases income levels and enables people to pay for services;
- It broadens the tax and revenue base of a local authority;
- It enables the local authority to provide more and better services and facilities;
- It concentrates on human resource potential and opportunities for development;
- It builds new institutions for sustainable economic development; and
- It promotes linkages between developed and under-developed areas (DPLG 1998:3).

### **1.3 Definitions of Local Economic Development**

There is a plethora of definitions of LED. All of them can be summed up as using local resources and people to build sustainable livelihoods in communities.

Blair and Carroll (2009:13) make a distinction between economic growth and economic development. Accordingly, they argue that growth refers to an increase in the overall size of a local economy, whereas development is about the qualitative improvements. Linked to development is a concept of sustainability. So, for development to be sustainable, there must be no destruction of the environment. However, the sustainability part cannot be quantifiable.

Beauregard (1993 in Blair & Carroll 2009:13) makes an important point. Scholars usually focus on the economics of economic development and ignore the broader political and social issues that affect the quality of life in a community. It is therefore important to remember that LED is part of a larger process of community development.

LED is a locally-driven process designed to identify, harness and utilise resources to stimulate the economy and create new job opportunities. It is not one specific action or programme; rather, it is the sum total of the individual contributions of a broad spectrum

of the community. LED occurs when the local authority, business, labour, non-governmental organisations (NGOs) and, most importantly, individuals strive to improve their economic status by combining their skills, resources and ideas (DPLG 1998:2).

Most South African municipalities are experiencing backlogs as far as service delivery is concerned, as well as other economic challenges. The challenges vary from decaying Central Business Districts (CBDs), to lack of infrastructure in rural areas, and the general lack of economic opportunities. Over and above these is the challenge of economic growth and job creation. It is important that local councillors place a priority on the stimulation of economic growth and increasing the access of poor communities to economic opportunities (DPLG 1998:2).

For the purpose of this study, the definition of LED, initially developed by the Department of Provincial and Local Government (DPLG), now the Department of Cooperative Governance and Traditional Affairs (CoGTA), is adopted in keeping with the latest policy changes and the emphasis on sustainability. The definition is as follows:

LED is an outcome based on local skills and initiative and driven by local stakeholders in partnership with provincial, national and global stakeholders. It involves identifying and using primarily local resources, skills, and local ideas to stimulate sustainable economic growth, regeneration and development. This occurs through ecological, socio-cultural and economic stewardship. The aim of LED is to create sustainable employment opportunities for locals and residents, alleviate poverty, and to harness and redistribute resources and opportunities to the benefit of all residents and ecological and socio-cultural diversity (DPLG 1999:23).

The above definition presupposes that LED is integral to understanding and improving local, provincial and national development.

#### **1.4 Expanded Public Works Programme**

What is a public works programme? Devereux (2002:12) states that Public Works Programmes (PWPs) are intended to alleviate poverty through providing work opportunities to economically active people who are either unemployed or

underemployed. PWP's can contribute to poverty alleviation in a number of ways, but the two most direct routes are through transferring income (in cash or kind), and by creating useful economic infrastructure. Indirect, or the so-called 'second round', effects include the income multipliers generated by the spending of public works wages, the impact on local labour markets, and it improves the employability of workers after the programme ends (Devereux 2002:12).

Public works programmes have featured as a critical part of government's job creation efforts since the inception of the Reconstruction and Development Programme (RDP), and various programmes which have been put forward since 1994 (Phillips 2004:3-4). In his state of the nation address in February 2003, President Thabo Mbeki announced the Expanded Public Works Programme (EPWP). It was later agreed upon by all parties at the June 2003 Growth and Development Summit (The Presidency 2009)

The aim of the EPWP is to provide poverty and income relief, provide productive work, and train participants to equip them with the necessary skills for productive employment (Phillips 2004:6-7). The intention was to create one million work opportunities in the first five years of its implementation (EPWP 2005)

During the Growth and Development Summit of June 2003, it was agreed that the EPWP should be implemented to provide and/or improve the basic and essential infrastructure in communities with the objective to utilise public sector budgets to reduce and alleviate unemployment. It should be noted here that this Programme was not meant to address structural unemployment (Ntoyi 2010:1).

According to Antonopoulos (2007 in Allie 2011:7), the main reasons for unemployment can be found at both the macro- and micro-economic levels. In order for government to deal with this, it has to intervene in the economy by introducing public employment guarantee policies (EGPs) to assist with the eradication of poverty. This intervention can assist government with attracting new direct investments, the development of infrastructure, the rehabilitation of the environment, and the employment of local communities. The other benefit that may be derived is income generation and food security. These are some of the motivations to support social security and employment guarantee programmes.

The first phase of the EPWP was therefore designed and developed as a government-wide programme, focusing on four main sectors, namely, infrastructure, environment and culture, social, and economic. The goal of the EPWP was to contribute to employment creation (CoGTA 2011:10).

Based on the success of the first phase of the EPWP, which achieved its target of one million work opportunities a year ahead of schedule, the second phase of the EPWP was approved by Cabinet for a period of five years (2009 - 2014). The goal of the second phase of the EPWP was to create six million full-time equivalent (FTE) job opportunities (i.e., 4.5 million 100-day work opportunities) for the poor and unemployed in South Africa so as to contribute to halving unemployment by 2014 (CoGTA 2011:10). The work opportunities and full-time equivalent (FTE) jobs would be provided through the development of public sector goods and services, at acceptable standards, using labour-intensive methods. All government bodies and State-Owned Enterprises (SOEs) are required to formulate plans for utilising their budgets in support of the EPWP (CoGTA 2014:28).

### **1.5 The Community Work Programme (CWP)**

The challenge of structural inequality, responsible for the misery experienced by a significant percentage of South African society, requires government attention. In response to the challenges, the government launched the EPWP and CWP as part of the wider anti-poverty measures, promoting access to economic opportunities, and helping increase the economic participation of poor people. These programmes were established by the government in order to implement and fast track its approach to inclusive economic development. It is against this background that the CWP, which is implemented by the Ministry of Cooperative Governance and Traditional Affairs (CoGTA), must be understood (Madonsela 2014:4).

The CWP provides an employment safety net and basic minimum income for people living in marginalised areas with limited job opportunities. The CWP was introduced in 2009 with the idea of expanding the social sector of the EPWP, but focusing on what is referred to as useful work (CoGTA 2014:4).

The aim of the CWP is to create access to a minimum level of regular and predictable work opportunities for those who need them, targeting areas of high unemployment, where sustainable alternatives are limited and likely to remain so for the foreseeable future. In this process, the CWP's purpose is also to achieve the following:

- To provide an employment safety net, recognising that sustainable employment solutions will take time, and will reach the most marginalised last;
- To contribute to the development of public assets and services in poor communities;
- To strengthen community development approaches; and
- To strengthen the economic climate for people in poor areas, providing work experience, enhancing dignity, and promoting social and economic inclusion (CoGTA 2014:9).

## **1.6 Rationale for the study**

South Africa faces the triple challenges of unemployment, poverty and inequality. There are many initiatives that the government has brought about to deal with these challenges, which have huge implications for the socio-economic wellbeing of communities.

LED is the responsibility of local government in the spirit of developmental local government as espoused in the Constitution. The objective of LED is to create an enabling environment for economic development to take place. However, there is no clear cut mechanism to go about creating this enabling environment.

On the other hand, there are other government programmes that seek to create work opportunities and restore the dignity of the poorest of the poor. These are not permanent jobs, but a safety net to protect them against the harsh reality of poverty. The government is spending a vast amount of money on these initiatives, especially the EPWP and CWP, but LED largely remains an unfunded mandate. Hence, the researcher aims to investigate the possibility of aligning the LED activities and EPWP activities and harness the resources to bring about socio-economic development in communities.

## **1.7 The importance of Local Economic Development**

Local Economic Development has been a much debated issue in South Africa since its introduction in the 1990s. It is compulsory for municipalities to implement it and it is part of the top five key priority areas that are assessed in order to determine the functionality of local government.

Section 152(1)(c) and 153(a) of the Constitution stipulates that local government should “promote social and economic development” and must “structure and manage its administration, and budgeting and planning process to give priority to the basic needs of the community and promote the social and economic development of the community”.

LED cannot be regarded as successful in South Africa. It faces challenges that include the lack of local government capacity to implement it, a lack of funding, a lack of effective planning methodologies, and failure to manage participation at the local level (Hofisi et al 2013:591).

For the researcher, public work represents a resource, which is badly needed for the success of the LED initiative. It also provides a space for locals to be part of their own socio-economic development.

## **1.8 Problem statement**

The formulation of research questions in concrete terms is guided by the aim of clarifying what the field contacts will reveal. The less clearly a research question is formulated, the greater the danger that the researcher will ultimately find himself in front of mountains of data, helplessly trying to interpret it (Sudmersen in Flick 1999:27).

Local, metropolitan and districts municipalities have LED units or directorates, depending on the size of the municipality. The broad mandate of LED is the creation of an enabling environment for socio-economic development to take place. Meyer-Stamer (in Hofisi et al 2013:591) argues that in South Africa, unlike in other countries, the LED agenda is compulsory, following the Constitution which envisages local government to be “developmental local government”. The LED programme finds expression in the

Integrated Development Plan (IDP) and it drives the developmental agenda as far as infrastructure and buildings are concerned.

The EPWP, on the other hand, is implemented in all municipalities, by public entities, as well as in the provincial and national spheres of government. It intends to create work opportunities and alleviate poverty, while at the same time there is investment in infrastructure for the local communities.

At its conception, the EPWP had to meet mainly two purposes; first, to create employment opportunities through public investment and, secondly, to build capacity to implement labour-based methods effectively. Because of the discussions that took place in 2003 at the Growth and Development Summit on the EPWP, its profile was raised and a proper understanding of the intentions of the Programme was achieved (Addo-Abedi 2009:9).

There is dedicated funding available for the EPWP; namely, the Incentive Grant. This Grant varies according to the size of a municipality, the performance of the municipality in using the Grant, and to what extent the municipality is willing to invest its own money in the Programme. The minimum amount paid out over the preceding five years since 2011 was one million rand (CoGTA 2011:9).

The other funding comes from the conditional Municipal Infrastructure Grant (MIG). This Grant is available for all municipal infrastructure projects, and through the Integrated Development Plans (IDPs) the municipality must identify those projects that will be funded by MIG. For the project to qualify as an EPWP, it must comply with the guidelines set for EPWP projects; mainly, that it must be labour intensive in nature so that it is able to employ as many participants as possible, and that all participants should receive equal pay for equal work (CoGTA 2011:9).

It is important to note that development takes place in local communities, irrespective of the sphere of government or the public body responsible for it. At the end of the day, that development benefits the local communities.

The researcher aims to establish what the link is between LED and the EPWP, and whether the two programmes can be used together to achieve socio-economic

development in communities. Furthermore, as there is a problem with funding in the local economic development mandate, the question could be asked if it is possible to use the resources from the EPWP to achieve the goals of both programmes.

The theoretical framework, which pertinently speaks to issues of socio-economic development, will be at the centre of this research. This framework will provide detailed information on the following: the model of developmental state theory informing the concept, and the model of developmental local government, which has seen the implementation of LED and the EPWP.

Garbers (1996:280) identifies the following as the functions of theories in research:

- They systematise and summarise existing knowledge in a particular field.
- Isolated empirical findings are made clear and acquire meaning in a theory.
- A theory provides a provisional explanation for observed events and relationships. For example, a learning theory would explain the relationship between the speed and effectiveness of learning and variables such as motivation, reward and the effects of repetition.
- The explanatory principles embodied in a theory make it possible to predict the occurrence of phenomena, some as yet unobserved.
- Theories stimulate the generation of new knowledge by providing clues for further research.

The central research question relates to evaluating the possibility of bringing together LED and the EPWP and using the resources available in the EPWP to achieve socio-economic development in municipalities.

## **1.9 Aims and objectives of the study**

### **1.9.1 Broad aim**

The broad aim of the study will be to critically investigate the link between LED, as a function in municipalities, and the EPWP, as a programme aimed at alleviating poverty and creating work opportunities as a resource in achieving socio-economic development.

### **1.9.2 Specific objectives**

In pursuit of the main argument, the specific objectives of this study will be to:

- a) Investigate if it is possible to bring together LED and the EPWP;
- b) Identify the projects of the EPWP that can achieve the goals of LED;
- c) Identify the gaps in LED implementation that the EPWP can fill; and
- d) Investigate the challenges of both LED and the EPWP to successful implementation in municipalities.

### **1.9.3 Methodology**

Babbie and Mouton (2001:647) defines research methodology as follows: “The methods, techniques, and procedures that are employed in the process of implementing the research design or research plan, as well as the underlying principles and assumptions that underlie their use”. The researcher will use a qualitative research paradigm, which qualitative researchers employ to study human action from an insider’s perspectives (also referred to as the emic perspective). The goal of research is defined as describing and understanding, rather than the explanation and prediction of human behaviour. The emphasis is on methods of observation and analysis that “stay close” to the research subject. This would include observational methods, such as unstructured interviews, participant observation, and the use of personal documents. In the analysis of qualitative data, the emphasis is on grounded theory and other more inductive analytical strategies.

Case studies are manageable, and it is more desirable to have a few carefully done case studies with results one can trust than to aim for large, probabilistic, and generalisable samples with results that are dubious because of the multitude of technical, logistic, and management problems in a Third World setting (Patton 1990:100). Every care has been taken to ensure that the result is reliable and consistent so as to contribute to new information. Merriam (2009:220) states that reliability refers to the extent to which research findings can be replicated. That means if the study is repeated, the results will still be same. But, there is a problem with the concept of reliability in social sciences as human behaviour is forever changing. So, the inherent assumption is that there is a single reality.

The approach adopted in this research is that of an analysis based on a review of relevant literature and theories on LED and the EPWP in South Africa. The research relies on current data from studies in the two areas, as well as on the relevant theories. The researcher aims to establish if there are linkages between the LED and the EPWP as a means to improve socio-economic development in local municipalities.

#### **1.9.4 Research design**

Selltiz (in Mouton and Marais 2011:32) define research design as the arrangement of conditions for the collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure. A research design is a plan of how one intends conducting the research process in order to solve a research problem. Research designs can be classified according to whether they are empirical or non-empirical studies. Empirical studies or designs can further be distinguished into primary and secondary data analysis studies. Research designs that involve empirical data can also be further classified according to the type of data: numeric or textual data (Babbie & Mouton in Mdhluli 2013:11).

A qualitative research methodology approach will be used in this study. No interviews will be done. A desktop study will be done, and a literature study on LED and the EPWP. In addition, articles and case studies will be used.

#### **1.10 Outline of the study**

##### **Chapter 1**

The introductory chapter covers the theoretical background of LED and the EPWP, the motivation of the study, the problem statement, the objectives of the study, the methodology, and the research design.

##### **Chapter 2**

The literature review and theoretical framework is discussed in Chapter 2. This chapter contextualises LED, its constitutional basis, and its practice and challenges in

municipalities. Concepts such as development, unemployment, job creation and socio-economic development will be explored in relation to LED.

### **Chapter 3**

An overview of the EPWP is provided in this chapter, but narrowing it down to how it unfolds in municipalities. The study will focus on the objectives of the Programme, funding, challenges and its achievements.

### **Chapter 4**

This chapter investigates the possibility of closing the gaps identified in LED by using the resources of the EPWP, without compromising the goals and objectives of the EPWP. The main aim of the study is to determine how to maximise the outputs of LED, by combining it with the EPWP in municipalities.

### **Chapter 5**

This chapter consolidates the results and presents and discusses the findings from the literature review and the case studies.

### **Chapter 6**

Chapter 6 deals with the summary, conclusion and recommendations. Moreover, the results are interpreted, discussed and summarised.

## **1.11 Conclusion**

This introductory chapter dealt with the reasons for and background to the research, and defined concepts such as LED and the EPWP. It further provided the main objectives of the research, and also the design and methodology to be used. In addition, the different chapters were outlined. In Chapter 2, the literature review and theoretical framework will be discussed.

## Chapter 2: Literature review and theoretical framework

### 2.1 Introduction

Boote and Beile (2005:1) define a literature review as an evaluative report of studies found in the literature related to a selected area. The following must be contained in the review: a description, summary, evaluation and clarification of the literature. A literature review should provide a theoretical basis for the research and help determine the nature of the research.

Further, Boote and Beile (2005:1) indicate that the basic purpose of a literature review is to:

- i. Provide context for the research;
- ii. Justify the research;
- iii. Ensure the research has not been done before (or that it is not just a “replication study”);
- iv. Show where the research fits into the existing body of knowledge;
- v. Illustrate how the subject has been studied previously;
- vi. Highlight flaws in the previous research;
- vii. Show that the work is adding to the understanding and knowledge of the field;  
and
- viii. Help refine, refocus or even change the topic (Boote & Beile 2005:1).

In conducting a literature review, Bless and Higson-Smith (1995:23) suggest three broad issues be kept in mind. These issues are the purpose of the review, the literature sources, and the reviewing techniques.

The objective of the researcher is to provide the context for the research on LED and the EPWP in South Africa and to show that the two concepts have not been studied together

previously in regards to how to improve socio-economic conditions in communities. The study will also show how it fits into the existing body of knowledge, while seeking to contribute to the body of knowledge on the topic.

## **2.2 Conceptualising Local Economic Development**

After the 1994 democratic elections, South Africa implemented Local Economic Development as an international tool to accelerate socio-economic development for effective service delivery. LED aims to create employment opportunities, alleviate poverty, and redistribute resources and opportunities to the benefit of all community members. The biggest challenge confronting LED is poverty and unemployment. Generally, either municipalities do not have appropriate governing structures or the structure does exist but there is no democratic participation of all stakeholders in the implementation of LED, which leads to its failure (Kanyane 2008:1).

For LED to be successful, it must be a participatory process where all the stakeholders are able to make their inputs, and own the content and the process to be followed. Having said that, the stakeholders must have the necessary capacity to make a meaningful contribution. LED cannot be the sole responsibility of leaders in the municipality. The municipality must establish an institutional arrangement with personnel with the required skills and competencies to drive the LED processes (Kanyane 2008:1).

According to Bingham and Mier (1993:vii), economic development is defined by the American Economic Development Council as follows: "The process of creating wealth through the mobilization of human, financial, capital, physical and natural resources to generate marketable goods and services". This definition does not take into account the role played by both the private sector and the public in creating wealth and jobs in the economy, but most critically, how wealth is distributed. The public sector's role is that of creating an enabling environment, while the private sector actually creates jobs and wealth. Government and some NGOs also create wealth in a number of ways, through research and development, investment in infrastructure, and in the provision of services.

This implies that economic development is not the responsibility of one particular sector alone; it is a joint responsibility, with different sectors having a role to play. An important factor is that the different roles should be harnessed so that they complement one another, rather than competing or, at worse, contradicting one another.

In an attempt to answer the question: “What is development?” as comprehensively as possible, Fourie & Burger (2015:25) argue that development is not a particular outcome or event; rather, it must be understood as a decisive, comprehensive and integrated process that expands the range of choices that people have and improves their standard of living. It is much more than just an increase in income, the Gross Domestic Product (GDP), or employment.

Fourie & Burger (2015:26) further differentiate between economic growth and development in that development entails much more than an increase in the total value of production (GDP) or income, or even in per capita income. Economic growth is necessary, but not a sufficient condition for human development as development is a complex process. Development could be seen as a process of improving the quality of all human lives and capabilities by raising people’s levels of living, self-esteem and freedom (Todaro & Smith 2015:7).

Hopper (2012:10) complicates the debate on development by simplifying the concept, and defining development as “change”; but, not just about any change, but good change. The author, however, insists that by asking the question, ‘What is development?’, does not assist the debate; rather, we should be asking the question: ‘What is intended by development?’.

Stewart (2011:2) views development from the perspective of Chambers (1995), who points out that “development means good change”. But, this line of argument leads to political debates. Thus, the question could be asked: ‘For whom is good change good? At whose expense does change occur?’.

From the above, it can be deduced that for society to move from an undesirable situation (in this case, poverty and unemployment) to a desired one, there must be change, and

that change must be good for society. If that happens, then there is development. LED seeks to deliver this good change or development in communities and municipalities in South Africa.

There are various ways in which LED manifests, it could be in job creation, income generation, the establishment of business partnerships, the enhancement of entrepreneurship and increased economic output, and improved market opportunities. It is important that these manifestations should take place in a local community and that members of that community should participate in these activities for this development to be considered local (Tsheola & Mokgokong 2012:7).

Wekwete (2014:9) argues that LED seeks to exploit the latent and existing comparative advantages of localities, sectors and regions. The ultimate goals of LED strategies are to delivery on growing local economies, to increase local employment and reduce unemployment, to attract both local and international investment, to retain and expand existing industries, and to connect them to global value chains. The many goals or deliverables of LED has attracted many definitions and meanings from academic scholars, international development organisations, governments and local governments. The difference between LED and other developments plans is that LED has a specific emphasis and target on locality and territory.

Since the dawn of democracy in South Africa in 1994, much has been achieved to redress the legacy of apartheid. However, much still has to be done in addressing many socio-economic development problems in the country, especially in provinces and municipalities that are less developed with high rates of poverty (National Development Plan 2011:24). This situation necessitated the need to develop LED strategies that will respond to the challenges in these communities of improving the socio-economic conditions of locals and addressing poverty, unemployment and inequality.

It is argued that the main objective of LED is to build up the economic capacity of a local area to improve its economic future and quality of life for all. There is an expectation that various sectors, like the public, business and non-governmental sector, work together collectively to create better conditions for economic growth and employment generation;

thus, we can conclude that LED as a process has clear goals and outcomes (Reddy & Wallis 2012:3). This point is further emphasised by Wekwete (2014:9), that LED is an integral part of the broader national development challenge and connects the various local stakeholders to own and address the challenges. LED is territorial and bound by local jurisdictions (local authority, districts, municipalities, regions). They adopt it through their local powers and jurisdictions to address needs, inequality, and opportunities, and unlock potential.

Craythorne (2006:144) identified three principles that should promote economic development, namely, finding, facilitating and fostering:

i. Finding

Finding implies that the municipalities, having identified potential economic growth areas, should find the most suitable investor, according to their needs. There are many ways that this can be achieved. This can include but not is limited to effective marketing strategies and continued interaction with potential investors.

ii. Facilitating

Facilitating involves making certain that having found investors, a suitable and enabling environment is created for the ideal business practices. This will necessitate making or amending by-laws so that they stimulate rather than impede investment.

iii. Fostering

Fostering is about ensuring that investors are retained. While it goes without saying that it is important to attract and facilitate the process of investment in the local economy, there should also be concerted efforts to ensure that investment relationships are fostered in order to minimise the risk of investors withdrawing from the area.

Despite the focus being on local economies, LED requires well-articulated policies, both from the national and local governments, to strengthen institutions' regulatory frameworks from national and local levels. The allocation of resources, be it financial or human resources, is fundamental to strengthening the spiral of cumulative economic growth - which local economic development is all about. LED essentially reorganises the factors

of production at local level; that is, land, labour, capital and technology. Local governments are able to mobilise land and labour, but rely on other stakeholders for capital and technology (Wekwete 2014:11).

### **2.3 Legislative and policy environment**

#### **a) The Constitution of the Republic of South Africa, 1996**

Section 154 of the Constitution stipulates that national and provincial governments must support and strengthen the capacity of local authorities by legislative and other measures to manage their own affairs, to exercise their power, and to perform their functions, thereby giving these authorities a distinctive role in promoting social development and democracy on local level.

Section 153 of the Constitution gives effect to the importance of local government in economic development by stating, “A municipality must structure and manage its administration, and budgeting and planning processes to give priority to the basic needs of the community, and to promote the social and economic development of the community”.

It is important to note that section 153 of the Constitution uses the word “must” and not “may”. This emphasises that this is a matter of obligation, and not choice.

#### **b) Local Government: The Municipal Systems Act (Act 32 of 2000)**

The Municipal Systems Act’s aim is “to provide for the core principles, mechanisms and processes that are necessary to enable municipalities to move progressively towards the social and economic upliftment of local communities”. Section 23(1) of the Systems Act determines that municipalities must undertake developmentally-oriented planning, while section 25(1) of the Act making integrated development plans compulsory, which links, integrates and co-ordinates plans and takes into account proposals for the development of the municipality. The following policy documents sought to give effect to LED in municipalities so that there is a coherent policy framework and uniformity in the application and implementation of LED:

- ✓ The LED Guidelines (issued in 2000)
- ✓ Refocusing Development on the Poor: LED Policy Paper (2001)
- ✓ Draft LED Policy (2002)
- ✓ The National Spatial Development Perspective has also contributed immensely in identifying areas suited for business development and growth and those that are best suited for government services and transfers.
- ✓ The Policy Guidelines for Implementing LED in South Africa (2005)
- ✓ The National Framework for LED in South Africa (2006). Its intention was to promote good LED practices and effective implementation.
- ✓ The Integrated Sustainable Rural Development Strategy and Urban Renewal Strategy of the DPLG (Municipal Systems Act 2000).

c) The White Paper on Local Government

On 9 March 1998, the South African government published the White Paper on Local Government (WPLG) that reinforced the mandate of local government to promote social and economic development, as required by the Constitution (WPLG 1998:8). The WPLG recognises the South African local government sphere as being primarily developmental in the sense of being committed to working with citizens and groups within the community to find sustainable ways to meet their social, economic and material needs, and improve the quality of their lives. It further defines the particular challenges for local government to address, namely:

- Skewed settlement patterns, which are functionally inefficient and costly;
- Extreme concentrations of taxable economic resources in formerly white areas, demanding redistribution between and within local areas;
- Huge backlogs in service infrastructure in historically underdeveloped areas;

- Entrenched modes of decision-making, administration and delivery inherited from municipalities geared for the implementation of urban and rural apartheid;
- The inability to leverage private sector resources for development due to a breakdown in the relationship between capital markets and local authorities;
- Substantial variations in capacity, with some local authorities having little or no pre-existing institutional foundations to build on; and
- The need to rebuild relations between local authorities and the local communities they serve (WPLG 1998:17).

It was the WPLG that initiated the concept of “developmental local government”. It defined it as follow: “Local government committed to working with citizens and groups within the community to find sustainable ways to meet their social, economic and material needs, and improve the quality of their lives” (WPLG 1998:2).

The WPLG identifies four interrelated characteristics of developmental local government, namely:

- Maximising social development and economic growth
- Integrating and coordinating
- Democratising development
- Leading and learning

d) The Intergovernmental Relations Framework Act 2005

Despite all the regulations and legal provisions, it became apparent that municipalities on their own do not possess sufficient resources and capacity to affect all these requirements on their own. Section 40(1) of the Constitution therefore makes provision for the three spheres of government, namely local, provincial and national, to work in an interdependent and interrelated fashion in order to achieve economic development. For

effective implementation, the Intergovernmental Relations Framework Act of 2005 was enacted to facilitate the establishment of mechanisms that will ensure meaningful interactions on the LED mandate. The Act assists in the coordination functions of the three spheres of government and establishes LED forums (Du Plessis & Thomas 2007:6).

#### **2.4 Maximising social development and economic growth**

Local government is sufficiently empowered to, through its function of provision of services, maximise the impact on the social development of communities. This it can achieve by meeting the basic needs of the poor and engaging in activities that will enhance economic growth.

Municipalities play a critical role in the local economy as they collect large sums of money in rates, user charges, and fees. They usually own large portions of land that can be used for developmental purposes. In many communities, municipalities are the main employers as they employ hundreds and thousands of people. This gives local government the capacity to decisively intervene in the local economy for socio-economic development. Furthermore, local government creates an enabling and conducive environment for the overall social and economic empowerment of the people, and for the creation of jobs. For this enabling environment to be created, local government should take active and conscious steps in the right direction by providing basic infrastructure.

Local government can also promote social development through functions such as arts and culture, the provision of recreational and community facilities, and the delivery aspects of social welfare services. The empowerment of marginalised and disadvantaged groups is a critical contribution to social development.

#### **2.5 Integration and coordination**

When there is no or inadequate coordination and communication between service providers (national and provincial government, the private sector and trade unions), the results could be disastrous and could undermine developmental effects. Municipalities should, through proper integration and coordination, leverage resources from both the

public and private sectors to meet developmental goals. Integrated development planning remains one of the most suitable ways to achieve greater integration and coordination.

## **2.6 Democratising development, empowering and redistributing**

Municipalities, in performing their functions, must involve interest groups in their communities and citizens so as to ensure participatory democracy. Citizens should not be passive recipients of services, but they should inform and influence them by participating in the integrated development planning process.

Contrary to what happened in the past, where the role of municipalities was in the main to control and regulate the actions of citizens, currently the emphasis is on leadership, encouragement, practical support, and resources for community action. Caution should however be applied to ensure that the participatory processes do not become an obstacle to development, and narrow interest groups must not be allowed to 'capture' the development processes.

## **2.7 Leading and learning**

In today's world, change is taking place at an alarming rate at all levels, globally, nationally and locally, and putting pressure on local authorities to rethink the way they are organised and governed in order to fulfil their role in an effective and efficient manner. Challenges of finding new and creative ways of sustaining economies, building societies, protecting the environment, improving personal safety, and eliminating poverty and underdevelopment are found all over the world.

Practical ways in which municipalities can improve social conditions favourable to development include:

- ✓ Building the kind of political leadership that is able to bring together coalitions and networks of local interests that cooperate to realise a shared vision.
- ✓ Responsive problem-solving and a commitment to working in open partnerships with business, trade unions and community-based organisations.

- ✓ Ensuring that knowledge and information are acquired and managed in a way that promotes continuous learning, and which anyone can access easily and quickly.
- ✓ Empowering ward councillors, ward committee members and community leaders who should play a pivotal role in building a shared vision and mobilising community resources for development.

## **2.8 Integrated Development Planning**

Section 25(1) of the Local Government: Municipal Systems Act (32 of 2000) provides for all municipalities to compile a strategic plan. This strategic plan is called the Integrated Development Plan (IDP). Section 26 of the Systems Act identifies core components that must be reflected in an IDP. The components that are important for the purposes of this study are the following:

- the vision for the long-term development of a municipality, particularly in respect of the most critical development and internal transformational needs of such a municipality;
- the priorities and accompanying objectives for the term of office of a council, which is five years;
- the institutional strategies flowing from the objectives, which must be aligned with the national and provincial plans and planning;
- operational strategies resulting in service delivery to communities;
- a financial plan, which must include a budget projection for at least the next three years (the National Government's Medium-Term Expenditure Framework (MTEF) requires a three-year term); and
- key performance indicators and performance targets (section 41 of the Local Government Municipal Systems Act 2000).

Du Plessis and Thomas (2007:8) identify core components that suggest, in the context of LED, that municipalities must do the following:

- Identify key economic development strategies;
- There must be concrete decision-making in regard to economic priority areas to be addressed within specific time frames.
- Municipal institutional strategies should be aligned with national and provincial planning in line with the need for cooperative efforts to promote economic development; and
- The financial plans and performance evaluation of municipalities should be included in this process of integrated planning (Du Plessis & Thomas 2007:8).

## **2.9 The South African experience of local economic development**

For local government to play its role in creating an enabling environment for economic development to take place and thereby creating employment, it is important for it to provide good quality cost-effective services (Wekwete 2014:18). To ensure improved local governance performance regarding LED, there has to be cooperation and partnerships among the three critical stakeholders, namely government, the private sector, and the local community (Meyer 2014:3).

The national government coordinates and aligns support to municipalities for LED through the IDP process; provides the overall legislative and regulatory framework; maintains strong intergovernmental relationships and institutions; provides the necessary resources; and monitors the outcomes and impact of LED activities nationally. This is achieved through the stipulated intergovernmental fiscal model (Wekwete 2014:18).

The main function of national government in South Africa is the formulation of policy, and to set up institutions and funding for public sector development. LED usually exists within the framework of national sector ministries and special agencies that support a range of local programmes and projects impacting on local development, depending on the sector

orientation. However, all the sector policies, planning and budgeting tend to be top-down and supply driven, sometimes paying limited attention to and engagement of local governments. At municipality levels, the focus is on ensuring that economic and social development are prioritised, establishing a LED forum, and ensuring effective public participation (Wekwete 2014:20).

## **2.10 Locating SMMEs in LED**

The White Paper on National Strategy for the Development and Promotion of Small Business in South Africa (1995) identifies the promotion of SMMEs as a policy imperative for addressing the challenge of unemployment and poverty. Despite this development, SMME development does not find the expression and regard it should in the LED strategies of municipalities. There is however recognition that SMME development is key to the attainment of the Millennium Development Goals (MDGs), that among other objectives targets the halving of poverty by 2015 (Sibanda 2013:2).

The National Small Business Act (102 of 1996), as amended, defines SMMEs as any entity, whether or not incorporated or registered under any law, consisting mainly of persons carrying on small enterprise concerns in any economic sector and established for the purpose of promoting the interest of, or representing small enterprise. The other definitions use revenue, assets, or the number of employees (Sibanda 2013:8).

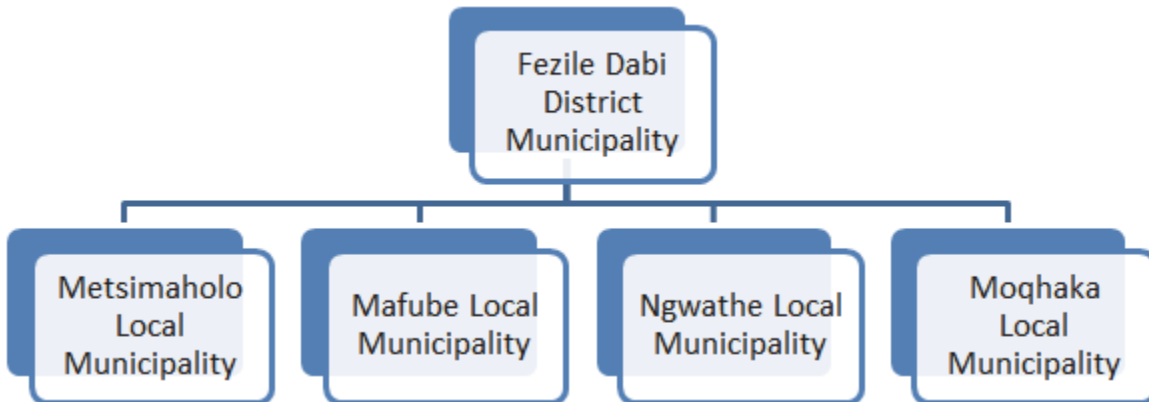
Small business has an important role to play in addressing the socio-economic challenges faced by our communities. The national government is paying greater attention to the area of SMME development. It is critical for local governments to take SMME development seriously in an effort to fight poverty and create jobs in communities (Sibanda 2013:9).

## **2.11 Case study: The Northern Free State region**

Meyer conducted a study in 2014 on the state of LED in the Northern Free State region of the Fezile Dabi District Municipality (FDDM). The study covered the work done on LED by the district municipality itself and the local municipalities that fall within the district. The

local municipalities within the FDDM area are Mafube, Metsimaholo, Moqhaka and Ngwathe.

**Figure 2.1 Organogram Fezile Dabi District Municipality**



The case study will be strengthened by the latest annual reports from the said municipalities to assess progress made since 2014, when Meyer conducted the research. The annual reports will also be used to evaluate other areas that the research did not cover in detail or did not cover at all. The researcher aims to use the work done by Meyer (2014) as a yardstick for the performance of municipalities on LED, but will not limit it only to this work, but will include the work of other scholars on the subject of LED.

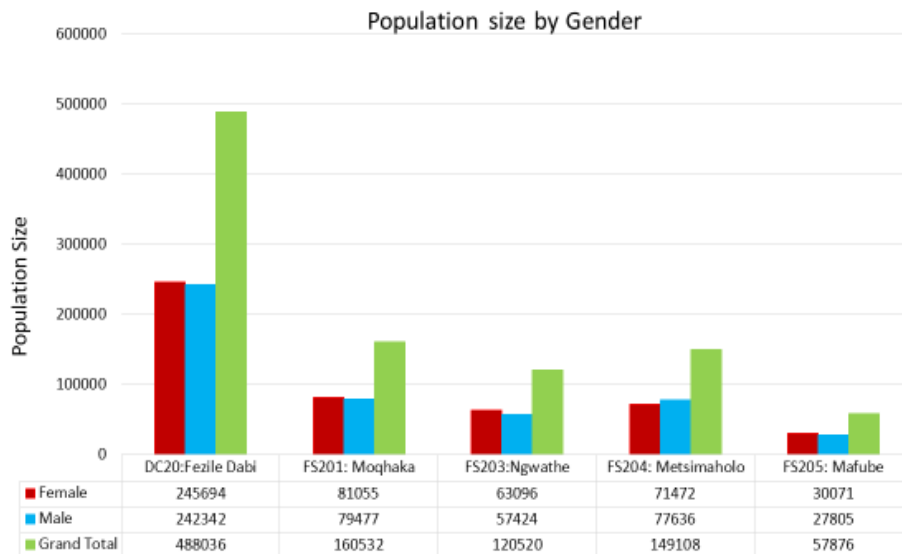
### **2.11.1 Fezile Dabi District Municipality**

Fezile Dabi District Municipality (FDDM) is a category C municipality established in terms of Free State Provincial Notice No. 113 of 28 September 2000. It is estimated that the population and the area constitutes 17% and 27% respectively of the total population and the total area of the Free State. The Vredefort Dome, which is the third largest meteorite in the world, is the main attraction site and is found in this area (Annual Report 2015/16 Fezile Dabi District Municipality 2017:9)

Fezile Dabi District Municipality, a mostly rural area, has the Vaal River as one of the tourist attractions in the area. The main towns in the district are Sasolburg (administrative node), Kroonstad and Parys.

The District has a population of some 495 000. According to the Fezile Dabi Annual Report 2015/16 (2017:8), this population represents 17% of the entire population of Free State province. Most people in the District live in Moqhaka Local Municipality, with a population of some 160 000. The second most densely populated municipality is Metsimaholo Local Municipality, with a population of some 149 100, and third position goes to Ngwathe Local Municipality with a population of 120 500. The least populated area is Mafube Local Municipality, with 57 876 inhabitants. It is interesting to note that the population of Ngwathe, the third most populated municipality, is more than double that of Mafube.

**Graph 2.1: Population size by gender**



Source: Metsimaholo 2017: Annual Report 2016/17

As far as the institutional arrangement is concerned, the LED unit is located in the Social Development and Tourism Department of FDDM. The LED exists as a unit and not a department and it needs to be capacitated further (Meyer 2014:6).

The LED unit does have good working relations with the provincial sector department and other LED units in the local municipalities where they are located. Challenges include the non-existence of regional services plans, marketing and tourism plans. The LED strategy exists but it is not funded and there is generally a lack of capacity and skills to implement it. The role of the district is to play a co-ordinating role and assist local municipalities with training and capacity building and to ensure that there is investment in the region (Meyer 2014:7).

In the 2015/16 financial year, FDDM implemented the following activities.

### **2.11.2 Koppies Greenhouse (Hydroponic) Vegetable Production Project**

Hydroponics is a commercial method for growing plants or crops where roots grow and develop either in humid air, well-aerated water, or in a moist non-soil medium. The water supplied to the roots is a solution of well-balanced nutrients that the plants need for optimum growth. This Greenhouse Vegetable Production Project is based in Koppies and the land belongs to FDDM. The Project was implemented by the service provider appointed by FDDM, who was responsible for the following activities:

- i. Business plan review – this was necessary because the last business plan to be reviewed was in 2013.
- ii. Readiness assessment – to determine if the existing resources were sufficient for the Project to commence.
- iii. Job creation – initially, 23 temporary jobs were created when the Project started; currently there are ten workers who work in the Project on an ongoing basis.
- iv. Procurement of equipment and production items – it was the responsibility of the service provider to procure all the equipment necessary for the success of the Project and for the site preparation.
- v. Induction – the workers who work on the Project were inducted so that they can execute their tasks well.
- vi. Funding application – applications for funding were done to the following institution and departments: Free State Department of Rural Development and Land Reform; the Mining Qualification Authority; and the Department of the Premier.

### **2.11.3 Assistance to co-operatives**

In the financial year 2015/16, the following co-operatives were assisted by FDDM. However, the Annual Report does not explain how these co-operatives were assisted.

**Table 2.1: Co-operatives**

<b>Name of Co-operative</b>	<b>Town</b>
Phutha Recycling Co-operative	Steynsrus
Aunthetic Recycling Co-operative	Frankfort
Fomapa Co-operative	Vredefort

Source: Annual Report 2015/16 Fezile Dabi District Municipality 2017:53

#### **2.11.4 Monitoring of SMMEs, co-operatives and self-help projects**

During the 2015/16 financial year, FDDM monitored the following SMMEs, co-operatives and self-help projects. This was done by developing a questionnaire, which focused on the status of the project, challenges and achievements. The Annual Report does not state the results of the study.

**Table 2.2: SMMEs, co-operatives and self-help projects**

<b>SMME, Co-operative, or Self-help project</b>	<b>Town</b>	<b>Nature of the Project</b>	<b>Municipality</b>
Madibo Farm	Frankfort	Crop farming	Mafube Local Municipality
Matsole Farm	Villiers	Crop farming	Mafube Local Municipality
Vredefort Youth for Change	Vredefort	Vegetable production	Ngwathe Local Municipality

Rammolotsi Co-operative	Viljoenskroon	Poultry	Moqhaka Local Municipality
Basadi Phahamang	Oranjeville	Poultry	Metsimaholo District Municipality
Tlhabollo Co-operative	Steynsrus	Vegetable production	Moqhaka Local Municipality
Mosia Trust	Koppies	Cattle farming	
Mokhele Clothing		Clothing	Moqhaka Local Municipality
Mampoi Dress-making and Design		Clothing and design	Metsimaholo District Municipality
ATN Production Trading and Projects		Photography	Metsimaholo District Municipality

Source: Annual Report 2015/16 Fezile Dabi District Municipality 2017:54

### **2.11.5 Training of agricultural co-operatives**

The Free State Department of Agriculture conducted a training session on behalf of FDDM on project management for agricultural co-operatives in the 2015/16 financial year (Annual Report 2015/16 Fezile Dabi District Municipality 2017:51-54).

#### **a) Moqhaka Local Municipality**

The area of jurisdiction of Moqhaka Local Municipality is the southern part of FDDM. It is composed of the former Transitional Councils of Kroonstad, Steynsrus and Viljoenskroon, and rural transitional sections of Riemland, Kroonkop and Koepel (Annual Report 2016/17 Moqhaka Local Municipality 2017:16).

The Moqhaka Local Municipality area, like the area of FDDM, is not considered a favourite tourist destination, although it is used as a weekend getaway destination by tourists. Growth has been seen in the hunting and guesthouse sector of tourism in recent years. The Kroonpark recreation and holiday resort in Kroonstad is the main tourist attraction in the district (Annual Report 2016/17 Moqhaka Local Municipality 2017:18).

The towns that constitute Moqhaka Local Municipality are Kroonstad (the administrative town), Viljoenskroon and Steynsrus; the area could be classified as rural. The LED unit is located in the Community Services Department of the Moqhaka Local Municipality and it has two officials. The challenges of LED in this specific unit are as follows: no marketing of the Municipality; only a few community projects are attempted by officials; an IDP/LED forum exists but is not fully functional; the LED strategy was compiled but is not implementable; and an infrastructure backlog, and political instability exists (Meyer 2014:7).

The LED unit lacks capacity and skills and there is no funding for projects. In the financial year 2011/2012, for example, the IDP identified the following sectors to be prioritised: tourism development, agriculture, mining, manufacturing and commercial transport. There were other small-scale projects that were identified that would serve as a safety net against poverty and boost employment prospects such as food gardens and Small Medium and Micro Enterprise (SMME) development and support, including cooperatives. Despite good intentions, these projects never took off (Meyer 2014:7).

- Unemployment in Moqhaka Local Municipality

The total population in the Municipality is estimated to be 160 532. The number of unemployed people is 36 040, with the number of employed standing at 19 554, and the number of those who are economically active at 51 074. The

unemployment rate is 27.35 for males and 44.3% for females. The youth are the most affected, at 47.2%. Most jobs were created by the EPWP in recent years (Annual Report 2016/17 Moqhaka Local Municipality 2017:98). The table below illustrates this point:

**Table 2.3: Jobs created by the EPWP**

Financial year	Number of EPWP projects	Jobs created by the EPWP
2012/13	5	202
2013/14	6	203
2014/15	10	238
2015/16	13	263
2016/17	10	274

Source: Annual Report 2016/17 Moqhaka Local Municipality 2017:99

- LED strategy

During the 2016/17 financial year, the Municipality reviewed its LED strategy and it was approved by the council in December 2016.

- Other LED activities implemented

The LED unit in the Municipality could register four businesses in the 2016/17 financial year, according to the requirements of the Business Act of 1991. They also supported two SMMEs/co-operatives in the period under review. Five business development events were held and LED forums took place in the period under review.

Institutional arrangements are such that the last time they had an employee responsible for LED was in the financial year 2014/15. Up to the period under review there was no employee who was responsible for LED (Annual Report 2016/17 Moqhaka Local Municipality 2017:99-102).

#### **b) Mafube Local Municipality**

Mafube Local Municipality was established in terms of section 12 of the Local Government: Municipal Structures Act of 1988, following the local elections of 2000. Mafube is a Sesotho word meaning a place of dawn (Annual Report 2014/15 Mafube Local Municipality 2017:7).

With its administrative capital in Frankfort, the Municipality is composed of three other towns, namely, Villiers, Cornelia and Tweeling. The area of jurisdiction of the Mafube Local Municipality is the north-eastern part of FDDM (Annual Report 2014/15 Mafube Local Municipality 2017:13). The area could be classified as rural. In this Municipality the LED unit is part of Town Planning Department; however, it does not exist. The non-existence of the LED unit leads to other LED activities not being prioritised. There are no development plans in place despite the huge potential of tourism in the area that could be harnessed. Generally, the Municipality has many problems as far as issues of good governance are concerned (Meyer 2014:8).

The Annual Report 2014/15 of the Mafube Local Municipality (2017:37) highlights the following as the achievements in the period under review:

- The Municipality managed to create 26 EPWP employment opportunities.
- The provincial government appointed 96 EPWP workers in the Municipality.
- The Municipality has an LED strategy in place, inclusive of the Agricultural Plan and the Marketing and Tourism Plan, which was approved by the council in March 2015.

### **c) Metsimaholo Local Municipality**

The Metsimaholo Local Municipality is bordered by the Vaal River. The Municipality's head office is in Sasolburg. The other towns that constitute the Municipality are Deneysville and Oranjeville. The area can be classified as "fringe" rural area, as it is 71km from Johannesburg. The LED unit forms part of the LED and Housing Department of the Metsimaholo Local Municipality. The unit consists of a manager and one support staff (Meyer 2014:8).

There are structures that strengthen the LED unit, such as the Municipal Committee for LED and the Business Chamber. Good working relations exist with the Provincial Sector Department and the District Municipality. Although the LED unit lacks capacity and skills, it does have an LED strategy that is implementable (Meyer 2014:8).

The LED strategy targets six areas that need attention, namely:

- Increased investments
- Creating economic clusters
- Promoting entrepreneurship
- Sector development
- Neighbourhood renewal
- Marketing of the area (Meyer 2014:9).

Metsimaholo Local Municipality has the following economic activities in the area: the mining of coal and sand, agriculture, and manufacturing products related to these sectors. The Municipality's economy is reasonably diversified, which includes fisheries, chemical manufacturing and processing, real estate, tourism, transportation, and wholesale and retail trade. The Sasol Chemcity company is an important economic player in the area,

especially in the manufacturing sector. (Annual Report 2014/15 Metsimaholo Local Municipality 2017:127).

Driving the economic performance of Metsimaholo is primarily the petrochemical industry. Metsimaholo houses one of the most significant petro-chemical hubs in the Southern Hemisphere. A total of 6 901 people are employed by major industries producing a wide variety of products, from waxes, synthetic rubber, polymers, liquid fuels and solvent blends to phenol, polypropylene and nitrogenous products (Annual Report 2014/15 Metsimaholo Local Municipality 2017:128).

**Table 2.4: Economic employment by sectors in Metsimaholo**

Sector	2012/13 No.	2013/14 No.	2014/15 No.
Agriculture, forestry and fishing	572	712	805
Mining and quarrying	335	374	400
Manufacturing	1 540	1 735	1 995
Wholesale and retail trade	2 062	2 906	3 075
Finance, property, etc.	1 607	1 818	1 915
Government, community and social services	2 634	3 050	3 100
Infrastructure services	659	1 083	1 500
<b>Total</b>	<b>9 409</b>	<b>11 678</b>	<b>12 790</b>

Source: Annual Report 2014/15 Metsimaholo Local Municipality 2017:127

#### **d) Ngwathe Local Municipality**

Ngwathe Local Municipality is situated in the northern part of FDDM. The Vaal River forms the northern boundary of the area, which also serves as the boundary between the Free State, Gauteng and North-West provinces. The Renoster River also drains through the region and is dammed up near Koppies in a series of dams, namely the Weltevrede, Rooipoort and Koppies Dams. The rivers, together with the respective dams, are prominent water sources for agricultural purposes in the region (Annual Report 2015/16 Ngwathe Local Municipality 2017:5).

The municipal offices are in Parys, with the following towns forming part of the Municipality: Heilbron, Koppies, Vredefort and Edenville. The area could be classified as “fringe” rural area as it is situated 97km from Johannesburg. There is an LED unit, which forms part of the Community Services Department. The institutional arrangements dictate that there is one manager and two support staff (Meyer 2014:10)

The unit is functional and is able to implement a number of projects. LED structures, such as the LED Municipal Committee and the Business Chamber, exist and are functional. The unit enjoys good working relations with the Provincial Sector Department and the District Municipality. The LED strategy is reviewed internally and it is implementable. However, the service master plans are outdated, and there is no marketing plan in place. There is the potential for commonage development due to a strong agricultural sector. There also exists huge potential for tourism and SMME development, which is not exploited. The LED strategy identifies the following as focus areas:

- Job creation through infrastructure development
- Inclusion of the disadvantaged communities in the local economy
- Creation of an enabling local economic development environment
- Investment and promotion of tourism and heritage development
- Skills development and assistance to SMMEs (Meyer 2014:10).

In the Annual Report of 2015/16, under the key performance areas of the LED, the following key focus areas were identified and annual targets were set:

- An LED strategy. The key performance indicator was a LED strategy to be approved and adopted by council. At the end of the last quarter of the financial year, no LED strategy was developed. The target was not achieved.
- The identification of two LED drivers was a key focus area with the target to be achieved at the end of the financial year. This target was not achieved at the end of the financial year.
- Job creation. Under this key focus area, the target was to create 500 job opportunities at the end of the financial year. This target was also not met (Annual Report 2015/16 Ngwathe Local Municipality 2017:24-25).

Under a different key performance area, municipal transformation and institutional development, other key focus areas that are LED-related were reported, namely:

- Agriculture - the Municipality intended to organise capacity training for emerging farmers; one per town by the end of the financial year. This target was not met.
- SMMEs – the Municipality intended to organise capacity training for SMMEs. This target was not achieved.
- Establishment of a business forum – this target was also not achieved, as intended.
- Tourism – the target was to organise tourism stakeholders for the purpose of establishing a forum and the production of promotional pamphlets and brochures. This target was not met (Annual Report 2015/16 Ngwathe Local Municipality 2017:54-55).

## **2.12 LED in small municipalities in South Africa**

Ingle (2014:3) describes the situation in local government as an unpleasant one for economic activity to occur successfully due to many service delivery protests, especially in small towns. It manifests itself in low levels of confidence by communities, an acute lack of leadership in the municipality, and a lack of understanding of the local economy and what LED is about, what it should focus on, and how it relates to the work carried out in other municipal departments.

According to Nel (2005), challenges faced by small municipalities include a lack of technical and financial resources, economic collapse, the absence of sufficient services, and poverty. Small towns are only able to improve their economic activities in agriculture and tourism. Consideration should however be given to the small size and economic base of small municipalities in contrast to big metropolitan areas with their huge populations and robust economic activities (Houghton et al 2013:4).

Local government has a limited role to play in the economy of small municipalities, which negatively affects their economic growth potential. Their capacity to develop is further affected by their inability to access support systems and government interventions because they are usually too remote or they are unable to meet the stringent criteria of programmes. In general terms, small municipalities are characterised by problems with the implementation of LED because of a plethora of reasons. These include weak programme implementation and a lack of local community participation, which usually arise from a lack of suitably skilled people and resources. This results in a failure to engage communities in LED interventions and programmes (Houghton et al 2013:4).

## **2.13 Funding of LED**

### **2.13.1 Unconditional grants**

According to Whelan (in Du Plessis 2013:28), Local Government Equitable Share (ES), a grant raised by the National Treasury, is the most important unconditional grant to local government. ES is transferred directly to municipalities in the country according to a

formula developed nationally that takes into account the operating cost required by each individual municipality considering its population and its ability to deliver basic services to local communities, specifically those sections that are too poor to pay for these services. Hence, the view of Du Plessis (2013:28) that the grant is only partially needs-based. Were it wholly needs-based, it would also have to take into account the revenue generated by each municipality across all households, and thus their ability to render these services with their own money.

Even though ES is an unconditional grant, the amount allocated to each municipality is determined by dividing the whole amount into funding windows. These “funding windows” are prescriptive as to how the ES should be used or spend. Although Whelan (in Du Plessis 2013:29) suggests that it does not amount to legally forced spending, it is an attempt by Treasury to ensure that the grant is used towards the provision of basic services to poor local communities. The National Treasury wants to ensure that this grant benefits the intended people, the poor citizens in the community, and is not used to subsidise the running costs of a municipality, like paying the salaries of employees. Except for the ES, which is an unconditional grant, most of the grants come with strict conditions (Fourie & Opperman 2007:411).

### **2.13.2 Conditional grants**

Different national departments offer conditional grants to municipalities for various purposes. The following are some of them:

- a) The Financial Management Grant (FMG) is provided by the National Treasury to municipalities. The purpose of the Grant is to promote and support reforms to municipal financial management and to enable municipalities to comply with the provisions of the Local Government: Municipal Finance Management Act, Act 56 of 2003 (Fourie & Opperman, 2007:409).
- b) The Neighbourhood Development Partnership Grant (NDPG) also comes from the National Treasury. It was established “with the ultimate objective of leveraging private sector investment in underserved residential neighbourhoods thereby unlocking the social and economic potential in these areas” (National

Treasury 2013). The Grant enables the National Treasury to provide both technical support and capital financing for municipal projects, which have the potential to attract private sector investment to make these projects sustainable in the long term. The Grant can therefore be described as a combination of a grant in kind (technical support) and a cash grant (capital finance) (National Treasury 2013).

- c) The Municipal Systems Improvement Grant (MSIG) is a Department of Cooperative Governance and Traditional Affairs (CoGTA) grant. It is a cash transfer “directed to selected Local and District municipalities and its purpose is to support municipalities in implementing new systems as provided in the Local Government: Municipal Systems Act, Local Government: Municipal Structures Act and other related local government policy and legislation” (CoGTA 2014).
- d) The Municipal Infrastructure Grant (MIG) is also a grant from CoGTA. The MIG is a cash grant to selected municipalities, combining all existing capital grants for municipal infrastructure into a single consolidated grant (CoGTA 2013). The following existing capital grants resort under the MIG:
  - i. Consolidated Municipal Infrastructure Programme
  - ii. Water Services Projects
  - iii. Community Based Public Works Programme
  - iv. Local Economic Development Fund
  - v. Urban Transport Fund
  - vi. Building for Sport and Recreation Programme
  - vii. National Electrification Programme (CoGTA 2013).

It should be noted in regards to the funding models discussed above, both for unconditional and conditional grants, that municipalities rely substantially on the national sphere for funding to render services as per the mandate derived from the Constitution.

Most of the grants are conditional, prescribing what they should be used for. Only in the Neighbourhood Development Grant and the Municipal Infrastructure Grant is mention made of LED usage. But this usage is not exclusive; LED is among many other possible uses by a municipality.

The provincial government does not come out clearly on how they support municipalities financially, apart from technical skills, especially when it comes to LED activities.

### **2.13.3 Challenges experienced by LED in South Africa**

Houghton (2017:2) identifies a host of challenges facing LED success in South Africa and suggests that institutions can be particularly important in the roles they offer towards addressing the following weaknesses in the understanding and practice of LED:

- There is a lack of consistency in the meaning of LED, which can lead to the implementation of LED being diffused, weakly championed and having limited budget allocation.
- The role of provinces within the conceptualisation and practice of LED is underutilised and needs to be reinvigorated.
- Much of the implementation of LED is concentrated within large urban centres, creating an uneven spatial economy and its associated skewed wealth distribution; thus, the gap between LED practice in cities and small towns needs to be reduced.
- Dissemination of good LED practice is limited and needs to be shared more widely to ensure that lessons from positive experiences and successful interventions can be shared.
- There is currently a dearth of the timeous and locally disaggregated data that is required to support good decision-making, business support and investment facilitation. Improved quality and availability of current data is needed in the majority of localities within the country.
- A lack of LED networks and sustainable knowledge platforms exists. These need to be built up as important aspects of the practice of LED, which typically benefits from strong, active partnerships and high levels of social capital.

- The division between the formal and informal economies in both conceptualisation and practice largely limits the scope of LED interventions to the ‘first’ economy and weakens the outcomes of LED interventions. Many benefits could be derived from the acknowledgement and facilitation of stronger ties between these parts of the economy.

## **2.14 Conclusion**

The aim of this chapter was to create an understanding of LED in South Africa, especially as it relates to municipalities. To achieve this the researcher contextualised LED by way of definitions, the legal framework in South Africa, and the South African experience of LED by examining the Fezile Dabi region municipalities as a case study.

Funding for LED activities is the major concern, especially in small municipalities with a limited revenue base and huge challenges of service delivery. With the absence of a nationally funded grant specifically for LED, it becomes an unfunded mandate. Municipalities would rather use the resources that are available for other pressing competing needs, other than for LED activities.

Lack of institutional arrangement and competent staff in the LED units is another challenge that municipalities must grapple with.

It is not uncommon to find a municipality without an LED strategy or a municipality that has not reviewed the strategy in a long time. In cases where the strategy exists, it usually is not aligned to development strategies of the provincial and national government.

The researcher wishes to create an appreciation that there are many challenges to the successful implementation of LED in municipalities and, in the same breath, there is a need for innovative ideas to deal with these challenges.

The Fezile Dabi region in the Free State is a case in point. There is no uniform application of LED, even the institutional arrangements vary to a great degree. Issues of capacity and a lack of funding and skills are common in this region.

The main challenges facing South African communities are poverty, unemployment and underdevelopment. These triple challenges are widespread across the country, in rural areas and urban areas alike, small towns and big cities. These are some of the challenges that LED initiatives seek to resolve.

The next chapter will examine Public Works Programmes, in general, and the EPWP and its sister programme, the CWP, in particular.

## **Chapter 3: Expanded Public Works Programme**

### **3.1 Introduction**

The aim of this chapter is to conceptualise Public Works Programmes (PWP) in South Africa, in particular, and the world over, in general, how they have evolved over time, and paying particular interest to the EPWP and its sister programme, the CWP.

Since the advent of democracy in South Africa in 1994, the country experienced a long phase of economic growth, which lasted until 2009. But this economic growth was not accompanied by an increase in employment rates and a decrease in poverty levels; hence, the phenomenon of jobless economic growth (The Presidency 2009).

The South African economy's inability to deliver employment for a growing number of would-be workers, especially among the unskilled, created a need for state intervention to address this failure and its consequences. There were a number of policy options available to the South African government to deal with this crisis. It chose public works programmes over other solutions, such as direct transfers (e.g. a basic income grant). Given this context, it is critical to assess the potential of public works, and its adequacy as an instrument for addressing the problem of poverty and unemployment.

This chapter addresses the question of whether public works, in general, and the EPWP, in particular, can offer a significant response to the South African employment crisis. It also provides a critical review of the performance of public works in South Africa since 1996 and seek to identify the links and gaps that there are in LED, as implemented in municipalities.

### **3.2 History of Public Works Programmes**

History is full of evidence of the use of Public Works Programmes (PWPs) throughout the world to address poverty and unemployment among the working age population. It was implemented in India as early as the third century, and in Europe in the 16th century. Countries, such as Britain and the United States of America (USA), have used PWPs during times of economic distress. For example, Britain used PWPs during the periods of

labour market disruptions and high unemployment as a result of industrialisation and the conflict of the 19th century, while the USA used it during the Great Depression of the 1930s. Some developing countries in Africa, Latin America and Asia also used PWPs between the 20th and 21st century. Recently, PWPs have been used in certain countries to deal with the effects of the 2008-2009 global financial crisis (McCord 2012:1).

During the Great Depression the USA's economic recovery in part relied upon the implementation of PWPs, which was done on a huge scale under the Works Progress Administration (WPA). The impact of this intervention continued to live on in the cultural memory and morale, providing a focus of social inclusion that embraced all unemployed people in various sectors of the economy (Philip 2013:4).

Du Toit (2005:658) states that PWPs were first used as an intervention strategy during times of famine and droughts. Du Toit (2005:658) explains how PWPs were used during the Great Depression of the 1930s to motivate some countries to implement such programmes as a means of reviving market-based economies.

A point to be made at this stage is that although countries differ in the manner that they implement PWPs and in the areas of emphasis, there are similarities, such as infrastructure development, environmental restoration, water conservation, employment of local communities, income generation and increasing food security. New investments could be attracted to communities that ordinarily would not be able to benefit from such through the implementation of PWPs (Antonopoulos 2007:5).

In the developing world, such as in South Africa, India and Ethiopia, there are interesting and innovative approaches to PWP. Because of the differences in the contexts and causes of unemployment and underemployment, the design and implementation of the PWPs also differs. The results are transformation and systemic change, which has implications for both social and economic policy (Philip 2013:4).

### 3.3 Definitions of Public Works Programmes

Many authors use the term Public Works Programmes to refer to any state intervention in alleviating the impact of poverty and unemployment in a country. This is a rather loose description of the concept of Public Works Programme. A more thorough and scholarly definition is used in this chapter.

McCord (2012:8) defines PWP as follows:

Public Works Programming refers to the provision of state-sponsored employment for the working-age poor who are unable to support themselves due to the inadequacy of market-based employment opportunities. PWP entails the payment of a wage (in cash or kind) by the state, or an agent acting on its behalf, in return for the provision of labour, with the objectives of reducing poverty and producing an asset or service.

McCord (2012) describes four types or forms of PWP in regards to how they are used to address the problems of poverty and unemployment. This is as the result of many reviews of PWP across Asia, Latin America, Sub-Saharan Africa and Europe (McCord 2012:8). Below is a brief explanation of the four types of PWP:

a) Type A: Consumption-smoothing PWPs

This is short-term employment that is offered once only, as a result of short-term labour market disruption or disruption of livelihood, which may result from natural disaster or short-term economic crises. This intervention comes in the form of providing a basic income or short-term consumption smoothing during periods of high unemployment. The intention of this type of PWP is to provide safety nets, or what is referred to as basic 'risk-coping' social protection and the prevention of distress selling of assets. Normally the programme may last up to four months or as long as it is necessary to provide the safety net.

The main priority of this type of PWP is the transfer of income in the form of cash or in kind. The creation of an asset and its quality is usually of secondary importance to

the rapid provision of wage employment for those affected by the crisis (McCord 2012:9).

b) Type B: PWPs offering repeated or ongoing employment

This type of programme is implemented during periods of sustained unemployment and seasonal vulnerability. Under these conditions the state acts as the employer of last resort in order to provide the much-needed income insurance. The state may provide employment directly or employment may be offered by private sector or civil society organisations in any sector on contract. The aim of this type of programme may be to stimulate economic demand to promote local development and/or national macroeconomic stability.

Employment Guarantee Schemes (EGS) are a subset of this type of PWP. Essentially the state guarantees employment to all seeking it on the basis of a legislative commitment to ensure the right to work. This type of state guarantee is only found in India in the form of the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS), launched in 2005.

The nature of this PWP, because it is open ended, is then that it creates employment outside the infrastructure construction sector, unlike other programmes that build roads and other infrastructure-related assets (McCord 2012:10).

Following from the MGNREGA as the only statutory guarantee, the developments in other countries was to move towards PWPs that are institutionalised as a long-term intervention. Examples are the Productive Safety Nets Programme in Ethiopia (PSNP) and South Africa's Community Work Programme (CWP), which is a sister programme of the EPWP (Philip 2013:5).

c) Type C: PWPs increasing aggregate employment

Commonly called Labour-Intensive Public Works (LIPW) or Labour Based Infrastructure Programmes (LBIP), these programmes are fundamentally about increasing local employment opportunities, particularly in the construction sector using

labour intensive methods, thereby increasing the number of people who could be employed in a project. Instead of using capital in the construction processes, labour intensive methods are utilised without increasing input cost to the project.

The emphasis and focus of these programmes is infrastructure provision, as opposed to social protection provision. Nonetheless, there is still transfer of income to the participants during the period of the project, which offers welcome social relief to those in need. The other benefit that may accrue to workers is the construction of an asset that has a productive value. In general terms, this type of PWP does not have a significant impact in addressing poverty and unemployment during the periods of acute economic crisis (McCord 2012:11).

d) Type D: PWPs promoting employability

There are times when the main cause of unemployment is a lack of skills in the labour market rather than a lack of employment opportunities. In this case, there is a need to work of the supply side, rather than the demand side of employment. This type of programme seeks to remove the impediments to employment by providing workplace experience and skills for the unemployed.

The rationale behind this type of PWPs is that significant numbers of jobs are or will become available for the unemployed if appropriately retained and supported. The intention is to discourage the payment of unemployment grants, as opposed to encouraging the unemployed to take up any available work opportunity that may be available in the market. This is a policy known as labour activation. In this programme, participants receive income benefits during the period of training and work experience, assuming that once the participant has gained experience and has been trained, he/she will benefit from the available work opportunities in the market. The success of this programme depends on the ability to correctly identify supply-side skills deficits and transfer skills to participants successfully (McCord 2012:12).

### **3.4 Unemployment and poverty in South Africa**

According to Wilkinson (2014:2), South Africa has one of the highest unemployment rates in the world. Politicians usually use this as a vote-seeking tool by promising to create employment; but, to no avail.

The Diagnostic Review Report of the National Planning Commission (NPC) describes the high rates of unemployment and underemployment as characterised by a “large proportion of out-of-school youth and adults that are not working. Those in low income households, who are working, support many dependants and earn little relative to the cost of living. This is a central contributor to widespread poverty. Inactivity of broad sections of society reduces our potential for economic expansion” (NPC 2011:9).

The International Labour Organization (ILO) defines unemployment as characterised by all persons over a specific age who during the reference period were:

- a) Without work - were not in paid employment or self-employed;
- b) Currently available for work - were available for paid employment or self-employment during the reference period; and
- c) Seeking work - had taken specific steps in a specified reference period to seek paid employment or self-employment (ILO 1982:10).

In South Africa, there are two main definitions of unemployment, namely a narrow and a broad definition. According to Brynard (2011:10), the narrow definition counts as unemployed all jobless persons who want work and searched for work in the recent past (typically, in the four weeks prior to the household survey visit). These people are typically referred to as the ‘searching unemployed’. The broad definition drops the search criterion and counts as unemployed all jobless persons who report that they want work, even if they did not search for work in the reference period. In other words, the broad definition includes both the searching and the non-searching unemployed. Statistics South Africa adopted the narrow concept as its official definition of unemployment in 1998 (Brynard 2011:10).

Statistics South Africa defines unemployed persons as those (aged 15-64) who:

- a) Were not employed in the reference week;
- b) Actively looked for work or tried to start a business in the four weeks preceding the survey interview;
- c) Were available for work; that is, would have been able to start work or a business in the reference week; or
- d) Had not actively looked for work in the past four weeks, but had a job or business to start at a definite date in the future and were available (Quarterly Labour Force Survey 2017:20).

There are similarities in the various definitions of unemployment with a different point of emphasis. Wilkinson (2014:2) summarises them as follows:

**Employed:** A person (between 15 and 64) is considered to be employed if during the week before being surveyed they worked for a wage, salary or commission or ran any kind of business by themselves or with other people. They will be categorised as “employed” even if they only worked for an hour in that week.

**Unemployed:** Someone is considered to be unemployed if they are capable of working or starting a business but had not done so. In addition, they need to have actively looked for work or tried to start a business at some point in the four weeks preceding the survey.

**Discouraged job-seeker:** A person is considered to be a discouraged job-seeker if they wanted to work but there are no jobs in the area; they were unable to find work that required their skills; or they have lost hope of finding any kind of work.

**Not economically active:** A person is considered to be economically inactive if they were able and available to work in the week prior to the survey but did not

work; did not look for work; and did not try to start their own business. This includes university students and adults caring for children at home.

**Table 3.1: Unemployment rate by province**

	Official unemployment rate					Expanded unemployment rate				
	Jan-Mar 2017	Oct-Dec 2017	Jan-Mar 2018	Quarter-to- Quarter change	Year- on-year change	Jan- Mar 2017	Oct- Dec 2017	Jan- Mar 2018	Quarter-to- Quarter change	Year- on-year change
	Per cent			Percentage points		Per cent			Percentage points	
<b>South Africa</b>	<b>27,7</b>	<b>26,7</b>	<b>26,7</b>	<b>0,0</b>	<b>-1,0</b>	<b>36,4</b>	<b>36,3</b>	<b>36,7</b>	<b>0,4</b>	<b>0,3</b>
Western Cape	21,5	19,5	19,7	0,2	-1,8	24,7	23,0	22,5	-0,5	-2,2
Eastern Cape	32,2	35,1	35,6	0,5	3,4	43,6	44,8	46,0	1,2	2,5
Northern Cape	30,7	27,1	29,5	2,4	-1,2	43,9	40,5	41,0	0,5	-2,9
Free State	35,5	32,6	32,8	0,2	-2,7	41,7	39,0	38,4	-0,6	-3,3
KwaZulu-Natal	25,8	24,1	22,3	-1,8	-3,5	41,0	41,0	40,6	-0,4	-0,4
North West	26,5	23,9	25,8	1,9	-0,7	41,7	40,6	41,8	1,2	0,1
Gauteng	29,2	29,1	28,6	-0,5	-0,6	32,0	33,7	33,6	-0,1	1,6
Mpumalanga	31,5	28,9	32,4	3,5	0,9	41,2	39,7	42,5	2,8	1,3
Limpopo	21,6	19,6	19,9	0,3	-1,7	38,2	36,8	37,6	0,8	-0,6

Source: Statistics SA, Quarterly Labour Force Survey, Quarter 1, 2018

### 3.5 Main causes of unemployment

There are many causes of unemployment in South Africa. Hendriks (2016:20) refers to the following:

i. Rigidities in the labour market

There are two schools of thought: labour market flexibility, where enterprises can easily adjust to meet the demands of business, and labour market rigidities, where there is little or no room for adjustment in the labour market. According to Barker (in Hendriks 2016:20), labour market rigidities is unproductive in that enterprises are unable to adjust to technological changes, economic circumstances, and international competition. This is the reason why the labour market is not effective and productivity so low.

ii. High minimum wage

A reservation wage is a wage that a new entrant to the labour market expects to earn. A high minimum wage is above the market wage. If new entrants find that their minimum wage cannot be paid by the employer, they withhold their labour and do not enter the labour market at all. This is the case for young people in South Africa.

iii. Barriers of entry to informal sector

The informal sector employment in South Africa is small in comparison to other developing economies. The unemployed cannot enter this sector because they cannot afford the cost associated with starting a business. It is also argued that there are various barriers that prevent the unemployed from entering the informal sector: crime and the lack of capital, land, credit, infrastructure and training facilities, especially in black townships.

iv. Skills mismatch

The South African economy still relies heavily on the primary sector, and to a lesser extent on the manufacturing sector. Generally, the South African workforce is less skilled and the job market require skills. This results in a mismatch between the skills that the unemployed possess and the skills required in the labour market.

### **3.6 Poverty in South Africa**

Cosgrove and Curtis (2018) identify two approaches to defining poverty, namely the “not having enough money” approach and the “not having enough food” approach. The rationale behind the two approaches is that money (or more broadly income) enables one to acquire the goods needed to survive, whereas the food approach argues that when one is without food, not by one’s choosing, that person is definitely poor. Combining the two makes poverty a multidimensional phenomenon (Cosgrove & Curtis 2018:2).

Ramphoma (2013) notes that in defining poverty one will inevitably recognise the element that is always there, material insufficiency – especially the lack of resources needed for survival. Defining poverty will always lead to an identification of goods needed by human beings in order to keep on living (Ramphoma 2013:2).

Ramphoma (2013) further explains the two approaches to the definition of poverty. The first is the so-called absolute approach with regards to poverty lines as the absolute subsistence level. This approach views poverty as the failure of needs fulfilment and accordingly it impairs the ability of the individual or family to function adequately in society. It recognises that there are also certain minimum needs necessary for engaging in social life and maintaining a family, which must be met, other than simply maintaining health and the ability to work. The second approach regards poverty as the relative concept, hence it is called the relative approach. According to this approach, poverty can be understood only as part of a given society, and that the situation of the poor is determined by its distance from the other strata of society. It follows, according to this logic, that those belonging to the lowest fraction of the economy are the poor (Ramphoma 2013:4).

In an attempt to come up with an appropriate approach to poverty measurement in South Africa, Statistics South Africa (2017) undertook extensive consultations, engaged with

experts, and held many discussions on the topic. In 2012, it published its first official national poverty lines. It employed an internationally recognised approach - the cost of basic needs approach. According to this approach, there are three poverty lines, namely Food Poverty Line (FPL), the Lower Bound Poverty Line (LBPL), and the Upper Bound Poverty Line (UBPL) (Statistics SA 2017:7).

The FPL is the rand value below which individuals are unable to purchase or consume enough food to supply them with the minimum per-capita-per-day energy requirement for adequate health. The LBPL and UBPL are derived using the FPL as a base, but also include a non-food component. Individuals on the LBPL do not have command over enough resources to purchase or consume both adequate food and non-food items, and are therefore forced to sacrifice food to obtain essential non-food items. Individuals at the UBPL can purchase both adequate levels of food and non-food items (Statistics SA 2017:7).

Poverty alleviation aims to reduce the impact of poverty on the lives of poor people. Poverty alleviation programmes have longer term goals and are more developmental than Poverty Relief Programmes (Studies in Poverty and Inequality Institute 2007:14).

**Table 3.2: Inflation adjusted poverty lines, 2006 to 2017 (per person per month in rand)**

Year	Food Poverty Line (FPL)	Lower Bound Poverty Line (LBPL)	Upper Bound Poverty Line (UBPL)
2006	219	370	575
2007	237	396	613
2008	274	447	682
2009	318	456	709

2010	320	466	733
2011	335	501	779
2012	366	541	834
2013	386	572	883
2014	417	613	942
2015	441	647	992
2016	498	714	1077
2017	531	758	1138

Source: Statistics SA 2018

The table above shows that official unemployment increased by 1.2 percentage points on a quarter-to-quarter basis and increased by 1.0 percentage point year-on-year. Of the nine provinces of the country, seven recorded an increase in their unemployment rate. Topping the list was the Eastern Cape by 3.8 percentage points, followed by Limpopo by 2.3 percentage points, and KwaZulu-Natal by 1.9 percentage points. The Northern Cape was the only province that recorded a decrease in the official unemployment rate of 1.3 percentage points.

**3.6.1 Poverty from 2006 to 2015**

The report of Statistics South Africa on poverty indicates that despite the general decline in poverty between 2006 and 2011, poverty levels in South Africa rose in 2015. When applying the UBPL (R992 per person per month (pppm) in 2015 prices), we see that more than one out of every two South Africans were poor in 2015, with the poverty headcount increasing to 55,5% from a series low of 53,2% in 2011. This translates into over 30.4 million South Africans living in poverty in 2015. While the recent increase in the headcount

is unfortunate, we are still better off compared to the country's poverty situation from a decade earlier when it was estimated that two out of every three people (66,6% or roughly 31,6 million people) lived below the UBPL in 2006 (Statistics SA 2017:14).

### **3.6.2 Causes of poverty**

According to Ramphoma (2013:7), there are three basic explanations for the causes of poverty, namely, residual, pathological and structural:

- To the residualist, poverty happens as a result of being “left out”. The assumption is that ‘the rising tide lifts all boats’. Meaning that as the economy grows, almost all the people are empowered; however, a few people are left out. This approach assumes that economic growth and participation counteract poverty and, as such, is often linked to explanations of the persistence of poverty that plaques the poor (Ramphoma 2013:7).
- The pathological explanation of poverty regards people as being responsible for their own poverty. Simply put, those who advocate for such analysis of the causes of poverty would argue that each individual contributes to his being poor and should be responsible for moving himself out of poverty. The pathological explanations view unemployed people as being responsible for being without jobs (Ramphoma 2013:7).
- The structural explanation identifies the system (growth and development) as producing poverty and inequality. To remedy this situation requires a change in the system itself. This is very evident in the South African economy where it is believed that unemployment causes poverty. This is influenced by global and national production strategies (Ramphoma 2013:7).

According to the World Bank 2005, poverty could be due to national, sector, community, household or individual characteristics. Table 3.3 lists the different characteristics as per determinants (World Bank 2005:132).

**Table 3.3: Main determinants of poverty**

Individual characteristics	<ul style="list-style-type: none"><li>• Age</li><li>• Gender</li><li>• Sector of employment</li><li>• Formal education</li><li>• Religion</li><li>• Culture</li></ul>
Household characteristics	<ul style="list-style-type: none"><li>• Household size</li><li>• Dependency ratio</li><li>• Maximum education attained by an individual</li><li>• Total value of household assets</li><li>• Gender of the head</li><li>• Proportion of household members that are female</li><li>• Ages of household members</li><li>• Sector of employment of house members</li></ul>
Community characteristics	<ul style="list-style-type: none"><li>• Access to key services and infrastructure</li></ul>

	<ul style="list-style-type: none"> <li>• Urban of rural</li> <li>• Farmers in the community</li> <li>• Access to public goods and services</li> </ul>
Regional characteristics	<ul style="list-style-type: none"> <li>• Climate shocks</li> <li>• Governance and management</li> <li>• Availability of land and its quality</li> <li>• Access to markets and its services</li> </ul>

Source: World Bank 2005

### 3.6.3 Inequality and poverty

According to Statistics SA (2017:1), “The guiding objectives of the NDP is the elimination of poverty and the reduction in inequality and all the elements of the plan must demonstrate their effect on these two objectives”. New Agenda (2015:41) says, “South Africa is the most unequal society on the globe. Opulence exists alongside poverty; decadence is but a stone’s throw from deprivation. There is simply no justification for such disparity”.

“Common sense has it that inequality is bad for social cohesion. Extreme inequality is morally reprehensible. But it goes far beyond issues of taste, sensibility and morality” (Netshitenzhe 2014:8). Netshitenzhe (2014:8) further states that the trends in inequality have changed since 1994. There has been a decline in income inequality between the races, but the income gap among social strata within the population as a whole has been increasing. The poor and the marginalised are the ones who are negatively affected by inequality (Netshitenzhe 2014:8).

In answering the question whether inequality does matter, Wilkinson (2014:2) demonstrates the effects of inequality on various measures of human development and wellbeing. According to Wilkinson (2014), drug use, mental illness, life expectancy, educational attainment, teenage births, violence and prison population are worse in countries with higher levels of income inequality – even in instances where these countries are at the same level of development. The following also came to light:

- the relationship between inequality and poor health and social problems are too strong to be attributable to chance;
- they occur independently; and
- the relationship between inequality and both violence and health has been demonstrated many times in quite different settings, using data from different sources (Netshitenzhe 2014:11).

Furthermore, studies have shown that people in all income groups, not only limited to the poor, would do worse in economies where there is more inequality. This is the case even when people in the same income levels are compared; those in societies where inequality is great, are worse off than those in societies that are more equal (Netshitenzhe 2014:11).

The living conditions survey done by Statistics South Africa between 2014 and 2017 yielded the following statistical data:

Poverty headcount	56.8%
Poverty gap	27.9
Gini coefficient	0.7

Todaro (2000:166) defines poverty gap as a measure of the total amount of income necessary to raise everyone who is below the poverty line up to that line. Gini coefficients, according to Todaro (2000), are aggregate inequality measures and can vary anywhere from 0 (perfect equality) to 1 (perfect inequality). The Gini coefficient for countries with highly unequal income distribution typically lies between 0.50 and 0.70, while for countries with relatively equitable distribution, it is in the order of 0.20 to 0.35 (Todaro 2000:160).

### **3.7 Background of the EPWP in South Africa**

In 2003, in his State of the Nation address, President Thabo Mbeki announced an intervention to provide poverty and income relief by creating work opportunities and enhancing skills levels through the delivery of essential services, funded through the public budget. It was to be called the Expanded Public Works Programme, and would provide a source of income and a measure of training that would facilitate absorption into the job market (SA Government 2003).

Later the same year, in June, the Growth and Development Summit (GDS) decided on a number of interventions that would address household poverty and vulnerability. They included public investment initiatives, sector partnerships and strategies, local procurement, small enterprise promotion, support for cooperatives, and the EPWP (Ntoyi 2010:1).

The South African government was able to incorporate explicit skills development objectives in the EPWP. It was launched in 2004, with the aim of providing between 100 000 and 200 000 short-term job opportunities each year during the first five years and providing skills training and work experience to Programme participants. During the implementation of the EPWP, three-quarters of the work provided was, as explained in the Type A PWP employment, in the construction sector, while the other quarter was employment in social services (McCord 2012:103).

The EPWP is coordinated in a number of government departments, with the National Department Public Works (NDPW) being the overall coordinating department and the sector coordinating department for the infrastructure sector. Participants of the EPWP are entitled to training. The responsibility of coordinating a training committee, which has representatives from all other sectors, and training funding rests with the Department of Labour. The EPWP is expected to be implemented in all spheres of government, depending on which of the four sectors their core mandates fall under (Ntoyi 2010:1).

The South African Cities Network (SACN) (2017) states that the emphasis of the EPWP is to create work opportunities so that more people are provided with productive work.

The Programme was to roll out in three phases. During phase I of the Programme, the target was to create one million work opportunities. Between phase I and II, which is a period of ten years, the Programme aimed to provide skills, training, work experience and about five million work opportunities. During phase II, between the 2014/15 and 2018/19 financial years, the Programme is expected to have created six million work opportunities (SACN 2017:6).

According to Moeti (2013:1), the main objective of the EPWP is to contribute to governments' efforts of creating employment opportunities that require minimal technical skills and are short-term, labour intensive and temporary. Skills development and training are at the centre of the Programme to enable participants to benefit from it (Moeti 2013:1).

The EPWP is about alleviating poverty, creating work, economic development and the sustainable development of communities. Administratively, the EPWP is divided into four sectors, namely infrastructure, social, environment and culture, and the non-state sector (SACN 2017:7).

Taking into account trends internationally and the history of PWPs, the EPWP in South Africa is different in that it includes the social sector. It focuses on Early Childhood Development (ECD) and Home and Community Based Care (HCBC), among other things (Allie 2011:2).

It is important to note that the emphasis in the literature on the EPWP is on work opportunities, not employment. SACN (2017) describes one work opportunity to be work created for an individual on an EPWP project for any period of time. In the case of social sector projects, learnerships also constitute a work opportunity. It further means that the same individual can be employed on different projects; each period of employment will be recorded as a work opportunity (SACN 2017:7).

### **3.7.1 EPWP sectors**

Work opportunities are created in four sectors that are discussed in detail below, namely, infrastructure, non-state, environment and culture, and social. These work opportunities are created through:

- Increasing the labour intensity of government-funded infrastructure projects under the infrastructure sector,
- Creating work opportunities through the Non-Profit Organisation Programme (NPO) and Community Work Programme (CWP) under the non-state sector,
- Creating work opportunities in the public environment and culture programmes under the environment and culture sector, and
- Creating work opportunities in public social programmes under the social sector (NDPW 2013:8).

### **3.7.2 Social sector**

EPWP participants are afforded training opportunities to improve their abilities in rendering better social services, simultaneously providing options for a career path or exit strategies into formal and self-employment. Learnerships and skills programmes are used to facilitate training.

The EPWP social sector uses mainly the social development and community protection services to deliver work opportunities to the participants. These include the following:

- Early Childhood Development: the beneficiaries provide education and care to children, which includes the provision of child health, nutrition, and psychosocial and other needs for the wellbeing of families and community. Beneficiaries earn an income while they also provide a much-needed service to the community.

- Home Community Based Care: provides basic services needs by formal or informal caregivers employed in EPWP projects to people in their own homes or homes-based care that the community can access closer to their homes.
- School Nutrition Programme: the programme employs community members as food handlers to provide food to children from needy families, and thus address malnutrition.
- Community Crime Prevention: EPWP beneficiaries are employed in the project to be active in helping to identify community safety priorities for their neighbourhoods.
- School Mass Participation: the programme provides work opportunities to sports coaches and encourages members of the public to participate actively in sport with the objective of promoting good health, self-realisation, community development and social cohesion.
- Khai Ri Gude (Tshivenda for 'let us learn'): this is a mass literacy campaign aimed at inviting adults who missed out on schooling, and who could not read and write, to join literacy classes provided across the country.

The overall coordinator of the social sector is the Department of Social Development, assisted by the Department of Basic Education and the Department of Health (NDPW 2013:2).

### **3.7.3 Infrastructure sector**

The infrastructure sector is led by the Department of Public Works (DPW). The Department also works together with the following departments: Transport; Cooperative Governance and Traditional Affairs; Water and Sanitation; and Energy (NDPW 2013:2).

This sector involves the use of labour-intensive methods in the construction and maintenance of public sector funded infrastructure projects. These projects are about:

- Using labour-intensive construction methods to provide work opportunities to local unemployed people;

- Providing training and skill development to the locally unemployed; and
- Building cost-effective and quality assets (NDPW 2013:2).

Provinces and municipalities are the ones that mostly implement the Programme. There is still a possibility that the least performing provinces and municipalities could improve and implement more labour-intensive methods in construction; thereby, improving the participation rate. This could benefit rural people even more (NDPW 2013:2).

The main programmes in the EPWP are as follows:

- Vuk'uphile: it pertains to the training of individuals in labour-intensive methods of construction to become contractors at NQF level 2 and supervisors at NQF level 4,
- National Youth Service: a year-long skills training and development intervention. It aims to provide unemployed youth with technical skills and life skills training, access to practical work experience and monitoring,
- Large Projects: these are projects with a minimum budget of R30 million or more. The aim is to ensure that the delivery of large budget projects will be based on EPWP principles and ensure the meaningful development of emerging contractors, and
- Provincial Roads: this programme provides assistance to Provincial Roads Departments to help them implement projects and programmes labour intensively. The support provided to Provincial Departments is done in partnership with the National Department of Transport. The focus in the provincial roads programme is on rural access roads (NDPW 2013:2).

#### **3.7.4 Environment and culture sector**

This sector's contribution to the EPWP involves employing people to work on projects to improve their local environment through a programme spearheaded by various departments. The sector builds South Africa's natural and cultural heritage, and in doing

so, dynamically uses this heritage to create both medium and long-term work and social benefits (NDPW 2013:2).

The objectives of the sector are as follows:

- Creating jobs and providing training, and through these jobs facilitating long-term employment;
- Linking the marginalised people with opportunities and resources to enable their participation in the developed mainstream economy;
- Integrating sustainable rural development and rural renewal;
- Creating land-based livelihoods;
- Promoting community-based natural resource management;
- Rehabilitating natural areas and the protection of biodiversity; and
- Promoting tourism (NDPW 2013:2).

Key environment and culture sector programmes are the following:

- Sustainable land-based livelihoods,
- Waste management,
- The tourism and creative industry,
- Parks and beautification,
- Coastal Management, and
- Sustainable energy (NDPW 2013:3).

The contributing departments are:

- Department of Environmental Affairs,

- Department of Water and Sanitation,
- Department of Tourism,
- Department of Mineral Resources,
- Department of Energy,
- Department of Arts and Culture,
- Department of Agriculture, Forestry and Fisheries,
- Provincial departments with the same mandate as National Departments listed above, and
- Municipalities within the following units:
  - Environmental Management
  - Sports and Recreation
  - Waste Management
  - Tourism and Heritage Management
  - Arts and Culture (NDPW 2013:3).

### **3.7.5 Non-state sector**

This programme was introduced as a new component of the EPWP in 2009. The Non-State Sector (NSS) programme uses wage subsidies to support Non-Profit Organisations in their community development initiatives. The NSS comprises of two programmes namely, the Community Work Programme and Non-Profit Organisations. The CWP is area based and is managed by the Department of Cooperative Governance (NDPW 2013:3).

The NPO is institution-based and is managed by the Department of Public Works. The NDPW as the custodian of the Programme offers an administration fee and a subsidy for the wages of the people employed in the NPOs. The wage subsidy is designed to provide additional funds to different type of programmes that create employment (NDPW 2013:3).

### **3.7.6 Difference between an EPWP project and a non-EPWP project**

Government is implementing programmes or projects to create work, but not all of them are classified as an EPWP; and it is not always possible to distinguish between EPWP and non-EPWP programmes or projects. The following are the key characteristics of EPWP programmes or projects:

- They employ large numbers of local, low skilled, unemployed persons who are willing to work for an EPWP wage (referred to as the EPWP target group);
- They are highly labour intensive: a large percentage of the overall project costs are disbursed in wages to the EPWP target group; and
- They provide a service to, or develop an asset for, the community.

In addition, for distinguishing EPWP work funded by the grant, it has been set that:

- Work that complies with the Ministerial Determination and Code of Good Practice for Special Public Works Programmes will be categorised as falling within the EPWP Grant.

In addition to the Code, it should be noted that:

- Wage costs of government employees cannot be claimed from the grant,
- EPWP programmes/projects may not result in the displacement of existing workers or in the downgrading of existing workers' employment conditions to fit into the EPWP target group, and

- The EPWP target group may not be paid below the minimum EPWP wage rate as per the Ministerial Determination (EPWP Integrated Grant Manual 2015:17).

### **3.7.7 Funding of the EPWP in South Africa – the EPWP Incentive Grant**

In terms of the Division of Revenue Act (DoRA) (Act No. 2 of 2014), municipalities used to have an allocation of the EPWP integrated grant. Municipalities received this grant under schedule 8 and the allocation was based on performance. Municipalities were incentivised for performing on their projects and meeting the targeted Full Time Equivalent (FTE). From the 2012/13 financial year, the EPWP grant changed to be a schedule 5 grant. The difference between a schedule 8 and 5 is that in a schedule 5, municipalities receive an upfront allocation. Municipalities are required to comply with DoRA, and to report monthly to the National Transferring Officer on expenditure or non-expenditure on the grant by the 10<sup>th</sup> of the month (Buffalo City Annual Report 2015/16:238).

- The aim of the grant

From the inception, the aim of the EPWP Incentive Grant was to increase job creation efforts by public bodies (provinces and municipalities) by providing a financial performance reward. The rationale was that a financial reward would motivate provinces and municipalities to create more EPWP work by changing to more labour-intensive methods of construction.

- The underlying assumptions for the Grant:
  - i. Government was investing large amounts of public funds into infrastructure, and wanted to maximise this existing investment for the purposes of job creation. The Grant will incentivise public bodies to implement infrastructure projects more effectively, efficiently and labour intensively.
  - ii. The Incentive Grant would provide a 'carrot' to motivate public bodies to create employment for the EPWP target group.

- iii. The Incentive Grant would be used to leverage existing budgets and thus increase the scale of the EPWP.
- iv. For the incentive to work as intended, the following pre-conditions existed:
  - a) The incentive works as a motivator to change behaviour.
  - b) There is an agreed, dedicated focus and administrative and political will to mobilise job creation.
  - c) There is a concerted effort to shift current project design or implementation methodology towards labour-intensive construction methods.
  - d) Public bodies implement more projects (and thus create more work).
  - e) Public bodies accurately report performance (EPWP Incentive Grant Manual 2015:11).

### **3.8 A case study – Implementation of the EPWP in the Buffalo City Metropolitan Municipality**

The SACN did a study on the implementation of the EPWP in South African cities, including the Msuduzi Municipality during the financial year 2015/16. For the purposes of this chapter, the researcher chose the Buffalo Metropolitan Municipality as a case study.

- Overview of the EPWP in the city

One of the flagship programmes implemented by the Buffalo City Metropolitan Municipality is Vuk'uphile, which is an EPWP learnership contractor-incubator programme aimed at addressing the shortage of skills of emerging contractors by providing the necessary skills, training and qualifications.

The Municipality implemented the EPWP in three of the four sectors, namely infrastructure, environment and culture, and the social sector. The municipal

manager established a team that is responsible for the EPWP and ensures that the targets are met, as set out by the NDPW (SACN 2017:45).

- Policy and Implementation

The City signed an Implementation Protocol with the minister of Public Works to partner and cooperate in terms of the EPWP. The Municipality is also expected to draft an implementation policy in order to mainstream the Programme through the Municipality.

Effectively implementing the policy will require that every project must promote EPWP principles and re-structure project activities to facilitate and create greater employment opportunities per unit of expenditure, where possible. The policy also intends to close the identified gaps and mitigate the challenges in the implementation of the EPWP, as well as to strengthen the existing interventions and introduce new ones. The policy was endorsed by the council in May 2013 (SACN 2017:45).

- Institutional arrangements

As per the approved organogram in 2013/14, the EPWP is headed by a manager. The EPWP unit is the centre of coordination. According to the adopted EPWP policy as well as the Protocol Agreement signed by the Executive Mayor and the Minister of Public Works, the Executive Mayor is the overall political champion of the Programme. It is expected of the Executive Mayor to appoint champions of various sectors from the members of the executive. The municipal manager must ensure that the task team that was commissioned is delivering on the task given, and that it is functional.

The position of EPWP manager was filled in June 2016. This had an effect on the efficiency of the institutional arrangements. The significant changes that the Municipality experienced included:

- The employment of dedicated EPWP data capturers to assist with data collection and reporting;
- Increased EPWP awareness through engagements; and
- A greater number of work opportunities were reported (SACN 2017:46).

### 3.9 Budget allocations for the EPWP

The EPWP Incentive Grant received from the NDPW remained the main source of income for financing the activities of EPWP in the City. The allocated grant was used to ensure adequate project management capacity and monitoring systems. However, there was not adequate reporting from all the departments in the Municipality, which negatively affected the budget allocation received for the financial year 2015/16 (SACN 2017:47).

**Table 3.4: Buffalo City budget allocation (2015/16)**

2015/16 INCENTIVE GRANT	
Total grant allocation	R1.15 million
Total grant funding received	R1.15 million
Cumulative spending (to date)	R1.15 million
Balance	0
% spending (of allocation)	100%
% spending (of transfer)	100%

Source: South African Cities Network 2017

### **3.10 EPWP Employment Conditions**

Priority was given to local people in the designated areas where the projects were implemented. In implementing the EPWP, the City ensured that it complies with the set principles of the Programme and changed project activities where possible to ensure compliance and greater employment opportunities. Phase III set employment demographics that should be complied with; among others, ensuring that only one person per household is selected for the Programme and no more than 20% of skilled participants from each community. Selection for participation in the Programme took into account the following categories:

- Individuals from households that are headed by people with qualifications lower than primary educational level;
- Individuals from households in which only one person earns an income from a full-time job; and
- Individuals from households in which the source of income is subsistence agriculture (SACN 2017:47).

### **3.11 Progress**

As mentioned earlier, the City implemented the EPWP in the following sectors: infrastructure, social, and environment and culture. The City was able to improve its performance by implementing more projects; hence, more work opportunities were created in the 2015/16 financial year. The table below summarises the work done in the period under review (SACN 2017:48).

**Table 3.5: Buffalo City EPWP progress (2015/16)**

	TOTAL
Number of projects implemented	186
Number of WOs created	2332
Number of FTEs	1014
Number of training days	0
Expenditure (R million)	R 126.65 million
Wages paid (R million)	R 14.05 million

Source: South African Cities Network 2017

### **3.12 Flagship projects and success**

The following flagship programmes were implemented successfully in the Buffalo City Metropolitan Municipality in the financial year 2015/16:

- Maintenance of Eco Parks in Mdantsane and Duncan Village;
- Operation and maintenance of public facilities in the City; and
- Rehabilitation and maintenance of asphalt, gravel roads and storm water in the City (SACN 2017:48).

### **3.13 Key challenges**

Even though the City did not implement the EPWP on a large scale, like other larger cities, the work it did is commendable. During the implementation phase, the City was able to involve local communities in delivering local assets, transfer wages, create sustainable livelihoods, and reduce crime. Notwithstanding the above, the City also experienced some challenges in the implementation process in the period under review, which included:

- Capacity in terms of designing projects labour intensively;
- The achievement of longer duration of work opportunities and targets;
- Institutionalisation of the EPWP in the City in order to provide strategic focus and coordination of the EPWP;
- Lack of commitment from other directorates, as this does not assist in reporting;
- New reporting system requirements, leading to non-reporting or under-reporting;
- Expectations from EPWP participants who want to be offered full-time employment; and
- Lack of technical capacity to ensure that projects are designed to be as labour intensive as possible (SACN 2017:49).

### **3.14 Lessons learned**

The following are the lessons learned during the implementation of the EPWP for the period under review, 2015/16:

- The City needs to improve on the communication process in educating key EPWP personnel and department managers, with regards to aligning their programmes to job creation initiatives;

- Project managers must be encouraged to provide for the EPWP in their municipal budgets;
- An optimum labour component should become a design parameter and a condition of contract; and
- The City needs to apply penalty or incentive schemes to encourage performance and ensure compliance and accountability (SACN 2017:49).

### **3.15 Community Work Programme (CWP)**

Because of the structural nature of unemployment in the country, the government introduced the CWP. This is in recognition of the fact that, even if there are consistent improvements in the South African economy, unemployment is likely to remain a major ongoing problem in the medium to long term. Furthermore, and as a result of the nature of the labour market, state intervention programmes that provide people with work experience and skills will not automatically enable them to establish their own businesses or find employment (Bruce 2015:26).

The Programme aims to supplement people's existing livelihood strategies by offering a basic level of income security through work. It is an ongoing programme that does not replace government's existing social grants programme, but complements it. CWP sites are being established in marginalised economic areas, both rural and urban, where unemployment is high (Western Cape Government 2016:1).

The difference between the EPWP and CWP is that the work opportunities in the CWP are not short term. The idea that CWP participants may exit the CWP to take up work opportunities or establish their own businesses is regarded favourably, and the CWP does indeed enhance the ability of some participants to do this. Despite this, it cannot be assumed that participants will be able to do this, nor is it a primary objective of the Programme. The second difference between the EPWP and CWP is the support provided, and this is mainly because the CWP provides long-term stable work opportunities. The CWP also has a number of other features that distinguish it from the EPWP, and from many other PWPs internationally (Bruce 2015:26).

The CWP is a government initiative that falls under the Department of Cooperative Governance and Traditional Affairs (CoGTA). It was designed to provide two days of work per week (up to 100 days per year) to unemployed and underemployed people. During the year, April 2014 to March 2015, there were 202 599 participants in the CWP at 186 CWP sites across South Africa. The primary purpose of the CWP is to provide an employment safety net to unemployed people in order for them to obtain a basic stable income (Langa et al 2016:41).

### **3.15.1 Purpose of the CWP**

The main purpose of the CWP is to provide an employment safety net. There is an understanding that in marginal economic areas, in particular, creating sustainable work will take time to be realised. The second purpose is to create or develop public assets and services for poor communities. Thirdly, the CWP is to serve as a stimulus for community development. Last, it is to improve the quality of life of people in marginalised economic areas by providing work experience, enhancing dignity, and promoting social and economic inclusion (COGTA 2017:2).

As is the case in India, where there is guaranteed work by the state for those who cannot find it, as discussed earlier, the Department wanted to act as the employer of last resort in South Africa by guaranteeing at least 100 days of work a year (COGTA 2017:2).

### **3.15.2 Implementing the CWP**

The Programme is area-based, which is established in a defined local area called a site. Sites are wards or municipal areas and need formal support from relevant local government structures. Under the coordination and management of the Department of Cooperative Governance (DCoG), the Programme is implemented at national and local levels through Implementing Agents (IAs). The IAs are contracted by the Department to roll out the Programme at a local level in partnership with local IAs. The useful work that must be done in communities is identified by IAs and other community stakeholders (CoGTA 2017:3).

### **3.15.3 Community involvement**

The Programme uses a community engagements approach to identify the community needs expressed as useful and other development forums. By so doing, it demonstrates the following important aspects:

- Significantly expands service delivery in poor communities through the use of appropriate and effective community development and community participation strategies;
- Improves the day-to-day lives of vulnerable, poor and marginalised communities by helping to organise activities that communities feel are meaningful for them; and
- Empowers communities to address their core problems and meets basic needs while restoring the pride of communities in their environment (CoGTA 2017:3).

### **3.15.4 Useful work**

In implementing the CWP, the concept of useful work must be adhered to. In simple terms, it refers but is not limited to improving the quality of life in poor communities by creating and maintaining community assets. In order to achieve this, innovative community development approaches are needed. The work done in the CWP is various activities that have been identified by community stakeholders, including home-based care, mapping orphans and vulnerable children, food gardens, environmental services, and the creation and maintenance of community assets such as parks, water tanks and tanks (CoGTA 2017:4).

### **3.15.5 Funding the CWP**

The funding for this Programme comes directly from the national budget. The remuneration of participants is a ministerial determination and is adjusted annually. The wages are paid directly into the participants' bank accounts. The CWP prioritises labour-intensive activities and 65% of the money at site level goes to the workers. This ratio

requires partnerships with other players to co-resource or co-fund activities with high material inputs (CoGTA 2017:5).

### **3.16 Conclusion**

It is apparent that the concept of PWP is not new and unique to South Africa. It has been used in many countries over many years as a response to certain socio-economic challenges facing a country at a particular time. It has been used both in the developed world and developing world alike. Great Britain and the USA have used the concept as a response to the challenges of the Great Depression of the 1930. Developing countries such as India, Ethiopia and South Africa have used the concept as a safety net to deal with the challenges of unemployment and poverty.

There are various types of PWPs and each country uses a certain type of PWP, depending on the context and challenges in that country. There is usually some innovation and adaptability that accompanies the implementation of PWPs in various countries. The EPWP and CWP are such innovations and indicate the adaptability of a PWP in the South Africa context.

Unemployment is a challenge that South Africa has been facing in recent times. At the time of this research, the rate of unemployment stood at 27,7%, using the narrow definition. If all the unemployed people in the country could be accounted for, the picture would be much worse. Unemployment is responsible for many socio-economic problems in South Africa, and as such requires attention.

Inequality in the country is also a major concern. South Africa is said to be the most unequal society in the world. Most of the population are without the necessary resources to maintain their livelihood. This is one of the challenges that the NDP seeks to address by the year 2030.

Related to the above is the problem of poverty. Too many people in South Africa live without the minimum requirements of a sustainable livelihood. These problems necessitated a particular response from the authorities to address them. The EPWP and

CWP were established and budgeted for in the national fiscus. Huge amounts of money are set aside and institutional arrangements are put in place to ensure successful implementation of these programmes.

The abovementioned will be used as a motivation for using the EPWP and the resources that come with it to achieve the goals of LED in communities and improve the socio-economic conditions of the people of South Africa.

## **Chapter 4: Gaps in Local Economic Development and advantages of the Expanded Public Works Programme**

### **4.1 Introduction**

The main focus of this chapter is to investigate the possibility of closing the gaps identified in LED by using the advantages of the EPWP without compromising its goals and objectives. The objective of the study is to maximise the outputs of LED, by combining it with the EPWP in municipalities, for socio-economic development.

### **4.2 Developmental local government**

It was established in Chapter 2 that the LED function is directly derived from the Constitution. The Constitution places the obligation on local government to structure and manage its administration and budgeting and planning processes to give priority to the basic needs of the community, and to promote the social and economic development of the community. This obligation also find expression in the national LED policy framework and other pieces of legislation in the local government environment.

Furthermore, the Constitution introduces the concept of “developmental local government”, of which the IDP process is fundamental to give effect to the developmental agenda that is envisaged. Penderis (2012:5) uses the commonly cited definition of a developmental state that is provided by Castells (1992:55), who clarifies that a state is developmental “when it establishes as its principle of legitimacy, its ability to promote and sustain development; understood as the combination of steady and high rates of economic growth and structural change in the production system, both domestically and in its relationship with the international economy”. Penderis (2012:5) further cites the definition of Mkandawire (1998:4) to clarify the definition by highlighting that the “developmental ideological underpinning of developmental states comprises the conscious positioning of administrative and political resources of the state to promote economic development”.

For South Africa to achieve its vision of being a developmental state, it must move beyond the merely and narrow confines of electoral democracy and ensure citizen participation

in the development and governance process (Edigheji 2005:5). No conscious effort is however demonstrated in local government to position itself as developmental local government by building the capacities and institutional arrangements that will enable it to decisively intervene and create economic opportunities for communities. This is one gap that is identified at policy level in local government.

### **4.3 Conceptual and theoretical framework**

One of the major problems in LED is the various conceptualisations of what LED is. In the main, there are two approaches to LED that are fundamentally opposed to one another. There is the market led or pro-growth LED approach, on one hand, and the pro-poor LED or non-developmental and developmental LED, on the other hand (Hofisi et al 2013:2).

According to Woolman and Spitzley (1996:117), “Most of the literature on the politics of economic development is not actually concerned, at least conceptually, with development but with growth”. This argument raised by Woolman and Spitzley (1996:117) means that we may implement LED expecting a certain outcome, but a different one may be realised. In this case, we may expect development, only to realise economic growth.

One thing that is clear from the preceding chapters is that LED is not an exclusively South African phenomenon. It has been implemented all over the world and therefore there are many definitions and theoretical frameworks that have been developed over time. In the South African context, CoGTA (as a lead department) is meant to provide the conceptualisation and theoretical framework for LED implementation for local government. The different conceptualisation, if any, in various municipalities leads to the conclusion that the Department is not providing the much-needed leadership in this regard for municipalities to meaningfully contribute in their space towards the vision of LED.

There is no uniform understanding of the concept of development, which is key to LED. There is no doubt that much work is being done in the name of development in the country and many are inspired to be part of it. But, development as a concept has a strong ideological discourse, endorsed by liberal-capitalist and authoritarian regimes and

accepted largely uncritically by citizens. The main disagreement among the two extreme groups is, “In whose interest is the development?” (Steward 2011:42).

Both the provincial and national departments of CoGTA have not paid enough attention to developing LED literature to provide the theoretical basis upon which municipalities could contextualise LED. The literature available on the website of CoGTA is not recent, indicating that there is a lack of research by government on this topic.

#### **4.4 Challenges to poverty, unemployment and inequality**

Because of the triple challenges of poverty, unemployment and inequality in South Africa, the country should be adopting a pro-poor developmental LED approach. The LED strategies that municipalities should adopt must be developed in such a manner that they contextualise the extent of poverty and unemployment in the community, suggest interventions appropriate for a particular municipality, and develop an action plan to achieve the set goals. Statistics released by Statistics SA, as shown in Chapter 2, indicate that young people suffer most from unemployment in the country. Deliberate interventions that seek to attend to the plight of the youth should be contained in the LED strategies of municipalities.

Socio-economic factors, such as unemployment, education levels, gender, income and household size, also affect poverty. It is therefore important to look deeply into the causes and alleviation of unemployment (Ramphoma 2013:69).

Litchfield (1999:1) points out that economists, policy makers and politicians agree that poverty and inequality should not be treated separately. The intervention that is sought should be able to lift people from poverty, and at the same time close the gap between the rich and the poor.

The mandate of LED is to address the challenges of poverty, unemployment and inequality. Woolman and Spitzley (1996:118) argue it is often not clear whether the concept of economic development is being used in its narrower sense to refer to efforts

to increase the employment and income of residents of an area, or in its broader sense to include land and physical development efforts.

Hendriks (2016:1) argues that since 1994 unemployment has been one consistent problem that government has had to grapple with in South Africa. In general, the country has seen increasing levels of employment since the economic transition, but the extent of the increase has not been rapid enough to absorb the expanding entrants to the labour force, thereby causing both the level and rate of unemployment to increase. The government has tried a number of policy interventions to deal with the problem. They range from the Reconstruction and Development Programme (RDP), the Growth, Employment and Redistribution Policy (GEAR), the Accelerated and Shared Growth Initiative for South Africa (ASGISA), and the recently launched National Development Plan (NDP), to more specific labour market policies, such as the EPWP, the promotion of SMMEs, and the implementation of the Employment Tax Incentive Bill (also known as the Youth Wage Subsidy).

It has been noted in Chapter 3 that the causes of poverty are not the same as the causes of unemployment. But, the point was made that in order to address poverty, unemployment is the entry point. Policy intervention should seek to address all three the socio-economic challenges of poverty, unemployment and inequality.

In Chapter 3 the following were cited as the causes of unemployment:

- Rigidities in the labour market,
- High minimum wage,
- Barriers of entry to the informal sector, and
- Skills mismatch (Hendriks 2016:20).

In Chapter 3 the following were cited as the causes of poverty

- Poverty because of being left out as the economy grows,
- The explanation that regard people as being responsible for their own poverty, and

- The structural explanation identifies the system (growth and development) as producing poverty and inequality (Hendriks 2016:20).

In general terms, with the poverty headcount standing at 56.8%, the poverty gap at 27.9, and the Gini coefficient at 0.7 (as established in Chapter 3), South Africa as a country is in crisis.

#### **4.5 Policy alignment**

As far as policy is concerned, the experiences of countries such as Australia, Britain and the USA has had a major influence on the thinking about and planning for LED, where the decline of small towns have parallels with South Africa (Rogerson 2010:39). There is supposed to be a policy directive from national government in this regard that aligns and ensures the uniform implementation of LED from national, provincial and local government. In this manner, there will be a uniform measurement of the impact and contribution of LED in the various municipalities.

For the National Development Plan to be successful as a nationally agreed upon development agenda, there must be an alignment of policies and strategies, and a clear implementation throughout all levels of government. In the Free State, for example, this research established that the Free State Growth and Development Strategy was developed in 2005, covering the period 2005 to 2014. There is no revised Growth and Development Strategy, which is aligned with the National Development Plan. The Mangaung Metropolitan Municipality, the only metropolitan municipality in the province, is without a revised LED strategy. The last LED strategy was developed in 2003, before it changed from a local municipality to a metropolitan municipality.

#### **4.6 Local government capacity for implementation**

This study and other studies done on LED consistently indicate that the major shortcoming in its implementation is the lack of human resources within local government. Where there is human resources, the problem usually becomes the lack of skills and experience of the personnel. The provision of services is the major concern of local government and LED receives the least attention; thus, the best candidates who are

professionals in this area are not recruited. This usually is the case in small municipalities, as shown in the case study of municipalities in the Northern Free State region. In some cases, there are no LED practitioners in municipalities.

Hofisi et al (2013:3) question the expertise and qualifications of key personnel responsible for strategic LED portfolios. This lack of capacity of key personnel in LED leads to them being unable to negotiate and strategise with the often-intimidating private sector, which usually impedes the effective implementation of LED initiatives. The direct result of this lack of capacity at local government level leads to an over-reliance on consultants who will formulate LED strategies for municipalities that are not aligned with the needs in the area. These strategies usually come at a huge cost, which further erodes the much-needed financial resources of the municipality.

There is acute need to recruit suitably qualified people for LED in municipalities. In those municipalities where personnel are already employed, they must be exposed to the LED environment and be trained to be able to plan and implement LED. Government at all levels should be prepared to assist small and struggling municipalities with resources for training and development. The district municipalities, in particular, should play a co-ordinating role so that local municipalities could share experiences and good practice to enhance LED implementation and initiatives. If there is lack of capacity in the district municipalities, the provincial government should provide the necessary training and assist with technical skills.

According to Rogerson (2000:42), it is well known that there is uneven capacity to implement LED across the country. The greatest potential is in the well-resourced, which are generally larger, municipalities, and often weakest in more poorly resourced, mainly small and rural, localities.

Political buy-in is another important component towards implementing successful LED in a municipality. When the political office-bearers are aware of the positive outcomes that can be achieved through LED and understand their roles and responsibilities towards the successful implementation of LED, it makes the work of officials easier. This point is made by Meyer (2014:17) in a case study of Moqhaka Local Municipality. Political instability is

cited as one of the reasons that led to the unsuccessful implementation of LED strategies, although they were developed.

The case study of municipalities in the Fezile Dabi District, including the district municipality itself, presented a picture that indicates that LED is not being given priority. Despite the LED mandate coming from the Constitution itself, none of those municipalities have proper institutional arrangements. None of them have an LED department as a standalone department. LED is located in some other department, and at times the department is not related to LED. A case in point is that of Ngwathe Local Municipality. The LED unit is located in the Department of Community Services, while in the Metsimaholo Local Municipality, the LED unit is located in the Department of Housing, and in the Mafube Local Municipality, the LED unit is located in Town Planning.

However, there are some municipalities that are implementing LED successfully across the country. The above statement is based on the general picture of LED in the country.

#### **4.7 Funding for LED**

The lack of funding for LED activities and projects complicates the already difficult terrain facing LED officials who have to deal with the challenge of understanding and developing appropriate strategies to address the issues of unemployment, poverty and underdevelopment in their communities. The national government is intervening in local communities to deal with these challenges by providing social relief by the way of grants and the implementation of the EPWP and CWP (Hofisi et al 2013:4)

There is also an expectation that LED strategies should be aligned to those of national government so that there is synergy in government across all levels. The LED mandate that is derived from section 152(1)(c) of the Constitution is not supported by the required funding; hence, LED practitioners refer to it as an unfunded mandate.

There is no dedicated funding for LED. From Chapter 2, it was clear that conditional and unconditional grants from national departments are not for LED, but for other uses. It is left to the municipality to allocate some portion, if any, to LED activities. This research

has established that the mandate of LED lies with municipalities; hence, the provincial government does not fund LED activities in municipalities.

Struggling municipalities are not able to budget for LED activities due to the many competing priorities that they must deal with. This is despite it being compulsory, as provided by section 26(c) of the Systems Act of 2000. Because of the understanding that LED has to create an enabling environment for economic development to take place by providing the necessary infrastructure, goods and services, most municipalities will argue that by providing other services, they have already contributed to LED (DBSA 2008:3).

The insecure funding available at national and local government level is the real problem to making LED work. The result is that local and international NGOs or donors are important funders of many local authorities by making direct funding for LED activities and initiatives (Hofisi et al 2013:4).

#### **4.8 Leveraging private sector investment**

Leveraging on private sector investment is one critical way of enhancing LED. Blockages to private sector investments occur both at national and local levels. At the national level, factors that could lead to blockages include interest rates, trade policy, or labour legislation. On other hand, at local level, it could be factors such as a unique set of place-based resources and infrastructure in a locality (Rogerson 2010:41).

This means that in municipalities where service delivery is greatly compromised, such as poor and unreliable infrastructure, private sector investment is highly unlikely. This could happen despite a good environment of low interest rates and friendly labour laws provided by the national government.

#### **4.9 Clear regulatory or legal constraints**

The White Paper on Local Government (1998) clarifies the role of local government. It states that local government is not directly responsible for creating jobs, but it is responsible for taking active steps to ensure that the overall economic and social conditions of the locality are conducive to the creation of employment opportunities

(National Framework for LED in South Africa 2006:9). Another important point that emanates from the White Paper on Local Government (1998) is that the powers and functions of local government should be exercised in a manner that maximises their impact on the social development of communities, addressing the plight of the poor and the growth of the local economy (National Framework for LED in South Africa 2006:9).

According to Rogerson (2010:42), there is lack of clarity on the powers of local government and its exact role with regard to economic development. Section 152(1)(c) of the Constitution provides that one of the objectives of local government is to “promote social and economic development”. The objectives and development duties of municipalities in terms of the Constitution are distinct from the powers and functions of municipalities, as set out in sections 156 and 229. Section 156 is about the executive authority that a municipality has, for example, section 156(1)(a) and (b) states, “A municipality has executive authority in respect of and has the right to administer (a) the local government matters listed in Part B of Schedule 4 and Part B of Schedule 5; and (b) any other matter assigned it by national or provincial legislation”. On the other hand, section 229 is about the fiscal powers and functions that a municipality has. Section 229(1)(a) states, “Subject to subsection (2), (3) and (4), a municipality may impose – (a) rates on property and surcharges on fees for services provided by or on behalf of the municipality”.

The DBSA (2000:1) argues that there is lack of clarity on the notion of “co-operative governance”. The contradiction arises from national government seeking to promote relatively autonomous local governments, which are flexible to manage their affairs and are able to exercise some control over the operations of their councils to ensure that they fulfil their mandate.

#### **4.10 Conceptualisation of EPWP as implemented in South Africa**

The EPWP is essentially about short-term employment, labour-intensive provisioning of infrastructure, a government sponsored programme, a safety net for the poor, and the provision of skills and development. The pay is determined in such a manner that it does not attract people in permanent employment and the conditions of service of EPWP

workers are governed through the Code of Best Practice for Special Public Works Programme (SPWP) (Moeti 2013:25). However, the researcher is of the opinion that the government should be clear that the EPWP does not seek to replace the creation of jobs by the private sector. The role of the government is the creation of an enabling environment for job creation. The EPWP remains a safety net that intends to intervene during times of dire economic conditions to assist the poor and unemployed.

During the second phase of the implementation of the EPWP, the NDPW introduced the EPWP Incentive Grant to motivate municipalities and other public bodies to enhance the creation of EPWP Full-Time Equivalent (FTE) work opportunities (1 FTE = 230-person days). The intention was to give the NDPW full authority over public bodies, which refer to a province, municipality or public entity - to meet their targets (Mkhatshwa-Ngwenya 2016:147).

The disbursement of the Grant takes place at the beginning of the financial year. The NDPW determines the payment schedule for the Grant. In order to receive the grant disbursement, it is compulsory for public bodies to meet certain planning and/or reporting requirements. The Grant is paid out in three instalments; 40% of the Grant is disbursed by 15 May in the case of provincial government and 15 August in the case of municipalities. This payment is not automatic. It is on condition that the Grant Agreement is signed by the accounting officers of the public bodies. In the case of municipalities, it must be municipal managers. The NDPW should also have approved the public body's project list. The remainder will be disbursed in two instalments of 30% each, provided that the public bodies have spent the first payment according to their respective approved project lists and in terms of the PFMA or MFMA for provinces and municipalities respectively. The EPWP Incentive Grant could be suspended or withheld if the public body does not comply with the provisions of the Division of Revenue Act (DORA) (Mkhatshwa-Ngwenya 2016:147).

#### **4.11 Challenges of EPWP implementation**

Even though the EPWP has a dedicated grant, the EPWP Incentive Grant, public bodies (especially municipalities) still experience challenges. This illustrates that financial

challenges are not the only ones that could lead to the unsuccessful implementation of programmes.

During the financial year 2014/15, municipalities struggled to implement their infrastructure programmes. In terms of technical project design and implementation, the evaluation report revealed that many public bodies experienced challenges designing projects that involved labour-intensive methods.

Among municipalities there is still the perception that it is costly to implement the EPWP and they find it difficult to integrate and align the EPWP with other infrastructure policies and processes. The lack of technical capacity in municipalities to implement infrastructure projects is a serious challenge (EPWP Incentive Grant Implementation Manual 2015:12).

The following were identified as challenges:

- Lack of technical capacity in municipalities to implement infrastructure projects;
- Inability to identify suitable projects for EPWP;
- Failure to set targets for projects;
- Lack of technical skills to develop designs and contract documentation to ensure labour-intensive construction;
- Ensuring EPWP mainstreaming of policies and procedures; and
- In most other cases, the incentive grant was too small to change behaviour (EPWP Incentive Grant Implementation Manual 2015:12).

#### **4.12 EPWP as a solution to LED challenges**

There is growing agreement in the country, especially among policymakers, that until the economy is able to stimulate large numbers of jobs, the government will be responsible for supporting the poorest citizens. The EPWP will play a major role in assisting the government to meet this obligation (EPWP Integrated Grant Manual 2015:16).

Regarding background to the EPWP, we have established that the emphasis of the EPWP is to create job opportunities so that more people are provided with productive work. The Programme is to be rolled out in three phases. The first phase had a target of one million job opportunities, which was achieved. During the first and second phases, which spanned a period of ten years, the Programme aimed to provide skills, training and work experience, and about five million work opportunities. This target was also achieved. In the current phase, which is phase three (between the 2014/15 and 2018/19 financial years), the Programme is expected to have created six million job opportunities.

An advantage of the EPWP is that it is implemented in four sectors, namely infrastructure, non-state, environment and culture, and the social sector. This allows various stakeholders to participate according to their interests. It broadens the areas of participation of community members to enable socio-economic development to be as broad as possible. The fact that the EPWP is implemented at ward level is another advantage because LED activities should happen in communities, by community members, and under the guidance of the municipality. With the major skills shortages in the country, which have been identified as one of the causes of unemployment, the EPWP is contributing to government's efforts of creating employment opportunities that require minimal technical skills and are labour intensive.

#### **4.13 LED and the EPWP**

The research has established that LED is not achieving its goals because of a lack of resources and funding. Hence, it is referred to as an unfunded mandate. In smaller and rural municipalities, it is even more difficult for municipalities to raise revenue because of high unemployment rates, poverty among the citizens, and lack of investments from the private sector.

The EPWP is well resourced, both financially through the Incentive Grant and technical support provided by the NDPW. Other grants and municipalities' own funding could be used for EPWP projects, as long as they use labour-intensive methods. This will enable municipalities to claim the FTEs and increase their Incentive Grant allocation in the following financial year. This holds the possibility of maximising social relief by having

more people in employment, on one hand, and building infrastructure, on the other hand, which is necessary for development.

The EPWP, the sister programme of the CWP, is one programme that is implemented in communities, especially in communities where there are high rates of poverty and unemployment. The Programme is funded from the national fiscus and its main aim is to provide a safety net to the poor and at the same time to create assets for the community. It has high numbers of participants and it is not temporary, but long term. The researcher is of the view that LED could benefit from the funding, which is provided by being innovative and creating community assets that will have economic spin-offs.

Most municipalities struggled to involve as many stakeholders as possible, thereby maximising the potential of local people. In the case study of municipalities in the Fezile Dabi district, it was apparent that public participation in LED activities was one area of concern.

As stated earlier, the EPWP, despite its challenges, targets the poor areas in both the smaller municipalities and in metros. There is a high participation rate in EPWP activities, which is something that is lacking in LED activities.

#### **4.14 Conclusion**

This chapter identified gaps in the implementation of LED in municipalities and the positive aspects of the EPWP. These gaps in the implementation of LED and the positive aspects of the EPWP may be summarised as follows:

- a) The mandate that arises from the Constitution, which is not supported by funding for social and economic development, as intended, leads to accusations of an unfunded mandate.
- b) The conceptualisation of LED is not uniform across municipalities in South Africa.
- c) The matter that relates to local government in the context of a developmental state was investigated in detail. Gaps were identified that inhibited local government

from being developmental in nature. LED could play a critical role in stimulating the ability of local government to play its developmental role in communities.

It was established that the concept of development is not ideologically neutral. It is always important to ask the question, In whose interest is development taking place? Economic development could happen without tilting the triple challenge of poverty, unemployment and inequality.

On the other hand, despite the various challenges the implementation of the EPWP is experiencing, there are opportunities that arise. These opportunities include funding that is available for the EPWP. However, funding for LED is lacking. In the EPWP, because of the large numbers of participants across the four sectors, it enhances the participation of local stakeholders in the Programme, as opposed to the lack of public participation in LED activities.

The EPWP policy of a municipality details the institutional arrangements of that particular municipality, which is something that is lacking in LED. This is the reason that LED is found in different departments across municipalities. This has a negative impact on LED activities, as there is lack of focus.

Beyond the EPWP creating job opportunities for the unemployed and providing a safety net for the poor, it seeks to create a community asset as an outcome of the Programme, by assisting in the building of infrastructure in communities. An example is when MIG funding is used to fund a certain infrastructure project and labour-intensive methods are used in order to claim the work opportunities created by the EPWP.

Lastly, the fact that the EPWP and CWP happen at ward level, which is the basic unit of the community, enhances the concept of “local development” in local economic development.

The purpose of this chapter was to provide evidence that the EPWP is one of the important mechanisms for LED to succeed in addressing socio-economic development in municipalities.

## **Chapter 5: Empirical research, results, presentation and discussion**

### **5.1 Introduction**

The purpose of this chapter is to discuss the methods used during the collection of data for this study. The researcher aimed to contribute to the general body of scientific knowledge. To achieve this, efforts were made to ensure that the presentation of results was clear, with sufficient detail to allow for an informed assessment. Attention was paid to the aims and objectives of this study to ensure the validity and reliability of the findings and results.

### **5.2 Focus of the research**

The research focused on the implementation of both LED and the EPWP in South Africa. The primary focus was to investigate the link between LED and the EPWP for the improvement of socio-economic development in municipalities.

Chapter 2 was dedicated to LED. The chapter discussed the legislative framework for LED. It also considered various definitions of LED from different scholars in the field of LED. The chapter also investigated the state of implementation of LED in municipalities.

The EPWP and its co-programme, the CWP, were discussed in Chapter 3. The chapter addressed the origins of public works programmes throughout the world and how they were used during economically challenging times in those countries. The background of the EPWP as it exists in South Africa was investigated, including the related challenges. Furthermore, Chapter 3 examined the socio-economic challenges facing South Africa, including unemployment, poverty and inequality, so that an appropriate solution could be recommended.

The gaps in LED were identified and discussed in Chapter 4. The resources available in the EPWP and CWP were also highlighted. LED and the EPWP, as the two interventions of government, were linked and studied together for the purpose of this research. Due diligence was exercised in the preceding chapters to ensure the success of this study.

### **5.3 Research design**

A qualitative research approach was utilised, which relied on a desktop study. An extensive literature review of LED and the EPWP was conducted, and the relevant pieces of legislation were consulted.

### **5.4 Methodological research traditions**

A combination of a phenomenological and critical traditions approach was used in this study. The phenomenological approach was used to understand LED and the EPWP as units of analysis, and how they affected the lives of communities. The critical traditions approach was used in order to understand the systemic social relationship brought about by the policies and legislation that govern the implementation of both LED and the EPWP. The critical approach also assisted in evaluating the policy interventions that sought to alleviate the impact of unemployment and poverty on people. This approach was also helpful in answering the research question relating to the link between LED and the EPWP for the purpose of socio-economic development in communities.

According to Coetzee (in Magalefa 2013:84), critical meta-theory is becoming an emancipator and a transformative force in society as it is important both to understand society and change it for the better. This approach is important because the researcher's intention was to understand LED and the EPWP and how it could be used to change the current socio-economic situation of people in South African communities.

The phenomenological approach suggests that human beings make sense of the world they live in. They interpret, create and give meaning to, define, justify and rationalise their actions (Babbie & Mouton 2001:28). Moshotle (in Magalefa 2013:84) argues that this approach is subjective and deals with people's interpretations and views on a particular phenomenon. This implies that a phenomenological approach is primarily about the interpretation of subjective reality.

One cannot single out any method as the best in collecting data. It is therefore important to explore more than one method so that the researcher can make a meaningful

contribution. The quality of the findings of a research study, therefore, depends mainly on the research methodology and other related approaches chosen (Molise 2010:77).

Both approaches chosen were relevant and appropriate for this research because the broad purpose of the study was to critically investigate the link between LED, as a function in municipalities, and the EPWP, as a programme aimed to alleviate poverty and create work opportunities as a solution to achieving socio-economic development.

## **5.5 Validity and reliability**

Reliability refers to the likelihood that a given measurement procedure will produce the same results of a given phenomenon if the trial is repeated (Babbie & Mouton 2011:125). On the other hand, Brynard and Hanekom (2006:48) assert that reliability refers to the accuracy and consistency of a measure. The “same description of a given phenomenon if the trail is repeated” is the same as “consistency”. The “accuracy” referred to by Brynard and Hanekom is the additional requirement for reliability.

Validity refers to the extent to which a specific measurement yields data associated with commonly accepted meanings of a particular concept. There are four yardsticks to determine validity, namely:

- Face validity,
- Criterion related validity,
- Content validity, and
- Construct validity (Babbie & Mouton 2011:125).

Struwig and Stead (in Magalefa 2013:89) state that validity refers to the extent to which a research design is scientifically sound. According to Brynard and Hanekom (2009:47), validity refers to the potential of a design to measure what it is meant to measure.

To confirm and validate qualitative data, Brynard and Hanekom (2009:47) argue that the following should be taken into consideration:

- Descriptive validity determines whether the information that has been provided is comprehensive and factually accurate. Furthermore, it evaluates whether the information that has been provided is not distorted, nor has omissions. The researcher took extra care to ensure compliance to the descriptive validity of the data collected.
- Interpretative validity determines whether the perspectives or meanings attached by participants to events or behaviours are reported accurately. The emphasis is based on perspectives and the language of the participants rather than on the interpretation and terminology of the researcher.
- Theoretical validity refers to whether the researcher and the participants have a common agreement regarding the concepts used to refer to the phenomena described. It is important that the researcher discusses the interpretations of the data collected with the participants, especially regarding the concepts used and the theory developed from the data.
- Triangulation means the extent to which the findings are confirmed or contradicted by using independent measures. This can be attained by using various methods in analysing data. Such methods include inter alia observation, quantitative measure, interviews or documents.
- Research effects refer to the extent to which the researcher may be biased in reporting and interpreting the findings of the research. This implies that the background of the researcher may, for example, be biased or prejudiced in some way. Any bias or prejudice on the part of the researcher must be mentioned at the beginning of the research (Struwig & Stead in Magalefa 2013:89).

## **5.6 Document analysis**

Official documents are important sources of research because they provide essential information in the research process, ranging from the formulation of the topic, the research question and analysis, ending up with the research findings (Tlalajoe 2010:104). In the case of this study, the researcher used journals, articles, books and legislation as sources of data.

## **5.7 Research sample**

In this study, the sample is the implementation of LED and the EPWP in the Buffalo City Metropolitan Municipality. The sample was chosen as it would provide sufficient information to conduct the study.

## **5.8 Sampling and sampling method**

Leedy and Ormrod (2005:198) define a sample as some part of a larger population especially selected to represent the whole. Kumar (2005:144) explains it further by stating that sampling is the process of selecting a few cases from a bigger group to become the basis for estimating or predicting the prevalence of an unknown piece of information, situation or outcome regarding the bigger group; meaning, a subgroup of the population in which a researcher is interested in.

## **5.9 Data presentation and analysis of findings**

The Buffalo City Annual Report for 2015/16 on LED was used as the source document for the analysis.

### **5.9.1 Overview of the economic environment of Buffalo City**

Buffalo City had a Gross Domestic Product (GDP) of R 69.5 billion in 2015, which was a contribution of 22.61% to the GDP of the Eastern Cape economy. The contribution of Buffalo City to the GDP of South Africa, which in 2015 was R 4.01 trillion, was 1.73%.

In 2015, Buffalo City experienced a growth rate of 0.47%, which compared favourably with that of the Eastern Cape Province, which in the same year was 0.50% and slightly lower than the national growth rate, which was 1.18%

When comparing the economic performance of regions in the Eastern Cape Province, Buffalo City had the highest average annual growth rate, averaging 3.43% between 2005 and 2015. In the second place was Joe Gqabi District Municipality, with an average annual growth rate of 2.60%.

The community services sector outperformed all other sectors in 2015, accounting for R17.2 billion or 27.6% of the total Gross Value Added (GVA) in the Buffalo City economy. When comparing the performance of various sectors to the GVA of Buffalo City, the trade sector came in the second position at 21.6%, in the third position was the finance sector at 19.9%, and the sector that performed poorest was the mining sector at 0.13 of the total GVA (Buffalo City Annual Report 2015/16:219).

### **5.9.2 Major resources in Buffalo City**

#### a) Land

The Buffalo City Metro has vast tracks of arable land. This land is primarily used for grazing and horticulture. The land in the rural areas is mostly communally owned, whereas other land belongs to either the Municipality or national government. The Municipality intends to use the land for agricultural purposes so that work opportunities could be created and to assist emerging farmers and local co-operatives to succeed in this sector (Buffalo City Annual Report 2015/16:220).

#### b) Ocean and maritime sector

In order to realise the potential of this sector, the East London port should be upgraded so that it could attract much-needed investments. Marine transport and marine and aqua-culture constitute the main activities in this sector. The other potential that exists is in the exploiting the City's coastline, the beaches and protected areas. The City intends to promote and attract major sporting events, including water sports, to boost the local tourism industry (Buffalo City Annual Report 2015/16:220).

#### c) Population

According to Census 2011, the population of Buffalo City was 755 200, with females constituting 52.52% or 396 644 and males 47.48% or 358 557. In 2015, the largest share of the population was young working age people (25 - 44 years) at 34.8%, followed by babies and children (0 - 14 years) at 25.9%, followed by the

age group of 15 - 24 years. This implies that Buffalo City has a young population. This is partly because Buffalo City has two universities and several tertiary institutions. There are however high unemployment rates among young people (Buffalo City Annual Report 2015/16:221).

#### d) Tourism

Between 2014 and 2015, there was a decrease in tourists visiting the City, from 259 000 to 230 000. This decrease was as a result of a decline in domestic and foreign travellers. The city had an occupancy rate of 45%, and some 7 000 beds. In 2015, tourism spending in the City amounted to R1.79 billion (Buffalo City Annual Report 2015/16:223).

In the 2015/16 financial year, Buffalo City promoted and marketed the city as a tourist destination both locally and internationally. This was achieved by using various platforms, which included the Getaway Show in Johannesburg and Cape Town, the Indaba Tourist Trade Show in Durban, the World Travel Market Africa in Cape Town, the Beeld Travel Show in Johannesburg, and Meetings Africa in Johannesburg. Internationally, the city participated in the Internationale Tourismus Borse in Germany, Vakantiebeurs in the Netherlands and the Abav Travel Show in Brazil. Buffalo City used these platforms as a means of showcasing their tourism offerings (Buffalo City Annual Report 2015/16:227).

#### e) SMME development

As a response to the demands of SMMEs and co-operatives in Buffalo City, the city trained 50 co-operatives on co-operative governance. In this way, the City ensured that it contributed in capacity building so that SMMEs and co-operatives could be sustainable.

The city was able to conclude important partnerships with private sector and state-owned entities. In the partnership concluded with Deloitte and Touche, 13 SMMEs were trained in basic financial management, covering aspects in record keeping,

budgeting and product costing. The Business Development Unit of Transnet established a one-stop-shop in Mdantsane called the Mdantsane Transnet Enterprise Development Hub. The services provided by the Development Hub included support to entrepreneurs by providing access to services offered by both the provincial and national economic development institutions under one roof. Other services included an internet café and meeting and boardroom facilities.

In partnership with Franchise Association of South Africa (FASA), Buffalo City annually hosts the Buffalo City Metropolitan Municipality (BCMM) Franchise Expo. In 2015, this initiative attracted about 50 exhibitors from local and international brands. The Expo was successful and an estimated 3 300 visitors attended the event. Leveraging on the success of the Expo, a partnership with *Daily Dispatch* was concluded in which it advertised the Expo through a wrap that wrapped the newspaper, which contained full details on the Expo and the workshop programmes.

The LED unit supports hawkers by holding workshops where they are trained on matters of compliance with environmental health, fire and disaster (Buffalo City Annual Report 2015/16:228-230).

#### f) Agriculture

Small and emerging farmers from the villages of Ncera and Pirie Mission Village benefited from Buffalo City in the form of fencing arable land in the financial year 2015/16. The City's Agriculture and Rural Development Unit took part in the 2015 Agricultural Show to allow farmers to compete with each other and to expose them to potential business opportunities (Buffalo City Annual Report 2015/16:231).

**Table 5.1: Economic activity by sector**

Sector	2013	2014	2015
Agriculture, forestry and fishing	0.7%	0.8%	0.8%
Mining and quarrying	0.2%	0.1%	0.1%
Manufacturing	14.2%	13.9%	13.3%
Wholesale and retail trade	21.0%	21.0%	21.6%
Finance, property, etc.	19.7%	19.8%	19.9%
Government, community and social services	27.7%	27.7%	27.6%
Infrastructure services	16.5%	16.7%	16.2%
	100%	100%	100%

Source: Buffalo City Annual Report 2015/16:233

g) LED overall performance

LED in Buffalo City was allocated R42.2 million in the financial year 2015/16. The capital budget was R24 million, while the operating budget was R18.2 million. The Municipality was able to spend 67% of the capital budget and 99% of the operating budget. The two capital projects that were implemented were the upgrading of the Fresh Produce Market and the fencing of arable land.

The LED was not able to spend its full budget in the financial year 2015/16, as set out in the IDP. The initial budget was not sufficient for all the capital expenses. During the adjustment budget, additional money was made available but could not be utilised due to a lack of time and long supply chain processes (Buffalo City Annual Report 2015/16:244).

## **5.10 Presentation of the EPWP**

### **a) Implementation of the EPWP in Buffalo City 2015/16**

Buffalo City implements the EPWP as part of government's key priority of job creation and skills development. The Cabinet endorsed the EPWP to create six million jobs between the 2014/15 and 2018/19 financial years. As part of the Buffalo City contribution, the city implemented the Vuk'uphile programme, a contractor-incubator programme aimed at addressing the shortage of skills of emerging contractors (SACN 2017:45).

### **b) Analysis of EPWP implementation in the Buffalo City Municipality**

#### **i. Sectors implemented**

Municipalities are expected to implement the EPWP in four sectors, namely, infrastructure, environment and culture, the social sector, and the non-state sector.

The City implemented the EPWP in three sectors, namely, infrastructure, environment and culture, and the social sector. A task team, commissioned by the City Manager, oversee the implementation of the Programme and ensure that targets are met.

#### **ii. Outline of EPWP projects implemented**

- Rehabilitation and maintenance of asphalt, gravel roads and storm water  
The purpose of the project was to maintain municipal roads and storm water infrastructure. Five hundred job opportunities were created in this project.

- Operation and maintenance of public facilities  
The purpose of this project was the provision and maintenance of sanitation services to informal settlements. The project created 312 job opportunities.
- Operation and maintenance of Eco-Parks  
The main objective of the project was to clean selected unused open spaces in order to prevent illegal dumping and promote the efficient use of open spaces in the form of sports fields and recreational spaces. The project created 187 job opportunities (Buffalo City Annual Report 2015/16:239).

**Table 5.2: Projects**

Number of projects implemented	186
Number of Work Opportunities (WO) created	2332
Number of Full-Time Equivalents (FTEs)	1014
Number of training days	0
Expenditure (R million)	R 126.65
Wages paid (R million)	R 14.05

Source: SACN 2017:48

Buffalo City Municipality continued with the above-mentioned projects into the 2016/17 financial year. Work opportunities that were created in the 2015/16 financial year were carried forward into the new financial year (SACN 2018:51).

iii. Policy and implementation

In order to give effect to the call of government of creating work opportunities, municipalities are expected to sign an implementation protocol with the minister of

Public Works to partner and cooperate in terms of the EPWP. The purpose of the EPWP policy is to mainstream the EPWP through the municipality and ensure that the EPWP is incorporated in all activities. The council of Buffalo City endorsed the EPWP policy in May 2013 (SACN 2017:45).

iv. Funding of the EPWP

The EPWP is funded by using the incentive grant from the NDPW to the value of R1 149 000, as per the agreed payment schedule in the period under review, the 2015/16 financial year. The purpose of the grant is to incentivise municipalities to expand work creation efforts through the use of labour-intensive methods as directed in the EPWP guidelines. According to the business plan submitted to the NDPW, R297 000 was for the rehabilitation and maintenance of asphalt, gravel roads and storm water projects in the City, R297 000 for the operation and maintenance of public facilities, and R594 000 for the maintenance of Eco-Parks. There was a balance of R114 872 and a rollover was applied for as the funds had been committed (Buffalo City Annual Report 2015/16:238).

**Table 5.3: Funding**

	2013/2014	2014/15	2015/16
Budget	R 3 259 177	R 1 890 000	R 1 149 000
Spent	R 3 277 969	R 1 614 959	R 1 034 128
Difference	(R 18 792)	R 275 041	R 114 872

Source: Buffalo City Annual Report 2015/16:240

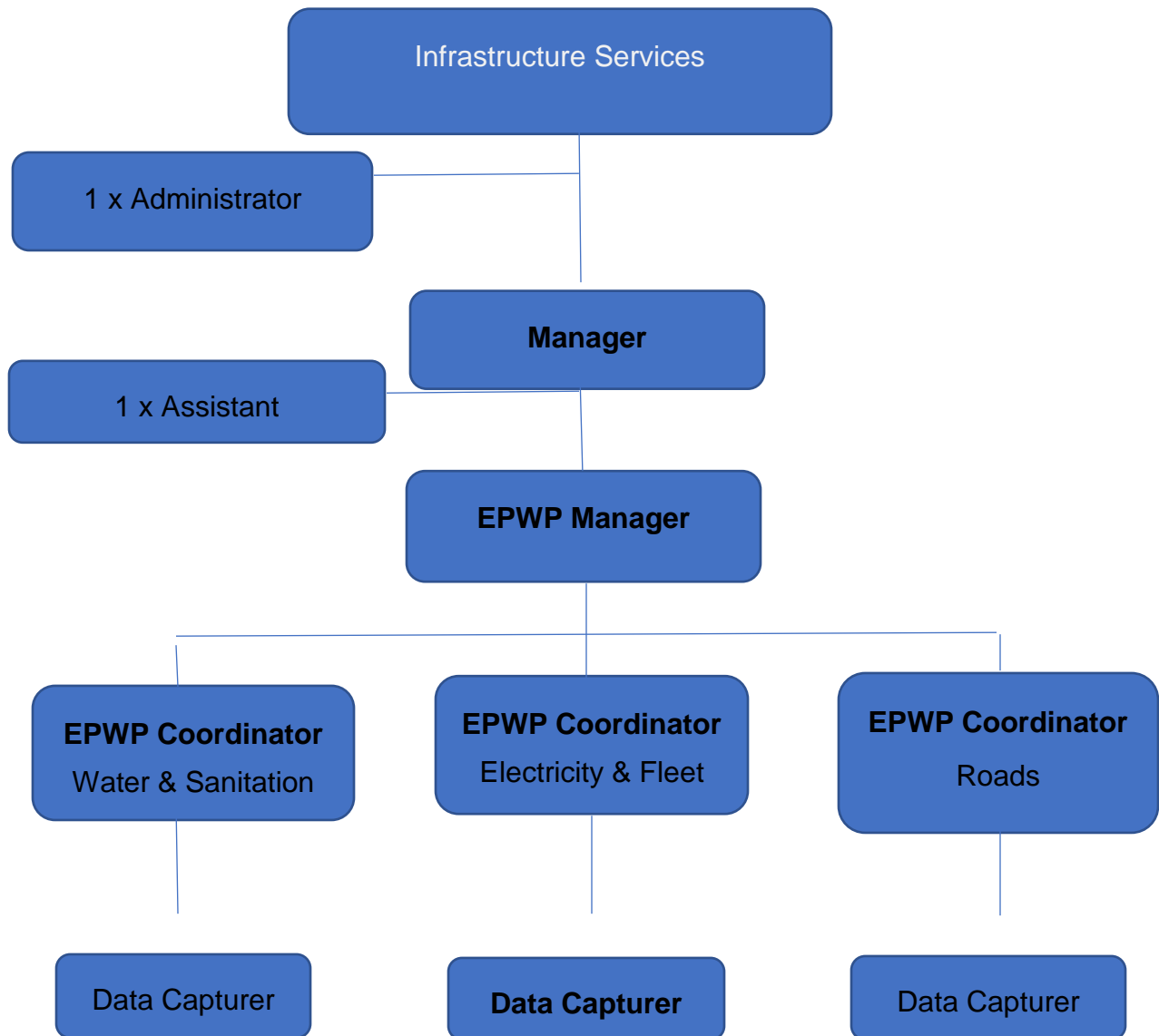
v. Institutional arrangements

The Buffalo City approved the EPWP organisational structure in the 2013/14 financial year. According to the approved structure, the EPWP unit is headed by a manager. The plan is to have seven positions in the EPWP unit. In the period under

review, the filled positions are those of the manager and three data capturers. The position of the EPWP manager was filled in the financial year under review. The Executive Mayor is the political champion of the EPWP; hence, it is the Executive Mayor that signs the implementation protocol with the minister of Public Works. The employment of data capturers was a milestone in 2015/16 as they assist with data collection and reporting (SACN 2017:46).

Positions that were vacant in the financial year 2015/16, remained vacant in the financial year 2016/17. The approved structure remained the same in 2016/17 (SACN 2018:49).

**Figure 4.1: Buffalo City EPWP institutional arrangement**



Source: SACN 2017:46

vi. Challenges

The following were the challenges confronted in Buffalo City in the implementation of the EPWP during the financial year 2015/16:

- The institutionalisation of the EPWP within the Municipality was problematic;
- Lack of dedicated coordination and reporting capacity in the directorates;
- Lack of commitment from departments in reporting the work done as EPWP;
- The EPWP policy of phase 2 was adopted, but not fully implemented; and
- The EPWP was not revised to accommodate the implementation of phase 3 (Buffalo City Annual Report 2015/16:241).

vii. Lessons learned

Arising from the above challenges, Buffalo City learned lessons that will improve its EPWP in the future:

- The communication between EPWP personnel and managers of other departments on the expectations of the EPWP unit with regards to job creation initiatives needs to be improved;
- Project managers should make provision in their budgets for EPWP implementation; and
- The City needs to apply penalty or incentive schemes to encourage performance and ensure compliance and accountability (SACN 2017:49).

Recommendations

In order for Buffalo City to deal with the above challenges in the following financial year, the City made the following recommendations:

- The adopted EPWP policy (phase 2) must be operationalised;
- Each directorate is to appoint an EPWP champion to ensure dedication in reporting;
- The EPWP policy for phase 2 must be reviewed so that it accommodates the implementation of phase 3 and the ministerial determination;
- The City must fund and appoint the council-approved vacant positions; and

- EPWP and job creation must be on the performance score cards of heads of directorates (Buffalo City Annual Report 2015/16:241).

## **5.10 Conclusion**

From the above analysis of Buffalo City's implementation of LED and the EPWP, it is clear that it has the necessary capacity to implement both. The LED unit is creating opportunities for business to invest in the area and it has facilitated job opportunities through its programmes. The EPWP, on the other hand, has delivered to expectations despite some challenges that were highlighted that could be addressed in the future.

The contribution of the EPWP into the LED mandate is established, taking into account the following:

- The projects that were implemented under the EPWP, like the Vuk'uphile programme, is a capacity building programme for emerging contractors that provides them with the necessary skills, training and qualifications. With the capacity gained in this programme, they are able to own their own businesses and employ other people.
- The maintenance of Eco-Parks is another EPWP project that assists in creating an enabling environment for LED to take place. This project involves the cleaning of open spaces and preventing illegal dumping. An unkempt environment will not attract investors to the community. Hence, it is argued that this project assists the goals of LED.
- In 2014/15, R1,15 million was injected into the Municipality as funds accrued from the EPWP Incentive Grant. These funds assisted with the creation of job opportunities, albeit short term, and in making service delivery possible where it would ordinarily not have been possible to deliver the services.
- The permanent positions that were established in the approved structure of the EPWP are important in the government's endeavour to create jobs and fight unemployment.

- Tourism is another key LED activity in Buffalo City. It can be enhanced through the provision of clean and safe public facilities. The EPWP project of the operation and maintenance of public facilities in Buffalo City is another example of the EPWP contributing to LED.

The broad aim of this study was to critically investigate the link between LED, as a key performance area in municipalities, and the EPWP, as an intervention programme aimed at alleviating poverty and creating work opportunities as a resource to achieving socio-economic development in communities.

In pursuit of the main argument, this chapter successfully investigated the specific objectives of this study, namely:

- i. To investigate if it is possible to link LED and the EPWP,
- ii. To identify the EPWP projects that could achieve the goals of LED,
- iii. To identify the gaps in LED implementation that the EPWP could fill, and
- iv. To investigate the challenges of both LED and the EPWP to successful implementation in municipalities.

In this chapter, the researcher concentrated on the implementation of both LED and the EPWP in Buffalo City in the financial year 2015/16 as a way of arriving at a conclusion to the investigation. The chapter used information that is available in the City's Annual Report and the work done by the SACN for the financial year under review. Both the source documents were valuable in the success of this investigation.

From the tables, organogram and a bar chart, the data was analysed to assist the researcher in reaching conclusions and making recommendations. The conclusions and recommendations arising from this study will be made in the next chapter.

## **Chapter 6: Conclusion and recommendations**

### **6.1 Introduction**

After the first democratic elections in 1994, South Africa implemented LED as a tool to accelerate socio-economic development for effective service delivery. LED aims to create employment opportunities, alleviate poverty, and redistribute resources and opportunities to the benefit of all community members. The biggest challenge confronting LED is poverty and unemployment. Generally, either municipalities do not have appropriate governing structures, or the structure exists, but there is no democratic participation of all stakeholders in the implementation of LED. This leads to its failure (Kanyane 2008:1).

The concept of LED was not conceived in South Africa. It originated in Europe and has since then been practiced successfully around the world for many years. It is not a new or innovative concept, but nonetheless it requires innovation in implementation (Linake 2014:153). According to Rodriguez-Pose and Tijmstra (2005:3), LED strategies emerged in the high-income countries of the North as a response to social and economic problems arising from locality-specific development problems.

For LED to be successful, it must be a participatory process where all the stakeholders (government, the private sector and the community) are able to make their input and own the content and the process to be followed. Having stated that, the stakeholders should have the necessary capacity to make a meaningful contribution. LED cannot be the sole responsibility of leaders in a municipality; it is everybody's business. The municipality must establish an institutional arrangement with personnel with the required skills and competencies to drive the LED processes (Kanyane 2008:1).

This implies that economic development is not the responsibility of one sector of a community alone. It is a joint responsibility with different sectors in the community having a role to play. This is despite section 152(1)(c) of the Constitution, which provides this mandate to local government. An important factor would be that the different roles should be harnessed so that they complement one another, rather than competing, or at worse, contradicting one another. The public sector, in the form of local government, should not

feel that it has to compete with the private sector. Each has its own distinct role, which should complement one another for socio-economic development to take place.

To be able to state that LED is implemented successfully in a municipality, it must lead to development. Development could be seen as a process of improving the quality of all human lives and capabilities by raising people's standard of living, their self-esteem and their freedom (Todaro & Smith 2015:7).

LED is about sustainable development in the long term. It takes time to change local conditions, build ability, organise shared processes, and empower stakeholders, especially the marginalised and the poor (Linake 2014:154). Local government should be at the forefront in driving successful LED.

The objective of LED is to achieve sustainable growth and address the needs of the poor in the areas in which they live and work. Like with any other policy, the benefits might not occur if the policies are badly designed or implemented (Rodriguez-Pose & Tijmstra 2005:4).

There are various ways in which LED manifests. It could be in job creation, income generation, the establishment of business partnerships, the enhancement of entrepreneurship, and increased economic output and improved market opportunities. It is important that these manifestations should take place in a local community and that members of that community should participate in these activities for this development to be considered local (Tsheola & Mokgokong 2012:7).

In South Africa, for instance, pro-poor LED strategies are common. It is common for municipalities to exclude local business when these strategies are developed, resulting in limited pro-poor initiatives, such as sewing schemes or craft production. The results of these efforts, which were presented as LED, fail in the area of job creation and economic growth; thus, giving LED a bad name (Rodriguez-Pose & Tijmstra 2005:5).

This study has established that LED is not achieving its goals because of a lack of resources and funding, in particular. Hence, it is referred to as an unfunded mandate. In

smaller and rural municipalities, it is even more difficult for municipalities to raise revenue due to many reasons, including high levels of unemployment, poverty among citizens, and lack of investments from the private sector.

The broad aim of this study was to critically investigate the link between LED, as a key performance area in municipalities, and the EPWP, as an intervention programme aimed at alleviating poverty and creating work opportunities, as a resource to achieving socio-economic development in communities.

It was established in this study that the EPWP is well resourced, both financially through the Incentive Grant and technical support, provided by the NDPW. Other grants, such as the Municipal Infrastructure Grant (MIG) and municipal funding, could be used for EPWP projects, as long as they use labour-intensive methods. This enables municipalities to create more Work Opportunities (WOs) and Full-Time Equivalents (FTEs) and to increase their Incentive Grant allocation for the following financial year. This has the potential of maximising social relief by having more people employed to build infrastructure, which is necessary for development.

The broad aim of this study was to critically investigate the link between the LED, as the mandate of local government derived from the Constitution, and the EPWP, as an intervention programme aimed at alleviating poverty and creating work opportunities, as an objective to achieving socio-economic development in communities.

## **6.2 Future research**

Notwithstanding the limitations of this research, it has succeeded in obtaining data that can be helpful for anyone who wishes to study LED and for local government practitioners, especially those who are responsible for LED, to be more innovative in their implementation.

Future research in this area should investigate and establish ways and means of using various conditional and unconditional grants innovatively to implement and achieve the goals of LED so that the notion of an unfunded mandate is undermined. There are other

grants that are not dedicated to LED per se, but there is nothing in the conditions of the grants that limit their usage. The mandate of LED is to create an enabling environment for economic growth to take place. There are other projects that are funded by grants that could contribute to the creation of this enabling environment for economic growth.

As envisaged by the National Development Plan, to eliminate poverty and reduce inequality by 2030, the country can realise these goals by drawing on the energies of its people, growing an inclusive economy, building capacities, enhancing the capacity of the state, and promoting leadership and partnerships throughout society (National Development Plan 2011:24). Community members should not be passive recipients of services. They must actively participate in the development of LED strategies for their own benefit. Local government should also have the necessary capacity to intervene in the local economy in the interest of the community that it serves. LED can play a leading role in the realisation of National Development Plan for the benefit of South Africans as a whole.

Lastly, it will be incorrect to assume that this research is complete. There is more that could be established with more new information being made available in the future. Continuous research can benefit scholars and the human race at large.

### **6.3 Lessons learned**

The following conclusions were drawn from this research:

- The results obtained indicated that despite LED being a key performance area in municipalities, there is an acute lack of implementation.
- Despite LED having to contribute to an environment where economic growth could occur, which should reduce poverty and unemployment, the opposite is happening. Poverty and unemployment are on the increase.
- The LED units in many municipalities have vacant positions, and personnel who generally do not possess the necessary qualifications and experience to lead such units.

- There is a lack of policy alignment between the municipal strategies and the developmental strategies of the provincial and national government.
- Municipalities struggle to set aside funds for LED activities due to limited resources as a result of declining revenues and many other competing priorities.
- On the other hand, the EPWP is well implemented across municipalities. This is because the EPWP is well institutionalised. This makes it well positioned to contribute to the goals of LED.
- There is a dedicated incentive grant for the EPWP, which is transferred by the NDPW to municipalities.
- LED already benefits from the resources that are available to the EPWP. LED can benefit even more by innovatively implementing projects that will achieve the goals of LED in municipalities.
- LED and the EPWP could be linked so that municipalities are able to achieve the targets set for the EPWP and at the same time implement LED activities. Both the personnel and the funding for the EPWP could be used for LED so that more is achieved using less.

#### **6.4 Recommendations**

The following recommendations are put forward for consideration and to assist any municipality that seeks to implement its LED strategies effectively as a means to achieve socio-economic development in communities:

- Short training courses should be provided to LED employees to increase their technical skills for the implementation of LED activities.
- A dedicated programme should exist for training youth, in particular, and aspirant entrepreneurs in developing business, marketing and financial plans. Once businesses are established, there should be support and funding for SMMES from municipalities and national government. In addition, government should pay its suppliers within the prescribed time to enable small businesses to survive.

- There should be pro-local and development policies, such as the supply chain management policy, which favours the use of local businesses, services and goods, as well as a policy on emerging contractor development.
- National government should introduce a dedicated LED grant that will be a source of funding for municipalities for LED activities.
- Municipalities should ensure that LED is institutionalised. There should be a LED department in municipalities. In the case of smaller municipalities, LED units should fall under the office of the municipal manager to ensure focus on the core mandate.
- The EPWP and LED should fall under the same department or unit. This will ensure that the resources provided by the EPWP are fully utilised in LED activities, in an innovative manner, without compromising the EPWP. This will enhance both EPWP and LED implementation.
- Through using other grants and sources of funding, municipalities should ensure that the infrastructure that they provide is high quality and reliable so as to attract investment. This extends to the provision of basic services, which should be rendered efficiently and regularly.
- Municipal services should be of a high standard and reliable. This will create an enabling environment for LED to occur.
- While municipalities are mandated by section 152(1)(c) of the Constitution to “promote social and economic development”, they will not be able to do this without clear policy guidance, which should be developed by them. Strict adherence to legislation should also be enforced. The EPWP is successful because it has a policy that guides its implementation.
- Public participation should be at the centre of LED activities. Local stakeholders should participate in decision-making processes and should take ownership of the economic development that is taking place.
- Municipalities should consider EPWPs that will enhance tourism as it is one area of LED that has the potential for growth and for creating employment opportunities.

## 6.5 Conclusion

The researcher is satisfied that the aim of this study was achieved, which was to establish the link between LED and the EPWP for socio-economic development in municipalities.

The specific objectives of this study were also achieved, which were:

- a) To investigate if it is possible to link LED and EPWP;
- b) To identify the projects of the EPWP that can achieve the goals of LED;
- c) To identify the gaps in LED implementation that the EPWP can fill; and
- d) To investigate the challenges that hinder the successful implementation of both LED and the EPWP in municipalities.

The study has shown that in many municipalities LED is not given the attention that it deserves through manpower provision and financial resources for successful implementation. On the other hand, in municipalities that pay attention to LED there is evidence of economic development.

In many municipalities, the EPWP has succeeded in creating job opportunities and social infrastructure. The EPWP has also been used to provide training and skills to unskilled and unemployed people in communities. In addition, the Programme has proved to be successful as a safety net for the poor by transferring income through temporary jobs.

With the growing challenge of unemployment and poverty in South Africa, and its impact on local government through reduced revenue and increasing demands for services, local government will have to find innovative ways to implement LED. The study has indicated that the EPWP can be used to achieve the goals of LED.

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