Governance, Management and Implementation Challenges of Local Economic Development (LED) in Khayelitsha

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DECLARATION

I, the undersigned, hereby declare that this thesis is my own work and all sources have been duly acknowledged. This study is mainly for the purposes of completion of my academic studies for a Masters Degree in Administration at the School of Government at the University of the Western Cape.

Sonwabile Ngxiza   March 2011

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DEDICATION

The success of this study is dedicated to my loving mother for
unrelenting support throughout my academic career, may you remain
an inspiration and leave an indelible mark in the many lives you touch.
To my son, Kamva, for the energy, excitement, laughter and cheerful
spirit you display on all occasions, the world awaits your strength,
talent and peaceful demeanor.

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ACKNOWLEDGEMENTS

LIST OF ACRONYMS

CBO	Community Based Organisations
CBP	Community Based Planning
CCT	City of Cape Town
COGTA	Department of Cooperative Governance and Traditional Affairs
DBSA	Development Bank of Southern Africa
DPLG	Department of Provincial and Local Government
FCR	Foundation for Contemporary research
GEAR	Growth Employment and Redistribution
GDP	Growth Domestic Product
HSRC	Human Sciences Research Council
IDP	Integrated Development Plan
KCT	Khayelitsha Community Trust
KBD	Khayelitsha Business District
KDF	Khayelitsha Development Forum
KFW	German Development Bank
LED	Local Economic Development
LAED	Local Area Economic Development
MTEF	Medium Term Expenditure Framework
NGO	Non-Governmental Organisation
NPM	New Public Management
PGDS	Provincial Growth and Development Strategy
PLP	Presidential Lead Projects
PPCP	Public Private Community Partnership
RDP	Reconstruction and Development Programme

SETA	Sector Education and Training Authority
SMME	Small Medium and Micro Enterprises
URP	Urban Renewal Programme
VPUU	Violence Prevention through Urban Upgrading

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ABSTRACT

There is a growing consensus globally about the significance of developing local and regional economies in order to create sustainable livelihood for local communities. The policy discourse in South Africa and elsewhere as well as the immense body of literature on local economic development bears testimony to this reality (Nel 1994, Tomlinson 1994, Rogerson 2003, World Bank 2002, Madell 2002, Cashdan, 2002). The Constitution of the Republic of South Africa (Act 108 of 1996) and the Local Government: Municipal Systems Act (Act 36 of 2000) enshrine the role of municipalities in enhancing the economic growth and development, and harnessing the social wellbeing of the communities '*through creation of employment opportunities and redistribution of resources'*. Importantly, this legislative framework must be accompanied by, on the one hand proper structures and political will, and on the other hand provision of resources and institutional capacity for realization of the long term objectives of Local Economic Development (LED). In order to be successfully mainstreamed and implemented the LED must be embodied within the legally prescribed Integrated Development Plans. In addition, the LED strategy must be incorporated within the Provincial Growth and Development Strategies (PGDS).

In Khayelitsha the prevailing interlocking challenges that necessitate an integrated and holistic intervention include but not limited to poverty, unemployment, inadequate infrastructure and lack of economic base. There is a plethora of interventions to these problems that are uncoordinated, thus it becomes imperative to ensure coordination and integration to build synergy and ensure resource mobilization for these efforts to yield fruit. Local Economic

Development should not be viewed as just a project but must be understood as an overarching strategy with a thorough implementation plan and specific targets as well as review mechanisms. All different spheres of government, organs of civil society and business have a tremendous role to play in pursuit of sustainable economic growth and development. In Khayelitsha there are emerging trends of bulk infrastructure spending and community led partnership that seek to unlock the economic potential however this progress has thus far been limited to retail development with no productive industrial development.

CHAPTER ONE

INTRODUCTION AND RESEARCH OBJECTIVES

1.1   INTRODUCTION

Established in 1985, Khayelitsha (*new home*) is the third largest township in South Africa after Soweto and Mdantsane, respectively, and it is the largest township in the Western Cape. This area has endured years of gross neglect in relation to economic development and service provision. Some of the eminent prevailing challenges that beset Khayelitsha include poverty, unemployment, crime, inadequate infrastructure and lack of economic activity which are indicative of the poor socio-economic character of the area. The introduction of Local Economic Development as a policy response is meant to reverse these conditions in areas such as Khayelitsha.

Since the advent of democracy and the adoption of the developmental local government approach, municipalities have been entrusted with the responsibility to facilitate and stimulate economic development. This obligation is placed on municipalities by the Constitution (Act 108 of 1996) White Paper on Local Government (1998) and the Municipal Systems Act of 2000 which make it mandatory for local government "*to give priority to basic needs of the community and in a sustainable way promote the socio-economic and material needs in order to improve the quality of their lives*". Local Economic Development is an important policy response which serves as a mechanism to enhance economic growth and development to address underlying socio-economic challenges in municipalities.

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At a glance Khayelitsha manifests a poverty profile ie high levels of unemployment, low household income, underdevelopment and lack of economic base due to spatial dislocation and historical neglect, therefore LED seeks to address these problems. Understanding the material realities confronting the majority of residents prompted the author to undertake the study. It is critically important for researchers and practitioners to have an understanding and analysis of the prevailing situation in order to identify ways to unlock prevailing challenges in the implementation of such an important approach. Local Economic Development as an intervention to promote economic development and ensure the wellbeing of the people is a significant measure. However, it is important to look at the mechanics and intricacies of governance, management and implementation aspects to determine whether the envisaged improvements have actually occurred in Khayelitsha specifically.
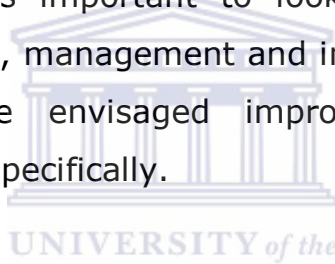
Further, the study critically investigates institutional capacity, planning and leadership and the overall approach of the LED implementation process. In an effort to understand and analyse the concrete implementation of LED the research will examine the approach of operationalisation of LED, assess the institutional capacity as well as identify the major challenges confronting LED implementation in Khayelitsha.

1.2   CONTEXT AND BACKGROUND

Local Economic Development is essentially a process in which local governments and/ or community based groups manage their existing resources and enter into partnership arrangements with the private sector or with each other, to create new jobs and

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stimulate economic activity in an economic area (Stohr & Taylor 1981:129, Zaaijer & Sara, 1993, p 129).

Chapter 7 section 153 (a) of the RSA Constitution makes it mandatory for municipalities to develop and promote local economies in a sustainable fashion. The promotion of LED is further augmented in the White Paper on Local Government through ensuring active participation of local authorities as they are in a better position in the local sphere. Local Economic Development must be operationalised, aligned and coordinated within the framework of the Integrated Development Plan (IDP) linked to Provincial Growth and Development Strategies (PGDS) under the overall national planning framework (DPLG, 2005).

It is against this background that this research paper examines LED in Khayelitsha within the City of Cape Town. The LED process coincides with the much needed transformation or consolidation of local government. Subsequently Khayelitsha (previously under Tygerberg Municipality) was together with other areas reconstituted under the City of Cape Town. The challenges inherited by various townships from the apartheid regime are vast and there is a need to overcome these challenges. Like many townships, Khayelitsha was designed to keep Black people away from cities and merely allow them as transient workers. Such townships are spread across the country on the urban fringes as part of the deliberate spatial distortion undertaken by the apartheid regime. As a result there is gross underdevelopment, poverty and unemployment which remain eminent in present day South Africa. To reverse this prevailing situation necessarily requires strong institutional capacity coupled with resources and community participation.

It is worth noting that LED is a vehicle to eradicate poverty, create sustainable employment and enhance economic growth. In essence this suggests that people are not just an appendage or beneficiaries but to the contrary they are an integral part of the whole process. The White Paper on Local Government (1998) states that "*local authorities are best placed to promote economic development of their communities because this sphere exerts considerable influence over the social wellbeing of local communities*". As the Department of Provincial and Local Government (currently known as Cooperative Governance and Traditional Affairs) (2005) asserts, "*The 'local' in economic development points to the fact that the political jurisdiction at a local level is often the most appropriate place for economic intervention as it caries alongside with it the accountability of a democratically elected body*". Local authorities are at the core of service delivery particularly community economic development hence their role becomes imperative as facilitators, developers as well as coordinators.

The analytical perspective of the study contains two related phases which lead to the conclusion of the study. On the one hand, the implementation tools such as managerialism, governance, leadership, institutional capacity and planning together with vehicles of implementation including Non-Governmental Organisations, Public Private Partnerships, Private Community Partnerships are critical ingredients that cannot be overlooked. On the other hand, the tenets of sustainable economic development congruent for Khayelitsha including SMMEs, Informal sector, investment, employment creation, business support infrastructure and opportunities provide a useful layer of analysis.

1.3 RESEARCH STATEMENT

The LED phenomenon has gained prominence in South Africa as a vehicle to promote economic growth and sustainable development in municipalities (Nel 1994, Tomlinson 1994, Rogerson 2003, Madell 2002, Cashdan, 2002). This is a strategy aimed at combating poverty, unemployment and underdevelopment amongst other things. However, in Khayelitsha development indices (Nattrass 2002, Dyatyi & Frater 1998, Stats SA Community Survey 2007) suggest that sufficient progress in local area development and improvement of the quality of life is lacking.
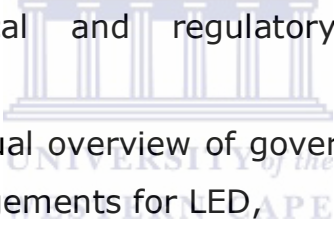
With the promulgation of various policies to provide direction and institutional mechanisms to foster economic development in municipal areas including Khayelitsha the prevailing conditions beg the question as to what is the actual impact of LED in Khayelitsha. Another central area of concern is how is government in general playing its supportive and coordinating role in stimulating LED in Khayelitsha? These questions are critical in order to unpack the significance of the governance, coordination and management practices in enhancing LED implementation in Khayelitsha.

The Constitution of the Republic of South Africa (Act 108 of 1996), the White Paper on Local Government and Local Government: Municipal Systems Act (32 of 2000) instructively assert that *"municipalities must, in a sustainable manner, promote socio-economic growth and development in their localities".* This legislative framework provides basis upon which municipalities should strive to empower their communities. The government also instituted an LED Fund (now defunct) as well as the LED Nerve Centre administered by the

Department of Cooperative Governance and Traditional Affairs for the purpose of assisting and facilitating the advancement of LED. Various institutions of government, business and civil society have a critical role to play for poverty alleviation and economic growth to the realized.

1.4   RESEARCH OBJECTIVES

The set of objectives below forms the cornerstone of this research and provides a roadmap for the fieldwork, findings and recommendations. The underlying objectives that systematically constitute the guiding framework of the overall study are to;

- Present theoretical and regulatory frameworks of LED implementation,
- Provide a conceptual overview of governance, management and institutional arrangements for LED,
- Conduct and record a case study of the practice of LED process in Khayelitsha,
- Draw analysis of emerging trends based on findings
- Draw conclusion and practical recommendations.

1.5   RESEARCH METHODOLOGY

This research applies a multi-pronged approach in collecting and analyzing data. Data gathering for this study was conducted between September 2005 and July 2010. To enrich and validate research findings it was necessary to make use of qualitative research methods. With regards to usage of qualitative methods, in-depth interviews and a structured questionnaire were employed as a way of collecting

primary data from key respondents in the in national and provincial government as well as City Administration, ward councilors and prominent CBO and NGO leaders. The most dominant method of collecting data in this study is structured a questionnaire which is more convenient for data processing and analysis tools which enable researchers to quantify responses into categories of information. Quantitative data is obtained from secondary sources and are used to support or validate the conclusions of this research. Books, journals and other publications were also used as secondary data through which tools of analysis were developed and applied in the study.

In terms of the sample selection, a deliberate effort is made to obtain and present balanced perspectives on the substance of the LED approach, techniques, policy and implementation. To this end, a total of thirty five (35) respondents including nine (9) ward councillors, three (3) City officials, three (3) from the provincial government and three (3) from the National Department of Cooperative Governance and Traditional Affairs. In addition, in an effort to ensure representativity and balance the study draws three (3) respondents each from respectively Khayelitsha Development Forum, Khayelitsha Community Trust and Khayelitsha Business Forum.

Regarding the research method there was a need to get a wide range of reliable information for the purpose of producing dependable and perhaps transferable information. This is primarily the reason for choosing a selective method for in-depth interviews or discussions. As this is a case study that is descriptive and analytical in nature, I analyse certain patterns and variables in the context of LED in Khayelitsha. This process involved investigation of multiple variables such as governance, management and institutional capacity for the

implementation of the LED. This is the central scope of the study at a conceptual level. However as the title suggests the study is limited to Khayelitsha in the Cape Metropolitan area.

Albeit the study seeks, in a generic fashion, to asses the socio-economic impact of LED in Khayelitsha it is not intended to be a monitoring and evaluation exercise of individual LED projects. Therefore the limitation of the study primarily consists in the fact that, albeit important, the techniques and programming dynamics of individual LED projects are not subject of this study. The study focuses squarely the governance, management and implementation instruments for fostering successful LED. The author chose these three factors as they in many respect cover a wide array of areas that underpin successful LED process. Importantly these factors are interrelated and complement each other in the process of community economic development. Governance, management and implementation involve a variety of techniques and constitutionally enshrined structures, systems and role-players within a governance framework.

1.6   CHAPTER OUTLINE

This research paper entails six chapters which start from the general to the particular in order to provide a theoretical understanding as well as contextual analysis of the specific area under study. The chapter outline provides a concise description of how all the chapters are organized and precisely what each chapter entails.

Chapter two draws on international as well as South African conceptions of LED. The central idea is to provide an understanding of

the origins of LED as well as different ideological strands of LED ie market-led and pro-poor LED respectively. This Chapter also defines the role of various role-players and stresses the important role played by government in facilitating democratic development by drawing closer both civil society and the private sector. This chapter also outlines some of the problems associated with LED implementation.

Chapter three captures the legislative instruments and the regulatory framework guiding the conceptualization of LED in the South African context particularly in advancing the ideal of developmental local government. The central tenets of this chapter revolve around the Constitution, White Paper on Local Government, the Municipal Systems and the Municipal Structures Acts. The centrality of community based planning in developing Integrated Development Plans (IDP) and the attendant concerns of accountability emerge strongly in this chapter. Policy implementation needs various vehicles in order to reach the expected levels of efficacy hence this chapter places considerable importance to capacity building in order to drive LED in particular.

Chapter four provides a situational analysis of Khayelitsha as the central area of this study. This chapter provides in some length the current economic situation as well as the contribution various role players have made in Khayelitsha. The main criticism emerging in this chapter is the uncoordinated nature of the plethora of interventions in Khayelitsha. This chapter points out that there is a fundamental challenge of lack of coordination between the LED Unit in the City of Cape Town and the Urban Renewal Programme. Another criticism is that the private sector has made demands that squeeze small traders out of business by charging exorbitant prices for trading spaces in the newly established retail centres. It also emerges that most of the

developments thus far are retail expansion and not industrial development in the productive sectors.

Chapter five attempts to present the research findings on various key areas of the study, for instance, governance, institutional capacity and some indication about the perception of progress in implementing LED in Khayelitsha. The emerging pattern is that public participation in the form of ward forums remains average and therefore needs improvement. The other finding from the respondents indicates that institutional capacity to drive LED implementation in Khayelitsha is insufficient and needs drastic improvement in order to ensure adequate resource mobilization for implementation of programmes as well as monitoring and evaluation.

Chapter six draws a conclusion of the study as well as present recommendations that are grounded on the experience on the ground as well as theoretical underpinnings of community economic development. The conclusion is that Khayelitsha as a nodal district has its share of complexities and therefore needs a focused LED strategy that draws support from government, the private sector, the community organizations and the development finance institutions. The bulk infrastructure provision by government is fundamentally important, however, industrial development would contribute immensely in fighting poverty, creating employment, developing entrepreneurship and creating sustainable livelihood in Khayelitsha.

1.7   SUMMARY

Local Economic Development (LED) is a sound policy to give meaning to the concept of developmental local government, however, in reality the local government system in South Africa inherited major

disfunctionalities which still haunt the development process. This Chapter provided a brief synopsis of the situation confronting local government in an effort to promote LED. The severity and enormity of the challenges confronting the implementation of LED particularly in Khayelitsha provides an interesting prism through which more analysis and suggestions are brought to light.

The focal point for the next Chapter is to provide a theoretical understanding of governance and local government. Importantly, Chapter two attempts to locate the LED debate into the broader context of local government systems, duties and functions and the community involvement further fostering planning and implementation of LED process. Municipalities are an integral part of government due to the relative proximity to the people in their areas of jurisdiction. In this juncture in the South African development process local government through LED can play a profound role in adjoining various actors and stakeholders to stimulate development. Therefore Chapter Two focuses mainly in the evolution of the governance systems in local government since the democratic breakthrough and how sustainable integrated local economic development can be achieved through the tenets of governance, generally.

CHAPTER TWO

THEORETICAL FRAMEWORKS

2.1   INTRODUCTION

By mobilizing the resources of urban communities, government and the private sector we can make our cities centres of opportunity for all South Africas, and competitive within the world economy. The success of this will depend in the initiative taken by urban residents to build their local authorities and promote local economic development (Mandela; RSA, 1995, p.5, quoted in Nel, 2001)

This injunction is extremely important however, it reflects the dominant development paradigm of the time which puts a divide between rural and urban development frameworks. There is an enduring message that is quite instructive about the pivotal role that residents need to play in shaping their economic development opportunities.

This Chapter entails an overview of LED and the way it needs to be implemented to realise its founding objectives and improve the lives of ordinary people in the communities. The focus of this Chapter is to determine the rationale, approach and the legislative arrangements that brought LED into effect. In the implementation of LED various actors in the South African society have fundamental roles however divergent their interests, therefore a brief look at the roles different actors play is necessary in this juncture. The nature of LED warrants convergence of strategies and joint responsibility by multiple actors to

ensure that benefits accrue to communities, which in return fulfils ideals of many other actors.

A brief account of the current situation in implementation of LED in South Africa is also essential to be able to determine the way in which it has been operationalised throughout the country. This account would enable us to understand the challenges surrounding the implementation of LED. It is important to recognise the advances and gains of the process but ignoring the problems and challenges is suicidal. Certainly, there have been eminent challenges contained in the report of the Portfolio Committee on Provincial and Local Government (now PC on COGTA) which alludes to a tendency in most municipalities to view LED in a way that is "too project based". This critique is validated by a similar instructive statement contained in the LED guidelines which stipulates that "There should be a move away from an "isolated" project based approach towards a focus on supporting productive networks of enterprises that are linked into broader support initiatives and markets for the sale of produce" (DPLG March 2005).

2.2   THE ORIGINS OF LED

In tracing the origins of LED, it is imperative to begin by defining the concept in relation to its conception and application internationally and South Africa. In building the international body of knowledge several bodies have contributed to the conception of LED (World Bank, 2000; International Labour Organisation, 2005 & UN-Habitat 2005). The World Bank (2000) observes that "*LED is a process by which public, business and non-governmental sector partners work collectively to create better conditions for economic growth and employment*

generation". Further the World Bank for its part concludes that*,* "In essence LED is about communities continually upgrading their business environments to improve their competitiveness, retain jobs, and improve incomes". The International Labour Organization (2005) understands LED as "……*more than just economic growth. It is promoting participation and local dialogue, connecting people and their resources for better employment and a higher quality of life for both men and women".*

It is noteworthy that there is a difference of emphasis between the two international organizations which have contributed to the shaping of LED globally through advice, workshops and other support interventions. The difference of emphasis lies in the concepts such as business growth, investor confidence and competitiveness on one hand and public participation and improvement of quality of life on the other hand. UN- Habitat (2005) defines LED along the same lines as ILO to the effect that:

> *LED is a participatory process in which local people from all sectors work together to stimulate local commercial activity, resulting in a resilient and sustainable economy. It is a way to create decent jobs and improve the quality of life for everyone, including the poor and marginalized.*

A more elaborate definition comes from Folser (1991 quoted in Abrahams, 2003:188) which states that:

> *LED refers to the process of creating wealth through the organised mobilization of human, physical, financial and natural resources in a locality. The aim of LED ultimately is to produce higher*

standards of living, improve quality of life, alleviate poverty, create more and decent jobs, advance skills and build capacity for sustained development in the future.

The process of LED is understood as a way in which partnerships between local governments, community groups, state institutions and the private sector are established to manage existing resources to create jobs and to stimulate the economy of a locality. The Department of Cooperative Governance and Traditional Affairs sees LED as an outcome stemming from local initiative and driven by stakeholders (CoGTA, 2000). Blakely (1994) defines LED as:

The process in which local governments or community-based organizations engage to stimulate or maintain business activity and/ or employments. The principal goal of LED is to stimulate local employment opportunities in sectors that improve the community, using existing human, natural, and institutional resources.

The common denominator in these definitions is the significant role of local government and local actors in developing sustainable local economic growth.

In terms of the history of LED the World Bank provides a brief account of the evolution of LED according to three waves namely; 1960's to early 1980's, 1980's to mid 1990's and late 1990's onwards. The World Bank concludes that LED is in its Third Wave. The table below provides a summary of the stages of LED evolution however, the World Bank observes that there are some overlaps in the stages outlined.

Table 1. The Three waves of LED

Three Waves of Local Economic Development		
Wave	**Focus**	**Tools**
First: **1960s to early 1980s**	During the first wave the focus was on the attraction of: • mobile manufacturing investment, attracting outside investment, especially the attraction of foreign direct investment • hard infrastructure investments	To achieve this cities used: • massive grants • subsidized loans usually aimed at inward investing manufacturers • tax breaks • subsidized hard infrastructure investment • expensive "low road" industrial recruitment techniques
Second: **1980s to mid 1990s**	During the second wave the focus moved towards: • the retention and growing of existing local businesses • still with an emphasis on inward investment attraction, but usually this was becoming more targeted to specific sectors or from certain geographic areas	To achieve this cities provided: • direct payments to individual businesses • business incubators/workspace • advice and training for small- and medium-sized firms • technical support • business start-up support • some hard and soft infrastructure investment
Third : **Late 1990s onwards**	The focus then shifted from individual direct firm financial transfers to making the entire business environment more conducive to business. During this third (and current) wave of LED, more focus is placed on: • soft infrastructure investments • public/private partnerships • networking and the leveraging of private sector investments for the public good • highly targeted inward investment attraction to add to the competitive advantages of local areas	To achieve this cities are: • developing a holistic strategy aimed at growing local firms • providing a competitive local investment climate • supporting and encouraging networking and collaboration • encouraging the development of business clusters • encouraging workforce development and education • closely targeting inward investment to support cluster growth • supporting quality of life improvements

Source: World Bank (2001)

Globally and later in South Africa, there were two approaches which underpinned the understanding of LED viz pro-growth or market led approach and pro-poor LED. In South Africa these approaches were given prominence by policy documents which surfaced after 1994, which were characterised and influenced by the expositions from

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international debates which mirror the "market-led pro-growth LED and pro-poor LED (sometimes referred to as 'non-developmental' and 'developmental' LED respectively)" (Abrahams, 2003:186). It is glaringly clear that the former is a liberal approach and the latter is more a left oriented ideological approach. These two approaches were propagated by different interpretations and different schools of thought. Abrahams also traces the development and spread of these two approaches in South Africa.

In the aftermath of apartheid, the private sector developed an LED policy document that favoured the North American and European LED experience – i.e market- led approaches (Rogerson, 2002; Simon, 2003). In contrast, the South African National Civics Organisation (SANCO) produced a policy document which had a more people centred focus (Abrahams, 2003:188). Evidently, in a developmental state such as South Africa these approaches should not be seen as diametrically opposed to each other but some synergies can be found. From these approaches the government realized the central role municipalities can play in promoting development, creating employment and entrenching participatory democracy hence the adoption of the notion of 'developmental local government'.

Based on this understanding the South Africa government advocates the following aspects of LED:

- Community economic development where the beneficiaries are the community,
- Linkages between profitable growth and redistributive development or financing,
- Human capital development,

- Development and maintenance of infrastructure,
- Plugging the leaks in the local economy, and
- Retention and expansion of existing business (COGTA, 2000)

In the Reconstruction and Development Programme (RDP) it is noted that "In order to foster the growth of local economies, broadly representative institutions must be established to address local economic development needs. Their purpose would be to formulate strategies to address job creation and community development…"

In the face of the failure of different policies and strategies to have the majority of the population benefit from economic growth, LED has become the most recent panacea to overcome the multiple obstacles of low skills level, non-existent entrepreneurial culture amongst the black population, inappropriate or weak support mechanisms, lack of access to financial and business development services, spatial marginalisation and numerous other market failures that lead to high unemployment, low income and thus widespread poverty (Gabriele Trah, GTZ–no publication date)

The manifestation of poverty in terms of unemployment; housing, infrastructural inadequacies and lack of transport networks; low income levels also lead to other social ills such as crime, abuse of substances etc. The objectives of the LED, inter alia, are the creation of employment opportunities and the promotion of sustainable economic growth. Despite efforts of poverty reduction and creation of employment there is no significant progress in this regard. A study conducted by Nattrass (2002:16) reveals an unemployment rate of 46.3 % using the broad definition of unemployment. The study conducted by Nattrass covered Khayelitsha and Mitchells Plain and the

reflection of unemployment is worryingly high. It is probably higher when Khayelitsha is viewed exclusively.

According to the Portfolio Committee and Provincial and Local Government Report (2003:48) "LED in many municipalities is too project based, and is not dealing with fundamentals of the economy. It is seen more as poverty alleviation. LED has to relate to IDPs and to the economic and financial plans, strategies, programmes and projects of the provincial governments". LED should be understood as an overarching strategy, which employs IDP as a planning tool. This view must be promulgated explicitly and must be a non-negotiable.
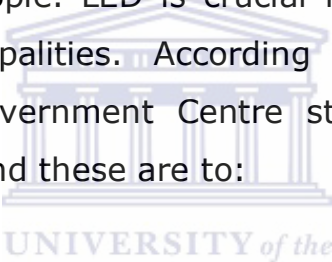
Local Economic Development in South Africa form part of a relatively new approach to development. Economic and social has been mandated by national government to local authorities and, though policies are in place, LED strategies have produced very few success stories for various reasons, but mainly as a result of the capacity within municipalities as well as resource constraints (Nel, 2001).

LED is an initiative that strives to break away from the past which curtailed any form of economic progress, investment and sustainable growth and development in localities particularly townships. In the past, townships were relegated to the fringes of economic activity, however, the intent of the LED is to break the away from the entanglement of poverty and unemployment of the past through involving local communities in the mainstream economy. The South African Communist Party (SACP) Gauteng Discussion Document (2003) argues that, "An alternative LED for townships is essentially about creating choices within local spaces – the city, the township and the

household – for people to decide how they want to survive". This relates to the approach that should be adopted by the local authorities when designing LED strategy to deal with the issues affecting people using local solutions. To augment this view Cashdan (2002:13) states that, "Perhaps the vision for LED in South Africa should be home grown: an African alternative based on the cultural and political heritage of the country, the survival strategies of the poor over many decades, and the tradition of community organisaton and mobilization".

The LED has a set of measurable objectives through which it seeks to improve lives of the people. LED is crucial for economic growth and development of municipalities. According to Ndlela (unpublished paper) of the Local Government Centre stipulates seven areas of significance of the LED and these are to:

- Create jobs and new employment opportunities,
- Increase income levels and enable people to pay for services,
- Broaden tax and revenue base of the locality,
- Enable municipality to provide more and better services and facilities,
- Concentrate on human resource potential and opportunity for development,
- Build new institutions for sustainable economic development, and
- Promote skills between developed and underdeveloped areas.

These would be the outcomes of the LED process and the impact would be beneficial to the people primarily and the municipality as a whole. The communities and the local authorities must lead the

process jointly. "The improvement of people's lives through LED in Khayelitsha rests with a partnership between representative community based structures and the local government" (Dyatyi et al, 1998). This collaboration eliminate fragmentation in the process of LED, it would also bring coordination and thus a synthesis of the strategies for greater effectiveness.

The previous paragraphs portray the severity and enormity of fundamental problems confronting Khayelitsha regarding its path of economic growth and development. Implementing the strategy efficiently and effectively for sustained growth is a mammoth task, which requires certain instruments. Various scholars in the field of policy and programme implementation suggest several propositions. Scholars admit that in South Africa implementation remains a grey area with various discrepancies and inadequacies emerging as obstacles to successful implementation. A report for Centre for Policy Studies conducted Dr Khosa (2004) entitled "Closing the gap between policy and implementation in South Africa" highlights the discrepancies that hinder implementation. There are numerous critical tools for sound implementation, institutionalisation and performance, including inter alia, leadership and management, planning and programming, institutionalization and performance and management. Strategy generation, development of sound planning frameworks and leadership and management at all levels that focuses on the translation of policies into operational levels (De Coning, 2004:22)

Requisite vehicles and models for policy implementation exist including amongst others sub-contracting, Public Private Partnerships (PPPs), Non-Governmental Organisations (NGOs) and more recently Public Private Community Partnership (PPCP). As Khosa (2003:50) argues,

"As such, policy making and implementation should be seen as two sides of the same coin. It is the interplay of state, civil society and the private sector that plays an important role in shaping policy making and implementation". There is a trend towards managerialism as advocated by the World Bank in its report entitled "The State in a Changing World". The report views the role of the state not as a sole provider but facilitator of development[1]. The report also postulates that the state must match its role with the available capacity. These views are associated with the New Public Management (NPM) paradigm. "In Managerialism the role of government changes from acting as the principal vehicle for socio-economic development to that of guiding and facilitating development" (De Coning, 2004:9).

In the past, economic development and job creation were seen as functions of national government, but this has changed since the advent of viable local economic development strategies. These functions in part have been transferred to local government as a sphere that is better positioned to practice participatory democracy for community ownership and sustainability. The provisions of the White Paper on Local Government augmented this paradigm shift through adopting local government of a special type. The White Paper marked a divergence in approach of local government from the traditional functions of regulations and service delivery towards developmental local government. "Developmental local government implies a change from the old technocratic way of planning to a people-centred way of planning" (Foundation for Contemporary Research, 2002:6). It is grounded on the notion of progressive improvement of the people's lives and building sustainable communities. Ntsebeza (2001:318) argues, "Developmental local government thus seeks to transform

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[1] See World Bank 1997 *The State in a Changing World*

local government with a new focus of improving the standard of living and quality of life of the community". In essence this requires municipalities to plan and work closely with the local people to devise developmental solutions to pertinent problems in order to build or revitalize local economies.

Municipalities play an integral role in bringing civil society and business in close proximity in order to develop and grow local economy. As article entitled 'Social reflections on the implementation of "developmental local government" of the Development Bank of Southern Africa (Parnell, 2000:204) expresses the belief that, "Implicit in the approach is the idea that promotion of economic growth, environmental sustainability and social justice, will advance the interests of the poor and reduce social inequality". The White Paper on Local Government identified four characteristics of developmental local government namely;

- Maximizing social development and economic growth,
- Integrating and coordinating,
- Democratizing development, and
- Leading and learning.

These characteristic features of developmental local government are imperative in the analysis of the LED with a particular focus on Khayelitsha. Local government is an integral part of the development process as implementers of programmes, hence integration and coordination of programmes and projects become imperative to provide a synergy and effectiveness.

Growing the local economy is critical in so various ways ie employment creation, improving the standard of living, generating revenue from businesses as well as residents to ensure financial viability of the municipality. Local government can also strengthen its financial muscle through providing incentives to attract investments to inject funding for local projects, building socio-economic infrastructure and capacity building. Municipalities must harness establishment of SMMEs. It is the responsibility of the municipality to create an enabling environment for local entrepreneurs and cooperatives to flourish through various initiatives ie capacity building and preferential procurement practices to promote and benefit growing businesses or cooperatives, formalizing the informal sector, encouraging investment and promoting fundraising opportunities for SMMEs.

There are various role-players in the LED process which play interrelated roles and thus the following section deals squarely with these actors.

2.3   ROLES OF DIFFERENT ACTORS IN LED

The institutional challenge for the LED is to bring all spheres of government, private sector and community groups pursuing common LED interests within the policy and institutional frameworks that enable collective progammes. It is thus proposed in this paper that LED has to aim to reduce poverty in a holistic manner which draws together a diverse range of role-players to confront the social, spatial, and economic barriers to development, thereby facilitating a sustainable growth in human activity and productivity (Dyantyi et al, 1998:1). The role-players relevant to LED include, inter alia:

- Government (national, provincial and local),
- Parastatals and development finance institutions,
- Private sector,
- Civil society, and
- Local community

It is important that these actors collectively play a constructive role in building local economies by developing common approaches within a specific framework in order to measure the impact of their programmes. The following part delves into the balanced but differentiated roles that all the afore-mentioned actors play in the LED process.

2.3.1   Government

Government's vision for local economies, as expressed in the DPLG (2006 – 2011) LED Framework is building "Robust and inclusive local economies exploiting local opportunities, real potential and competitive advantages, addressing local needs and contributing to national development objectives."

Government has in the recent past recognised the need for a holistic approach in uprooting poverty and creating employment opportunities for local people to advance the socio-economic objectives. The LED Guidelines (2005) are actually very clear on the role that government, across all spheres, is supposed to play in supporting and facilitating LED.

The central focus of government in implementing LED must be on creating an ideal environment for private sector investment

through appropriate public sector investment and by supporting the retention, growth and development of enterprises be they private or cooperatives and whether they are small, medium or large.

The guidelines continue to stress that:

Enterprises that are job creating, promote environmental and ecological sustainability, promote social development, and broad-based black economic empowerment should be targeted for public sector support (DPLG, March 2005)

All different spheres of government have an essential role to play in enabling community economic development to be realized. According to Hindson (2003:151) "With respect to policy objectives, the principal challenge for LED, therefore, is to overcome the existing split in policy and practice that has been leading to divergent national, provincial and local economic growth and poverty alleviation initiatives". The government, for instance, must devise strategies to provide a synthesis in various programmes embarked upon such as spatial development initiatives, SMME development, Urban Renewal Programmes and IDP programmes. Wegelin and Borgman (in Pieterse, 1998:1) note several roles of government in this regard"

- National government must recognise the role and importance of municipalities as providers of basic urban services and their direct relevance to the everyday lives of the people in their jurisdiction,

- Local governments increasingly must assume legally enshrined policy making and implementation powers to facilitate effective decision making,

- Municipal institutional capacity to manage existing resources and to mobilise additional reources must be enhanced, and

- Local governments must support the critical contribution made by civil society anti-poverty initiatives at local level in order to maximize their impact.

Government must play a leading role in this process regarding policy and institutional framework, financial and other resources, building partnerships, establishment of norms and standards and service level agreements with various actors engaged in LED, particularly the private sector. "In other words everything that government does must be deliberately aimed at impacting on patterns of ownership, production and supply within municipal economies" (DPLG, March 2005). In terms of the Constitution section 155 (7), the national government and provincial governments have the legislative and executive authority to ensure support to the effective performance by municipalities of their functions as stated in schedule B of the Constitution. The provincial government is charged with the duty to promote development and capacity building, and also monitoring financial management of municipalities. A more nuanced role of provincial government in LED is clearly articulated in the DPLG Guidelines (2005), in the following manner:

Local government departments in the provinces should support municipalities to address LED as a key governance capability. The role of economic affairs departments in the provinces together with provincial development agencies is to support municipalities

with among others, technical economic development resources, funding, investor and business information.

The local sphere is seen as the integral part of the process of socio-economic development and its position closest to the people enables together with the community to solve some of the seemingly intractable local problems. "The focus on the local authority's role in economic development stems from the recognition that local government should be active in facilitating production of goods and services, and not just their consumption" (Parnell, 2000:204). Municipalities have a leverage to provide linkages and integrate initiatives, as they exist in the level of implementation. Rogerson (1998:32) states, "Local governments are well suited to the task of coordinating various actors involved in a local context in order to ensure that the interventions implemented by the private sector, government or NGOs fit into existing networks or expand in a coherent and efficient manner to suit local conditions". Central to this task is accountability and cooperation and respect for autonomy of institutions. In addition, provincial and local governments have a responsibility to implement monitoring and evaluation mechanisms to ascertain whether the interventions achieve the desired outcomes.

2.3.2 Development Finance Institutions (DFIs)

South Africa has set up institutions which are charged with encouraging entrepreneurship and business development such as Intsika, Independent Development Trust and Independent Development Corporation and the Development Bank of Southern Africa which have the capacity and the financial muscle to invest in small business development. These institutions are capable of assisting

emerging businesses to be established formally through finance and mentorship programmes.

Against the rubric of LED strategies the municipality must utilise on this opportunity to draw on these development finance institutions to play a part in developmental local government through building productive capacity sectors in the locality as well as encouraging entrepreneurship to flourish. It is in this context that local businesses as well as investors can come under one umbrella to exchange lessons of experience in order for businesses to survive and expand rather than compete to close each other out of the market. Skills transfer must be part of the package that once an entrepreneur grows and has a thriving business that contributes to the local economy that entrepreneur has the developmental responsibility to mentor emerging businesses as well.

2.3.3 Private Sector

In recent years the concept of PPPs has gained significant popularity in the public policy domain. This has emerged from the acknowledgement that government cannot succeed in providing services and promoting economic growth if it attempts to go it alone. Nevertheless, at a local level this phenomenon still needs to be fostered to ensure maximum endogenous development in communities.

The role of the private sector is pivotal in the realisation of socio-economic development, through resource mobilisation, improvement of the skills base and linking projects to creation of employment and poverty alleviation. "PPPs as a policy instrument can be used to promote emerging businesses and support NGOs and CBOs.

Furthermore, it can serve to mobilise private sector investment and promote development projects, which are initiated – but cannot be funded or delivered efficiently – by the local authority" (Wesgro, 1998:13). The private sector needs to focus on investment, which in return presents ample opportunity of attractive returns on investment.

2.3.4   Civil Society

Civil society has an immeasurable history and heritage of contributing to initiating anti-poverty strategies to fight the plight of impoverished communities, during the years of apartheid. The vigorous pursuance of effective community economic development rests with the involvement of all such players to bring their experience and resources to bear. Community based structures reflect the views and priorities of significant segments of the population, thus they have a critical role to play in the LED in order to ensure that the poor accrue the necessary benefits.

In Khayelitsha, which is the focal point of this study, Khayelitsha Development Forum (KDF) and other NGOs have striven relentlessly to respond to the challenges confronting that locality such as poverty, unemployment and underdevelopment. As Dyantyi et al (1998) adds, "These organizations have been involved in a whole range of both social and economic initiatives, the majority of which have involved high levels of community participation". The civil society plays a role in mobilizing communities and often resources through donor funding to pursue development objectives. In Khayelitsha, KDF formed strategic partnership with the Foundation for Contemporary Research (FCR) which is commendable and displays the attribute of building networks which is critically important for the development trajectory of the

locality. This partnership was premised on the need for capacity building. The FCR (quoted in Madell, 2002:13) notes, "The importance and necessity to engage in broad alliances with other NGOs in the pursuance of development facilitation in communities cannot be overemphased".

2.3.5 Local Community

Community involvement is the cornerstone of any sustainable people-centred and driven development process including LED itself. Real community economic development cannot take place meaningfully without the involvement of the community that must ultimately drive the process and ultimately reap the benefits. "It has become essential for communities to be actively involved in managing their own development. Community Based Planning (CBP) linked to the local government system provides an opportunity to make this a reality" (Khanya, 2002 quoted in Abrahams, 2003:194). The significance of community involvement is underscored by a plethora of laws and strategies i.e the Constitution, Municipal Systems Act and Structures Act respectively as well as ISRDP and URP, which view community development and local democracy as absolutely essential. These instruments enforce the ethos that communities must become their own liberators and not wait for solutions to fall from the sky.

It is noteworthy to recognise that IDP and LED planning occurs or should occur at different levels, that is, at ward level and at the level of the municipality. Plans emanating from ward committees must inform or be factored in the broader plans of the municipality. This resembles a bottom-up or grassroots approach. LED planning at a ward or neighborhood level usually has a strong pro-poor perspective

since the emphasis since it responds directly to the challenges afflicting the majority. However, it is important that the type of LED plan that emerges at each of these levels needs to link with those at other levels (Abrahams, 2003:194). Further, these plans must be incorporated into the provincial strategies focusing on growth and economic development.

"The essence of Local Economic Development (LED) is that it gives local authorities new responsibility and scope for local development planning, which often involves partnerships with private sector, community organizations, unions or NGOs (Rogerson, 1999:32). All these various actors have a critical role in the consolidation and advancement of local economies. Strategic cooperation and systematic convergence is critical to ensure that synergies are leveraged to benefit the community faster. "It needs to be complemented by a wider conception of LED that would seek to promote a multi-layer, multi-actor approach, draw civil society and business actors back into the centre of play and strive to connect poverty alleviation with economic growth" (Hindson, 2003:153). This is not to suggest that the municipality must abdicate its responsibility of planning and implementation but on the contrary it ensures that initiatives have the blessing of the intended recipients for sustainability. It also draws on the wisdom and resources of a wider spectrum of players in order to develop comprehensive responses to community challenges. Local government as the locus of LED in government has a fundamental role to fulfill in being a catalyst for economic growth to improve the living conditions of the people.

2.4 PROBLEMS ASSOCIATED WITH LED IMPLEMENTATION

There are some emerging challenges associated with the planning and implementation of LED that hamper the development agenda for which this strategy was initiated. In particular, the challenge lies at the different interpretations that could be attributed to the two initial approaches, respectively the developmental and non-developmental. As Abrahams (2003:186) argues, "However, the idea of LED planning has not only brought with it renewed hope and energy to deal with ailing and stagnating local economies, but also a degree of confusion in terms of implementation of LED. This is mainly due to the interpretation of what LED actually is".

The important people who are entrusted with the responsibility of facilitating and overseeing the implementation of LED, namely councillors and officials often do not have the correct conception of LED and thus poor application in their specific areas. "Local government officials have had difficulty translating these different approaches into effective and meaningful LED implementation in their localities" (Abrahams, 2003:186). This situation, together with other factors, is attributable to the fact that the development of IDPs and LEDs has been outsourced to consultants and not influenced by the participative process involving the various actors as alluded to throughout this Chapter. Most notably, the Portfolio Committee argued that the LED Fund made municipalities think that LED is just a project and one of the things that they are hoping to get rid of (Portfolio Committee Report, 2004:11). LED is not just a project that will eventually fade away but combines strategies to develop and empower communities in a sustainable manner.

2.5 SUMMARY

The new dispensation brought to the fore the realization that local government must play a more developmental role and local authorities are thus compelled by the Constitution and other legislative requirements to pursue LED. The two approaches in particular are not mutually exclusive hence the government integrated the two to form the basis for democratic developmental local government. The edifice of the LED approach is the emphasis on multi-actor, multi-layer and participative nature. This underscores the responsibility of the municipality to initiate and coordinate partnerships to draw resources and leverage on the different but complementary contribution to revitalize the local economy and fight poverty. Local government must be a catalyst for building sustainable local economy. Equally important, in the partnerships and implementation of LED to improve local conditions is the accountability and monitoring and evaluation to determine the efficacy of the LED programmes.

Local government as a centre of development and catalyst for integrated development must ensure that the system of governance works under stable and democratic conditions. Sustainability of municipal development programmes depends on the existence of, and exercise of democratic participation rights in a people centred process. The mechanisms in local situations such as ward forums, *Izimbizo* (public consultation), and council political systems are extremely important to ensure development by the people and imperatives of accountability.

From the democratic forums which enable democratic decision-making and community ownership the process unfolds and allows formulation

of plans and allocation of resources including human, financial and technical. Planning occurs at various levels, namely ward or neighborhood and municipal level in the context of many municipalities and the significance of this is the incorporation and integration of these plans into the wider development plans of the province in general. The shortcomings identified in this chapter include inability of officials to translate plans into practice. This problem as well as capacity constraints need to be addressed as a matter of urgency.

CHAPTER THREE

THE LEGISLATIVE AND REGULATORY FRAMEWORK

3.1 INTRODUCTION

The local government framework, structure, systems and practices are set against the backdrop of the Constitution in particular chapter 7 and a plethora of local government laws. It is therefore imperative to discuss the legislative and regulatory framework of local government in order to gain a broad understanding of how local government functions and what instruments foster the developmental posture of municipalities. The evolution of local government policy and the progress in implementation is equally significant. It is so because of the need to understand what was envisioned by the architects of local government regulatory framework deriving its wisdom from the civic struggles pre-1994 and more importantly from the Constitution which ushered developmental local government.

Development of LED strategy underpinned by the IDP framework is critically important however, an examination of policy implementation trends and an observation of some successes to be replicated elsewhere or shortcomings to overcome is a worthwhile exercise. There are several important aspects of policy implementation that are relevant in the implementation of LED. These include chiefly the governance and management aspects.

Governance and management are critical variables, which are inextricably linked in the implementation process at local government. These variables inform the leadership and legitimacy on the one hand

and planning and programming process on the other hand. It therefore becomes very important to capture the meaning and application of these concepts in the context of local government. This Chapter deals with governance; its instruments and intricacies, and management and related dynamics in the implementation at local level. Governance and management are intertwined because if applied adequately they both ensure effective and complementary planning and implementation of local area development oriented interventions.

Local authorities are legally obliged to engage communities in the planning and execution of development objectives. Planning and management of development activities must be sensitive and respond to the specific needs of the community. In addition, communities are legally entitled to participate in performance management of the municipality to determine whether officials effectively and efficiently discharge their duties and thus achieve the pre-determined priorities.
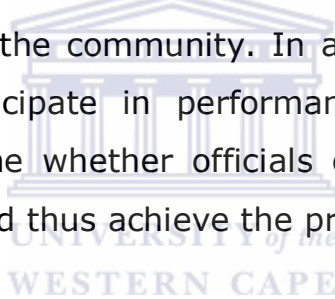
3.2   THE LEGISLATIVE FRAMEWORK OF LOCAL GOVERNMENT

The underpinning legislative arrangements that inform the configuration, functions and structural relationships of local government form basis for any discussion on this sphere of government. In a comprehensive case study entitled "Local Government Policy Development in South Africa" (2002) Gail Montsi nicely illustrates phases that characterised local government policy in South Africa including "the pre-interim phase, the interim phase and the final phase".[2] All three phases were characterised by a plethora of

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[2] This paper provides a good insight and illustration of the plethora of legislations and policy on local government in South Africa. It also offers a theoretical analysis on the complexities of national and provincial policy initiatives which have a bearing on local government. Interested parties can find this in a book entitled *CASES IN POLICY MANAGEMENT: A FIELDWORK BOOK OF POLICY INITIATIVES IN SOUTH AFRICA* published by the Graduate School of Public and Development Management (P&DM) University of Witwatersrand.

laws, policies, strategies, programmes and projects, Montsi (2002:129) holds the view that "……the final phase (2000 onwards) should begin to concentrate more on the implementation of policy, capacity building, and monitoring of service delivery".

Table 2. Legislative and policy developments of local government in South Africa

Phase	Megapolicy	Mesopolicy	Discrete policy
Pre-Interim (1993-1996)	É Interim Constitution (1993) É Reconstruction & Development (RDP)	É Local Government Transition Act (1993) É Urban Development Strategy (1995) É Rural Development Strategy (1995)	É Development Facilitation Act (1995)
Interim (1996-2000)	É Constitution (1996)	É White Paper on Local Government (1998)	É Municipal Demarcation Act (1998) É Municipal Structures Act (1998)
Final (2000)			É Municipal Systems Act (2000) É Municipal Finance Management Act (2003) É Property Rates Act (2004)

Adapted from Montsi (2002:122)

Montsi also asserts that further policy initiatives may be required which may include:

- *The redrawing of boundaries at the regional and district levels for other services such as health, education, social welfare, labour, justice, police etc to make them consistent with the new boundaries of local government (Sunday Times, 20 August 2000).*

- *The continuing devolution of management authorities and responsibilities in these and other areas to local government. For example, the White Paper on Social Welfare makes provision for the devolution of welfare functions to local government; the National Environmental Management Act leaves open the option of incorporating local government into the provisions of environmental planning and management (2002:129).*

The fundamental transformative laws upon which the developmental principles of local government are based, include primarily the Constitution, the White Paper on Local Government, as well as the Municipal Systems and the Structures Acts respectively. These legal instruments and policies are the cornerstone of the notion of democratic developmental local government is based. The Constitution which precipitated promulgation of various local government laws dedicated Chapter 7 to local government whilst Chapter 3 deals with principles of cooperative governance. Accordingly, the Constitution sets out various fundamental objectives for local government, which form the basis for its existence. Chapter 7 section 152 (1) of the Constitution highlights the objectives of local government including:

a) to provide democratic and accountable government for local communities,

b) to ensure the provision of services to communities in a sustainable manner,

c) to promote social and economic development,

d) to promote safe and healthy environment, and

e) to encourage the involvement of communities and community organizations in the matters of local government.

Importantly in these objectives the central feature is the paradigm shift in local government from the authoritative, regulatory and racially biased service provider to a more developmental approach. The Constitution primarily enjoins local government not only to provide services but most fundamentally to be developmental and move progressively towards social and economic empowerment of the people. A paper published in 2002 by the Human Sciences Research Council (HSRC) authored by Doreen Atkinson entitled 'Local Government, Local Governance and Sustainable Development' highlights various critical elements about the significance of local government in promoting development and how local government should be supported by other sectors. There is however, a seamless connection on the underpinning purpose of promoting social and economic development between various laws, which stem from developmental local government.

3.3 PARTICIPATORY DEMOCRACY AND GOVERNANCE AT LOCAL GOVERNMENT

Local government as a sphere is practically better placed to harness the role of communities because constituencies are relatively smaller and issues specific to particular wards or communities. Governance according to Atkinson (2002:2), refers to government's relationships

with the electorate, the public, consumers of services, and non-state actors. A development oriented system of governance, therefore, is an institutional environment in which government creates these types of complementary relationships with stakeholders to move in a developmental path. Another important element in relation to governance is inter-organisational networks that reinforce cohesion and integrated strategies and programmes.

All pieces of legislation on local government mandate this important sphere to provide democratic and accountable governance through encouraging adequate participation by communities and organized formations in promoting socio-economic development. The resultant effect of apartheid is the confrontational relationship between local communities and local authorities and therefore the challenge at this juncture is to facilitate and harness mass mobilsation heritage for community partnership and ownership. The developmental local government places more emphasis on transformation of local government functions to foster community participation and to ensure enduring socio-economic development trajectory. Developmental local government is defined as "local government committed to working with citizens and groups within the community to find sustainable ways to meet their social, economic and material needs and improve the quality of their lives" (White Paper on Local Government, 1998, section B).

The emphasis on the democratic developmental potential of local government is premised on the proximity of local government with the communities.

Local government is important based on several key factors: firstly, local government functions are multi-sectoral. It is the sphere that practically, at the level of implementation, integrates several multi-sectoral and transversal issues within one developmental policy. Secondly, local government is 'closest to the people', municipal offices are located in close proximity to the people. Councillors have a relatively smaller constituency to represent and therefore can focus on community specific issues. Thirdly, real development requires ongoing involvement with beneficiaries and communities, whether in the form of leadership development, institutional capacity building, public participation in planning or project implementation and frequently conflict management (Atkinson, 2002:3).

The significance of community participation in the development process is underscored by the Municipal Systems Act by devoting an entire Chapter 4 on community participation highlighting various mechanisms, processes and procedures thereof. Community participation in the identification of priorities of the IDP and even participation in performance management is a critical signal about the importance of participative democracy and governance at the local sphere. This is encapsulated within the preamble of the Municipal Systems Act in the following way: "whereas a fundamental aspect of the new local government system is the active engagement of communities in the affairs of municipalities of which they are an integral part, and in particular in planning, service delivery and performance management". Various systems have been instituted to harness community participation on local government matters, whether those systems are effective is another question. The LED strategy must not only take into account local priorities but must build

productive capacity of the local space and prioritise residents in economic opportunities and capacity building. This will enable community members to participate meaningfully in the economy.

3.4   SYSTEMS OF GOVERNANCE AND ACCOUNTABILITY

A myriad of systems to harness governance at the local sphere of governance have been instituted which legally bind municipalities to initiate practices of good governance. Public participation is an imperative tool to ensure democratic local government grounded and guided by the aspirations of the people. To this end the Municipal Systems Act mandates municipalities to create a 'culture of municipal governance that complements formal representative government with a system of participatory governance". Local government is also legally obliged to capacitate local communities to participate meaningfully in the affairs of the municipality. Equally, municipalities are required to allocate funds to ensure that community participation as well as capacity building is implemented. In the same vein the Municipal Structures Act established various mechanisms and processes to foster public participation. These systems of governance and accountability that are critical in building and strengthening functional relationships at the local level include inter alia, the ward system, consultative sessions, advisory committees and political structures.

Successful implementation of LED hinges on the utilisation of these structures in order to ensure multiplicity and diversity of knowledge and ensure community buy-in. Such structures were used in the Urban Renewal Projects model and based on the evidence this approach yielded positive results. Figure 1 below shows these structures and levels of accountability.

Figure 1 URP structures in Khayelitsha
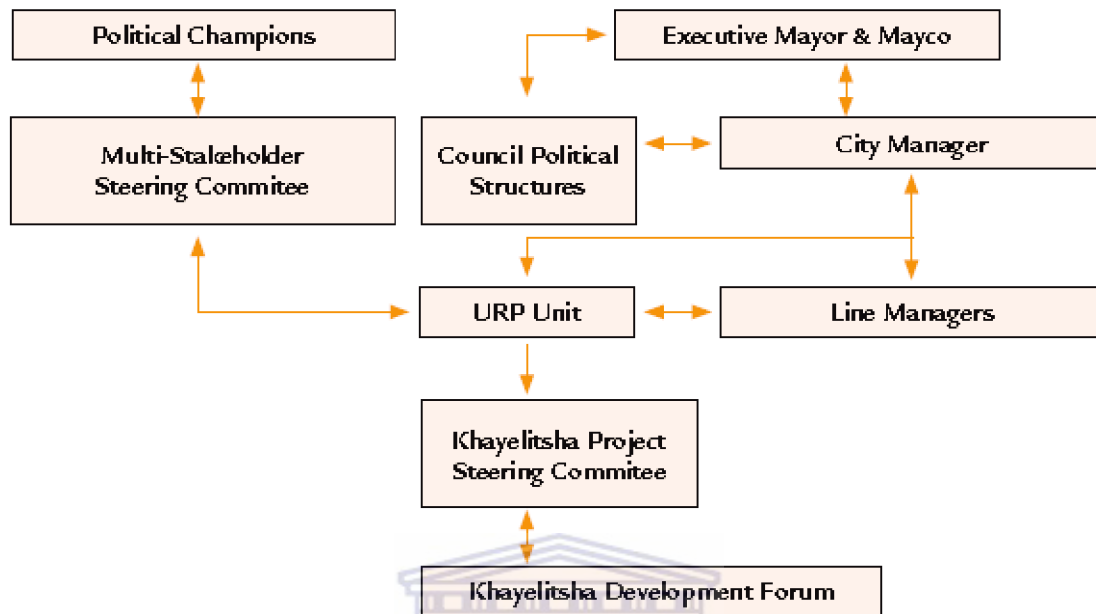
Source: Cogta URP Anchor Projects (2009)

3.4.1   The Ward System

All the 283 wall to wall municipalities are demarcated into various wards with a councillor representing in each ward. The ward system was applied since the 2000 local government elections. Ward committees play a fundamental role in developing a culture of municipal governance as stipulated in the Municipal Structures Act, argues Hollands (2003:21), "Ward committees exist to ensure participation in local government and as such are key mechanisms for communication with the public". The primary objective of the ward committees according to the Municipal Structures Act is to enhance participatory democracy in local government. It is abundantly clear that ward committees are intended to become a conduit between the municipal council and the community in a constructive and

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complementary manner. More recently, based on the realization that ward committees are not formed or are dysfunctional based on lack of resources the Department of Cooperative Governance and Traditional Affairs has devised a new funding model for ward committees to ensure efficacy of these structures.

More importantly there are certain rights and obligations that govern this interaction as stipulated in the Municipal Systems Act of 2000 in section 5:

a)   *through various mechanisms, members of the community have a right to*

(i)   *contribute to the decision making process of the municipality; and*

(ii)   *submit written or oral recommendations, representations and complaints to the municipal council or to another political structure or a political office bearer or the administration of the municipality.*

b)   *prompt responses to their written or oral recommendations including complaints to the municipal council, and*

c)   *be informed of the decisions of the municipal council, or another political structure or any political office bearers of the municipality, affecting their rights, property and reasonable expectations.*

The complementary role played by these role-players is mutually reinforcing in the developmental process of the municipality. Municipal-community partnerships must be instituted to ensure broader participation in the development process in a sustainable

manner. It is through such partnerships, interrelationships and networks that participatory democracy could be achieved using locally available skills and fostering LED through boosting local businesses. "The significance of involvement of communities through ward committees is underpinned by the significance of local resilience or bottom-up development" (Nel, 2001).

Councilors are elected to represent the interests of the specific wards that constitute smaller constituencies compared to national and provincial counterparts. The ward system, according to Atkinson (2002:3) means, "Councillors must attend to the needs of specific neighborhoods". To further enhance governance and accountability wards are encouraged to form ward committees where councilors engage communities on development issues including but not limited to LED, spatial development and environmental sustainability. It is noteworthy that ward committees have not been successful and their parameters are not properly articulated thus credibility is questionable. As Hollands (2003:240) argues, "Ward committees remain uncertain of their functions, not because laws provided an inadequate framework, as is frequently claimed, but because municipalities have failed to flesh out details of terms of reference and operating procedures based on national policy". Communities and municipal councils alike have been cautious, if not suspicious of ward committees because of lack of clearly defined parameters of ward committees in local government. 'Street level politics' have also manifested in ward committees where this has become a site of political struggle and tension as contestation for power finds expression in ward committee meetings. Another striking indication of the failure of ward committees has been the proliferation of 'service delivery protests' where communities express their anger at corruption and lack of service delivery. On realization of

the weaknesses of ward committees the Department of Cooperative Governance and Traditional Affairs is revising the ward committee funding model to ameliorate the prevailing constraints.

3.4.2 Consultative Sessions

The contribution of CBOs and NGOs was profound during the struggle against the evil system of apartheid. The post-apartheid government has recognised the role these structures can play in building and strengthening democratic local governance. Developing relationships and interaction between councillors and civil society formations is significant in promoting development priorities and establishment of partnerships to implement municipal programmes. The Municipal Systems Act provides for the formation of consultative forums with locally recognised community organizations and where applicable traditional authorities as a means to enhance people centred development. "Municipal authorities are legally obliged to involve civil society formations in the formulation of municipal budgets, planning and development priorities". (Houston et al, 2001:207).

3.4.3 Advisory Committees

The Municipal Systems Act of 2000 section 17 (4) also makes provision for the establishment of the advisory committees to advise and recommend to the council on matters relevant to the councils competence. This must be constituted by people who are not councillors and must take into account issues of diversity on the basis gender in particular. This provides a window of opportunity for qualitative and meaningful participation by the community members on specific issues that advance the development priorities of the

community. Notably, this mechanism to enhance participation is not broad based in essence but forms part of much broader efforts to foster participatory democracy at local level. It is however, an attempt to utilize local knowledge and skills to further the cause of local development instead of reliance on consultants, which inherently has financial implications.

3.4.4   Council Political Structures

Municipal councils are inherently political in their orientation as the ascendance of representatives is through a political process. In the South African context local government elections apply a hybrid system where councillors are elected through the Proportional Representation and ward system. Political structures according to the Municipal Structures Act of 1998 mean the "municipal council, any committee and any collective committee elected, designated or appointed in terms of the Act". The role of political structures is of paramount importance because it fosters deliberation of matters of municipal council to ensure transparency and good governance as prescribed by the Constitution.

In the context of IDP and LED it is extremely critical that council political structures are involved from the inception of programmes and more importantly engage in resource and public mobilization. In addition, ward councillors in particular must ensure that sub-councils and wards' interests are prioritized in developmental programmes. The municipal council, political structures and office bearers are obliged by law to hold public meetings to update and engage the community and are also required to call public hearings on issues of public interest.

3.5 MECHANISMS FOR GOVERNANCE AND IMPLEMENTATION

It must be noted that for any programme or project to be effectively implemented there are numerous ingredients that ought to exist. Successful implementation of a policy, programme or project depends on the leadership, management and institutional capacity. These are some of the critical enabling features in any environment involved with implementing public policy. However, these processes are not the end in themselves, as it may seem, but form the basis for other areas to flourish. This part of the paper focuses on the issue of leadership and its inherent variables while management and its facets will be dealt with in the second part of this Chapter in order to provide sufficient discussion and analysis of that subject matter.

Leadership is very important in all stages of the policy process, in fact, it determines the pace, level and scope, implementation and the subsequent processes such as monitoring and evaluation. Hence the thrust of this part of the Chapter focuses on the significance of leadership in policy implementation with particular emphasis on local government. The intricacies of leadership and the importance of other factors including coordination and management in the context of leadership are also discussed at length.

3.5.1 The Significance of Leadership and Management

Leadership is essential in influencing and developing policies that are legitimate and can be supported with adequate resources thus making them implementable. Leadership and strategic management have a tremendous role in the speed of the policy process and thus the likelihood of provision of adequate support systems for

implementation. Decisive and visionary leadership and management play a fundamental role in prioritizing programmes and locating such programmes in levels vested with authority and sufficient resources exist or can be mobilised. In the recent past the Presidential Lead Programmes (PLPs) are usually priority programmes which, needless to say, enjoy adequate political support and thus more urgency and resources. The important role of political leadership in policy implementation is its ability to mobilise support and resources to achieve the policy objectives.

"The role of leadership and management is critical in realising policy implementation. In addition to vision, policy development, law-making and political oversight, it is imperative that leadership and management focus on the translation of policies and laws into operational levels" (De Coning, 2004: 17). Leadership role must be understood in the broader context and must not be divorced from other actors in the policy implementation environment. Leadership is part of the broader spectrum, as De Coning (2004:17) further stresses that policies must be translated into implementation indicators by senior management, in consultation with political leadership in order to align and realise the operational policy and strategy. It is also important to ensure that sufficient capacity exists to undertake to implement programmes. Political will is extremely important but always needs to be kept in check with what is realistically achievable. Any discrepancies between policy objectives and what can be realistically implemented can cause noble ideas and policies to plummet into chaos.

3.5.2   Leadership and Coordination

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The Presidential Review Commission of 1998 proclaimed several principles to enhance implementation within the state machinery. The Commission noted that a strong, coherent, political and administrative leadership was necessary to enhance implementation. It also stressed the importance of inter-departmental coordination to ensure coherent policy implementation. It is crucial to acknowledge some of its recommendations have been implemented particularly inter-departmental coordination and intergovernmental relations have been significantly improved through the establishment of various bodies in the Presidency such as Forum of Directors Generals and MinMecs.

Coordination of policies and alignment of strategies is important as it enables officials to have the same interpretation and thus be able to translate into non-contradictory achievable objectives. Coordination is increasingly emphasized in effective policy management as it involves managing a series of interlinked activities conducted within often complex institutional and organisational frameworks. However, coordination and coherence in local government has been neglected over the years, until 2000 when the Municipal Systems Act was enacted. As Atkinson (2002:5) states, "Furthermore, the leadership role of municipalities has become paramount. Until 2000, many national and provincial departments implemented infrastructure roll-out programmes, within municipal jurisdictions".

A plethora of government programmes must cascade to local government as a sphere closest to the people, essentially, a centre of gravity. Local government was mandated to develop IDPs which is a comprehensive planning instrument to align and integrate community priorities as well as initiatives from the upper spheres of government.

Other policies that must be incorporated into the IDP include but not limited to:

- The Water Services Act, 1997 – requires a water services development plan as part of the IDP; and provides for certain norms and standards against which the performance of water services authorities (in most cases local government) is to be monitored,

- The Housing Act, 1997 – requires local government to ensure access to adequate housing as part of the IDP process,

- The National Land Transport Act, 1999 – requires transport authorities (a single municipality or group of municipalities) to prepare transport plan as part of the IDP, and

- The White Paper on Integrated Pollution and Waste Management, 2000 – requires local government to develop general waste management plans to collect data for national waste information system (Montsi, 2002:127).

National and provincial programmes were thus tailored into local government through the IDP process. Departments national and provincial respectively are required constitutionally, in accordance with cooperative governance to assist municipalities to lead in project implementation through funding and capacity. The Intergovernmantal Relations forums must be established which draw government departments, entities and municipalities in order to ensure coordination and integrated planning.

In relation to LED which involves capacity building, local business development and Small, Medium and Micro Enterprises (SMMEs), integration and coordination between the Department of Trade and Industry and development finance institutions as well as municipalities is critical. There is often insufficient capacity in local government to ensure adequate business support and development, which can be addressed through more coordination, and concerted effort between the two upper spheres.

3.6 POLICY MANAGEMENT AND IMPLEMENTATION IN LOCAL GOVERNMENT

The paradigm shift in South African local government comes with greater responsibilities for municipalities to respond to the developmental needs of the electorate, which invariably necessitates deployment of more resources and capacity building to implement development programmes. In line with the enabling legislative arrangements which, in essence broadens the scope of local government, more managerial capacity to manage resources and the formulation and implementation of policy and programmes is essential. The thrust of the argument in this section is that managerial expertise, which is technical competence, is extremely important in policy implementation and development in general.

Change of management practices in order to fit to the changing conditions in local government is critical, but this paper does not suggest that adequate management is a solution to all problems and thus immune from institutional problems. Hence the purpose of this part of the Chapter is to explore in detail some of the critical components of management practices. Some of the critical areas that

are captured in this paper include inter alia, integrated management, planning and programming, accountability and performance management. This part of the Chapter entails a discussion on the institutional capacity to render necessary services and implement predetermined objectives. This thesis places emphasis on the institutional capacity, culture, networks and relationships which remain a solid foundation upon which effective implementation is based. Institutionalization of programme and project management ensures that proper structures, channels and accounting mechanisms are put in place for implementation of development projects.

3.6.1   Management and Accountability

There are various definitions of the term management. For the purposes of this paper management refers to the process of strategic planning, organising, coordinating, controlling and leading effectively to achieve certain outcomes. These elements are imperative for implementation of any policy initiative. Traditionally, local government was not required to perform any significant development oriented managerial functions, which crippled the capacity of local government to deliver effectively and efficiently. *Hitherto*, local government still has a difficult predicament of chronic skills and managerial expertise shortage that are necessary to translate policies and strategies into operational level. Essentially, local government needs management and leadership that can inculcate a culture that is conducive for project or programme implementation. As Atkinson (2002:6) asserts that, "There is clearly a great need for creating project management capacity within municipalities, both in terms of staff availability and in terms of relevant skills". Local government functions, in line with the principles of development local government, require professional

managers and staff that are able to understand broad national imperatives and conceptualise strategies and development programmes that are practical and affordable.

Relations between managers and staff are complex and managers in particular are often in political infighting and other squabbles which hinder achievement of the developmental agenda. There are many anecdotes of Municipal Managers who hold senior positions than Mayors in political parties which blurs the lines of accountability etc. This prompted the current President Jacob Zuma to declare that no municipal official should hold a position in a political party in the recent 2010 January 8th Statement in Kimberly. Compounding the problem is the dearth of capacity which is also a result of flawed deployment practices. It is also critical to ensure professionalization of local government management through mandatory registration or affiliation to professional bodies.
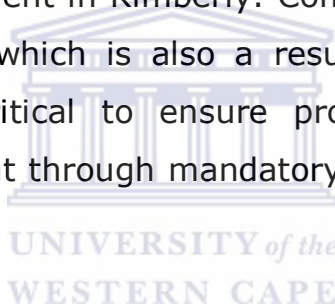
Managerial capacity in local government must be boosted to avoid the tendency of burdening senior and middle managers with project management in addition to their duties. The point in case is highlighted by Atkinson:

> *Until now, municipalities have undertaken development projects simply by using their existing senior and middle-level staff. Typically, heads of technical departments, heads of administrative support departments and environmental health officers have managed projects. This was usually in addition to their normal line functions. Many of these staff members lack project management skills and, in particular skills of interacting with developing communities (2002:6).*

This point causes paralysis of local government primarily because additional duties are not necessarily priorities as staff generally has core functions to perform. Accountability is one of the fundamental governing principles entrenched in the Constitution and is the cornerstone of democratic local governance. The strength of accountability mechanisms is enhanced if outputs are spelt out in advance. If managers are allowed to manage, and are given the appropriate scope of responsibilities which allows them to do this, the emphasis moves from bureaucratic control to service delivery. Managers – manage relationships (accountability) with both politicians and the public to gain legitimacy for their actions and to renegotiate their mandate. Municipalities are mandated by law to adopt IDP in consultation with the communities, but community participation necessitates accountability on service delivery against pre-determined objectives. If delivery standards are unsatisfactory, the municipal council may remove the manager or not renew the contract at the end of the term.

3.6.2   Integrated Management Structures and Practices

Local government is the base for implementation of government programmes, and this is the motivation for its developmental character adopted in the post-apartheid era. By implication, local government must therefore through the IDP framework integrate and coordinate implementation of government programmes which are multi-sectoral in nature. Integrated local government management challenges municipalities to formulate all-embracing plans encapsulating numerous national imperatives while prioritising local needs. Local government ought to consolidate, in a holistic manner, all delegated programmes to blend with local development priorities and

thus ensure a coherent plan of action. To augment this view Parnell et al (2002:83) assert, "Under the rubric of DPLG (now CoGTA), the social, environmental, economic and physical challenges and aspirations are to be simultaneously confronted in a holistic vision of sustainable development that will be operationalised at the municipal scale". National and provincial are duty-bound to assist municipalities through deployment of technical skills and resources to municipalities that are experiencing problems in order to resolve chronic challenges in a sustainable manner.

Integrated planning frameworks at all spheres of government must reinforce each other particularly at provincial and local level. Notably, this practice has emerged through the Provincial Growth and Development Strategies which should be informed by municipal IDPs. Unfortunately due to dearth of experience with public participation or indeed lack of capacity, IDPs are developed by consultants and the 'usual suspects' such as PPPs, attracting investors and boosting local agriculture whilst thin on details and implementation remain a common feature in the most municipal IDPs. This puts ugly blemishes in the well intended idea and as such the desired outcomes are unlikely to be achieved unless an urgent intervention is instituted in this regard. IDPs are reviewed annually and the Department of Cooperative Governance and Traditional Affairs (CoGTA) reviews and rates municipal IDPs and so far has given a 100% credibility rating. This credibility rating ought to consider the process of gathering priorities, feasibility of programmes as well as resource implications.

Now shifting the focus towards sustainable management of the organization and implementation process; readings on sustainable development have focused on or have been interpreted on the basis of

environmental and socio-economic impacts. However, Fanie Cloete's exposition suggests that it (sustainable development) should be "conceptualized holistically to include political, institutional and managerial dimensions" (2002:279). Furthermore, sustainability should not be limited to financial viability, but more broadly the ability to deliver quality services, adapt to changing circumstances and new challenges while improving services rendered. "Managerial sustainability refers to strong and committed leadership; clear and unambiguous strategic policy objectives; a broad based consensus about these objectives; effective strategic and operational policy implementation; coordination, monitoring, assessment, review and redesigned process" (Cloete, 2002:279). Sustainability of management systems is important to maintain the established interrelationships and networks with the community and the political leadership. Sustainable management systems are essential, not for unjustified institutional prominence, but to build understanding (legitimacy) and momentum, improve service delivery standards, accountability, responsiveness and thus relevance and development purpose in the community.

3.6.3   The Planning and Programming Frameworks

This planning framework in local government is in the form of IDP which seeks to synchronise multi-sectoral policies and strategies. Unfortunately in the local government financial management and accounting legislation was introduced rather late and the financial situation in most municipalities is still fraught with discrepancies. The Municipal Finance Management Act stipulates various planning, management and accounting procedures for local authorities. Section 17 (3) (b) states that when an annual budget is tabled in the municipal council, it must it must be accompanied by measurable performance

objectives for each vote in the budget, taking into account the municipality's Integrated Development Plan. Importantly, regarding planning and management is economic, efficient and effective utilisation of resources directed towards priorities outlined in the IDP. In this context the promotion of LED initiatives has emerged as a central facet of policy and planning for both urban and rural reconstruction (Xuza & Swilling, 2008)

3.6.4 Performance Management and Public Participation

Performance management of service delivery in accordance to local priorities is particularly pertinent for the public and the municipality. Assessment of performance of the municipality as an institution based on the measurable objectives outlined in the IDP and other implementation strategies remains a critical area at local government. In recent months, local government in most parts of the country has been under immense pressure from burgeoning protests by communities against lack of service delivery and corruption amongst other issues. This indicates the shortcomings of 'Project Consolidate' which was an initiative of central government to assist ailing municipalities to strengthen their technical and management capacity in order to improve service rendering.

Continuous monitoring and evaluation of municipal programmes, projects and structures are critical mechanisms of performance management against the backdrop of the IDP. Performance management provides the fundamental basis for informed decision-making on allocation of resources and implementation of corrective measures to expedite service delivery. In a paper entitled 'Performance Management in Local Government' by Moodley on behalf

of Palmer Development Group, suggests that performance management in the context of municipalities is a useful tool to achieve greater effectiveness. Further, Moodley (2003:105) argues that performance management is an essential approach that relies on the regular:

- Measurement of municipal performance against commitments made by using indicators and targets relevant to the IDP of the Municipality,
- Assessment, by key stakeholders, of whether the IDP is being fulfilled,
- Adoption of corrective measures, and
- Improvement of the IDP.

Appropriate performance management systems equip municipalities to account to the stakeholders, public as well as interested civil society groups. As an accountability mechanism, performance management provides an opportunity for the public to determine the impact of the municipality in meeting their expressed priorities. Public participation in the formulation of the IDP is highlighted as the cornerstone of the entire process, public involvement is equally vital in the review process according to the Municipal Systems Act. The Municipal Systems Act (2000) stipulates that,

"A municipality must involve the local community in the development, implementation and review of the municipality's performance management system, and in particular, allows the community to participate in the setting of the appropriate key performance indicators and performance targets for the municipality".

This, if applied adequately in practice would invariably increase the accountability and relationship of trust between the community and the municipality.

Performance review of the individual as well as an institution against pre-determined objectives and measurable indicators must provide the information base that could be used in conjunction with other departments in local government. As De Coning (2005:29) argues, "In the quest for an integrated performance management system where the performance of the individual, the various units and the organization is measured, M&E results need to link directly with Management Information System and other components". Performance management ought to provide adequate information regarding effective and efficient use of resources (human and financial) in an effort to improve service delivery. Performance management systems must encapsulate various factors as illustrated in Moodley (2003:108) including amongst others, 'service delivery, development impact, resource management and implementation of governance' systems as mandated by the Constitution and subsequent local government legislation.

A healthy political and administrative interface is extremely crucial for performance management practices to prevail and enhance service delivery and thus accountability. Municipalities must be able to determine their capacity before making commitments on specific priorities to ensure that they are not destined for failure that places unnecessary pressure on the municipality. In other words, the priorities and expectations must meet the ability to deliver. Most municipalities inherited service delivery backlogs and racially distorted resources allocation, therefore the need in most areas is far greater

than available resources. It thus becomes critical that politicians in particular manage public expectations and keep them at realistic levels. This relieves the administration of pressure based on unrealistic objectives.

3.7 TOWARDS INSTITUTIONALISATION OF PROGRAMME AND PROJECT MANAGEMENT IN LOCAL GOVERNMENT

The quest for improved policy implementation in the South African public sector begins with changing the institutional approaches and realigns institutional structures and functions to manage programmes and projects. Institutional tools and techniques must enable the organization through capable managers to achieve the desired objectives. In the current conjuncture wherein technological advancement and competitive environments are flourishing, the public sector organization must incorporate technological tools that give the edge to implement and review performance relatively faster and cost effectively. The importance of more institutional and staff capacity cannot be overemphasised in the process of devolution of functions as these are deficiencies that are already crippling the implementation process at local government presently. Institutional capacity becomes more critical particularly in the context of implementation of LED which requires a variety of aspects including coordination, stakeholder engagement and investments or resource mobilization. Institutionalisation of systems and technologically advanced programming tools to assist in the project implementation process is essential. In the review of LED, Nel and John (2006:225) indicate that Implementation of LED "*suffered from various constraints chief amongst them is the permanent lament that there is a lack of experienced staff and resources within local government to handle LED*

successfully". More training in the field of LED programme management must be institutionalized to adequately equip management in the public sector with necessary project management and technical skills.

Programmes and projects are by far the best means to implement policies in the public sector in South Africa, this warrants specialized training in programme and project management for managers as well as support staff. In this way, strategic planning and coordination of interlinked activities to achieve the predetermined objectives, with specific timeframes and resources would be internalized in public sector organizations particularly in local government. "Training through Professional Certificates and Post-Graduate Diplomas and Degrees have been more successful and it is encouraging to see increasing numbers of managers and professionals opting for advanced training" (De Coning, 2005:27).
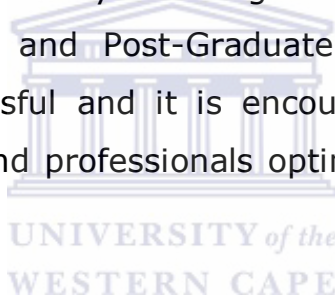
For training in project and programme management to yield good results transformation of the institutional culture and approach to that which encourages project management perspective is vital. As De Coning (2005:28) noted, *It was also soon realized that training and appointing project managers in departments had limited results if the project management approach was not institutionalized in the organizational context".* The appropriate champions of change process of the institutional approach would be the leadership, all various echelons of management structures and operational staff. This would enable the organization to translate and apply the project management approach and entrench a new institutional practice.

Staffing of LED Units has always been a challenge. No two LED officials have a similar educational background and expertise, and there is no LED professional qualification similar to that for planning and public finance. Even today, entry requirements for LED officials are something that an entity such as the Local Government and Water SETA (Sector Education and Training Authority) is struggling to define in its latest version of LED training for LED managers and officials. Skills and expertise are not the only challenge, and capacity is also an issue. Very few LED units, especially in needy municipalities, have more than two staff members (Xuza & Swilling 2008)

A flexible yet coherent institutional practice is essential to share responsibility and resources on cross-cutting themes intra and inter-departmentally. Local government in particular must introduce this project management approach to synchronise its project plans and implementation techniques. The planning process and its techniques in local government as warranted by national legislation must interface with appropriate institutional context conducive for the project management approach.

3.8   SUMMARY

A brief summary of some pertinent conclusions that emerged in this Chapter: this Chapter captured an array of critical components of governance and its significance in policy implementation. The enabling legislative arrangements and policies created a conducive environment for governance practices. The shift towards developmental local government necessitated that the democratic practices such as public participation, inclusion of civil society and transparency must prevail in

local government. In addition the Chapter dealt with the significance of leadership and it connection to management. In order to improve service delivery in local government, adequate management systems need to be implemented to enable the institutions to respond to the challenges confronting the communities. The lack of management capacity in particular project management capacity in most municipalities that results in overstretching of present managers and staff is a cause for concern. Management concerns the establishment of functional networks and interrelationships with the communities and stakeholders in a sustainable manner.

Within a democratic governance environment, municipal leadership sets the policy and tone and parameters and management have a duty to translate the policy priorities into realizable objectives. It is also the duty of management to ensure that programmes are better integrated, coordinated and well harmonized to maximize benefits and ensure efficient use of resources. Integrated planning is intrinsically important in the process of policy implementation in order to improve the living conditions of the poor in particular.

The planning framework for local government builds on this premise and mandates municipalities to encourage communities and civil society to participate in the decision-making processes thus increasing accountability and public confidence. Instituting performance measurements jointly with the communities is critical for municipalities as they are confronted by a mammoth task of redressing past imbalances. Municipalities are required to develop Performance Management System which provides information about the status of the projects and programmes against the priorities set out in the IDP process permeates the community to scrutinise. Municipalities must in

conjunction with the communities develop measurable indicators against which the monitoring and review ought to be done. This introduces an element of monitoring and evaluation that warrants institutionalization on project management basis. Capacity constraints in general cause challenges for service delivery in municipalities. However, a more acute capacity challenge confronts LED units in municipalities.

CHAPTER FOUR

FIELDWORK RESULTS (THE CASE OF KHAYELITSHA)

4.1   INTRODUCTION

Khayelitsha like many other South African townships resembles the apartheid creation with deeply embedded socio-economic problems that continue to haunt its residents. Poverty, unemployment and exclusion from economic activity are the hallmarks of the area which, needless to say, have a devastating effect on the community in various ways. In a comprehensive study of LED initiatives in Khayelitsha, Dyatyi and Frater (1998:3) assert that, "The economic problems relate strongly to its history of spatial, cultural, social and economic separation from the City". It is worth noting that it is due to the apartheid segregationist policies that townships such as Khayelitsha are confronted by underdevelopment, overconcentration of people and lack of progressive spatial development which resulted from gross neglect in service delivery, lack of planning and economic development.

Khayelitsha is the largest African township, predominantly a shack settlement that is located 30 kilometers from the City of Cape Town in the Western Cape. The spatial and economic segregation from the City and neglect and underdevelopment deprived Khayelitsha its economic development potential. The deliberate segregation as part of apartheid architecture and underdevelopment created the vast distance between Khayelitsha and many other black residential areas from employment opportunities thereby escalating the cost of commuting as a result of oscillation between work and home. This township is home to

approximately 900 000 people, majority of whom are unemployed, trapped in the web of poverty, and habours social ills associated with a bleak socio-economic prospect. Dyantyi et al (1998:2) trace its origins pointing out that, Khayelitsha was established as a dormitory settlement and labour reservoir, and it has virtually no significant formal economic base". As a result of the apartheid racist design and gross neglect with regards to service delivery and economic development, Khayelitsha is the most poverty stricken area in the Cape Metropolitan.

The City of Cape Town municipality is charged with the responsibility, according the Constitution and the local government laws, to develop the socio-economic profile of Khayelitsha and create employment, develop skills and fight poverty. The purpose of this Chapter is to discuss the material conditions in Khayelitsha and establish the mechanisms put in place to foster sustainable economic development. Equally important is the exploration of the governance and management mechanisms and institutional arrangements in place to harness productive economic development and participative democracy.

4.2   THE SOCIO-ECONOMIC NATURE OF KHAYELITSHA

Khayelitsha, as indicated earlier, manifests a poverty profile with high unemployment levels, low income levels, major housing and infrastructure backlogs, poor health due to poor living conditions as well as crime.

> *The Khayelitsha node had received no public or private investment since 1990, apart from the construction of the*

Khayelitsha (terminus) rail station. As administration of Khayelitsha was shared between the under-capacitated Lingelethu West Black Local Authority and the Western Cape Provincial Government, there was no capacity to drive an investment programme in an area that was very much a "no-go" zone during the era of political struggle pre-1994 (COGTA, 2009).
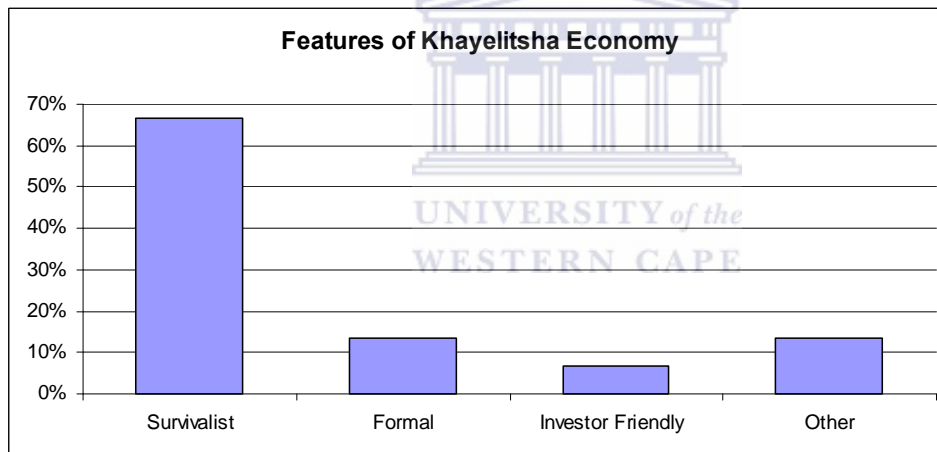
Khayelitsha is densely populated and the majority of people dwell in shack settlements most of which are without services. This is a legacy of apartheid segregationist planning and gross neglect of black residential areas both economically and service delivery.

The challenge of over-concentration of people in small spaces is particularly rife in Khayelitsha as, for historical reasons, 'double occupation' meaning two families occupying one plot and also large numbers of people in one household due to lack of adequate space for expansion. Inevitably this situation poses serious health, safety and environmental problems for the community. The problem of overcrowding presents a major challenge as people are often reluctant to relocate for fear of being moved further away from transport networks. Compounding the problem further is the challenge of "squatters occupying developmental spaces, for instance a group of squatters settled next to the railway line hampering the railway development plan" (interview with Councillor Mdoda, Chairperson – sub-council 10, Site B). As a result of desperation for settlement people settle in areas that are not fit for human settlement, thus making them vulnerable to problems such as floods and other risks. Khayelitsha is characterised by inadequate housing, insufficient

community facilities, as well as lack productive industries and commercial areas.

The dominant character of the economy of Khayelitsha, according to 68 per cent of the respondents, is survivalist based. In other words it is informal, hand to mouth, type of economy. Over 10 per cent believe that there are elements of formal economic activity and another 10 per cent stress that the economy is a combination of formal and informal sectors. Some respondents articulate the first economy and second economy dimensions as very dominant in the economic outlook of the area. These sentiments are demonstrated in the graph below.

Graph 1

Features of Khayelitsha Economy

70%	
60%	
50%	
40%	
30%	
20%	
10%	
0%	

Survivalist   Formal   Investor Friendly   Other

The graph below shows that 58 per cent of the respondents are optimistic about the economic trajectory of the area. This can be ascribed to the increasing presence and expansion of the retail sector as well as government buildings to improve access to services. About 23 per cent of the respondents indicate that the economic status is rather stagnant possibly because of lack of industries to absorb significant numbers of the unemployed population. Possibly for the same reason as above about 10 per cent feel that economic

performance is poor. This may be ascribed perhaps to high expectations or promises over a period. Not surprisingly 0 per cent of the respondents believe that there is an economic decline because there was no economic base to begin with.

Graph 2
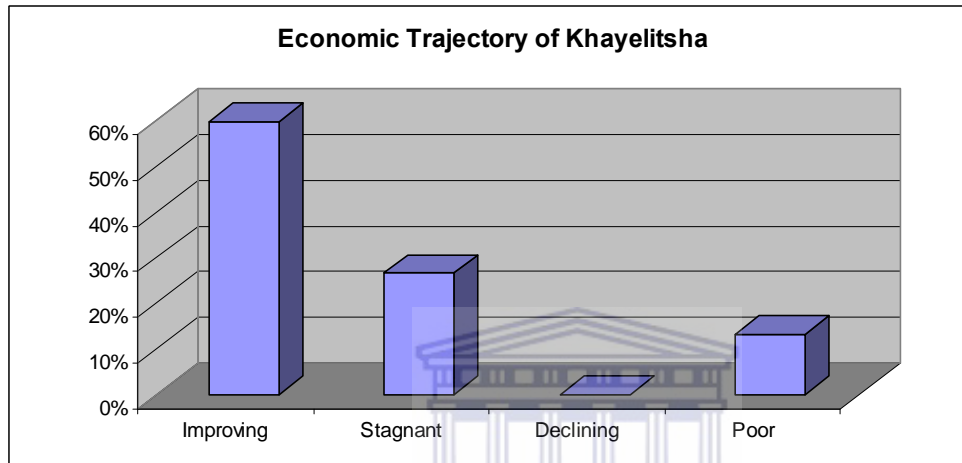
Due to the deliberate spatial dislocation of Khayelitsha from the rest of the City means that residents bear the brunt of transport to places of employment. "Distance from commercial areas, where customers can get discount consumables, frequently means that Khayelitsha residents are either paying more for goods or have to pay high transport costs" Dyanti et al, 1998). Residents travel unreasonable distances to other areas to get the basic necessities for their own survival. As an alternative people buy small quantities in spaza shops that cost more than the wholesale price because shop owners must factor transport costs and thus costs are transferred to the consumer. The situation is changing slightly as there is a number of retail shops including the Sanlam Shopping Centre. The local authority is the largest employer and a large portion of the population is engaged in informal businesses that are survivalist in nature. Lack of private

sector investment in the area is heightened by low income situation and thus considered a high risk area. As Cllr Mdoda alludes, "Non-payment behaviour is a result of low earnings and also apartheid era rates boycotts as a form of resistance and so forth".

In 1995 financial institutions considered Khayelitsha as a risk area, as 92 per cent of the households had not been servicing their bonds. The KDF in association with its NGO partner FCR embarked on a process to resolve this situation and thus release private lending from financial institutions. After 15 months, the bond repayment programme was launched, yielding a result of 65 per cent by the end of the campaign (Dyantyi, et al, 1998:5).

Throughout this research project the point of departure was that successful LED implementation requires a multiplicity of players and government is instrumental but importantly government across all spheres must coordinate and bring other stakeholders such as the private sector, DFIs, the community and other structures. This point is illuminated in the graph below. Respondents were asked, in order of priority, to choose three key role players in the LED process.

The results affirm the point that has been raised as a basic understanding in this paper. In graph 3 below 88 per cent of respondents stated that government plays a fundamental role in the LED process, while about 53 per cent of the respondents believe that both community organisations and the private sector have a substantial role in LED. Interestingly, in the ordering of roleplayers the DFIs and ward committees or forums are not given prominent roles. Perhaps the fault lies at the ordering of these roleplayers or on the

perceived contribution of the respective roleplayers in the unfolding LED process currently.

Graph 3

Key Roleplayers in LED Implementation in Khayelitsha
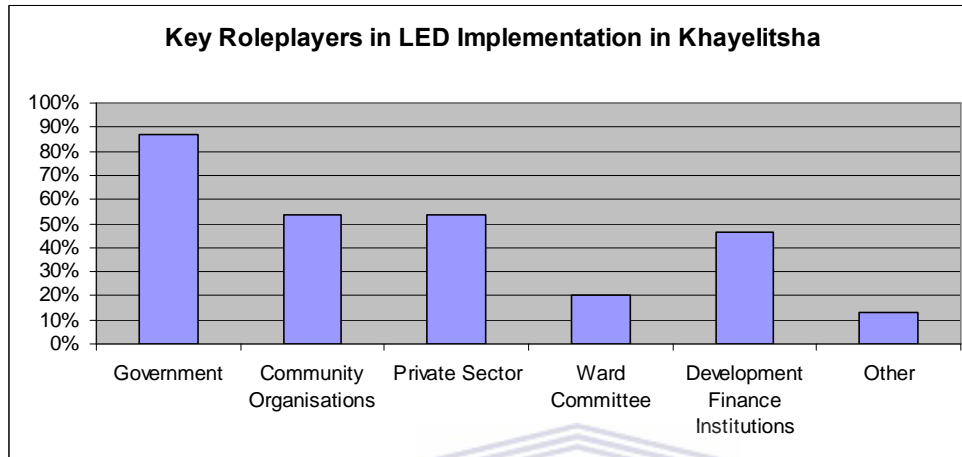
The implementation of LED has been conducted somewhat in a fragmented manner for several years in Khayelitsha. It is becoming increasingly evident that much progress is made particularly in areas of built infrastructure, bulk infrastructure as well as the burgeoning retail industry.

Community Based Organisations and Non-Governmental Organisations evidently have played a tremendous role in the socio-economic development of Khayelitsha and a partnership with local authorities is vital in this endeavour. The socio-economic problems in Khayelitsha are complex in nature, hence, LED should be multi-pronged and cross-cutting.

4.3   CURRENT STRATEGIES AND IMPLEMENTING AGENCIES

As noted earlier, the approach of the City of Cape Town was not to complement the fact that Khayelitsha was identified as a node with a targeted LED strategic framework but treated the area as part of the overall strategy known as Local Area Economic Development. It is also important to acknowledge the significant role played by the Khayelitsha Community Trust which is a legal entity of the City of Cape Town. In addition, there is a strategy recently launched which essentially uses economic development as a crime prevention strategy in Site C/TR section of Khayelitsha which is called Violence Prevention through Urban Upgrading (VPUU). The point of departure for this strategy is the fact that it "……aim(s) to broaden the base of economic development beyond the retail sector - particularly try to help manufacturing, construction and certain service businesses" (City of Cape Town, 2008). For this project the City of Cape Town is involved in a partnership with the German Development Bank ("KfW").

"The overall aim of the VPUU programme is to benefit the community of Khayelitsha. This will be achieved through three distinct components, the first being commercially driven income generating enterprises and developments, the second being development, maintenance and operations of public spaces and facilities, and the third being opportunities and support for community organisations and initiatives" (Khayelitsha Community Trust, 2009 Annual Report)*.*

The overall budget for the project is R400 million. Although limited in scope the programme may yield greater benefits to the community because Site C in Khayelitsha has the challenge of limited or lack of public spaces for leisure and recreation. It is a confluence of such

challenges compounded by poverty that makes for a breeding ground for crime and criminality.

The Khayelitsha Community Trust has a broad focus of upgrading Khayelitsha to become an affluent suburb therefore it is not exclusively an economic development vehicle. The mission and the vision of the KCT put it clear that the ultimate goal is "to transform Khayelitsha from a township to one of Cape Town City's thriving suburbs by the year 2020." This will be achieved through "community empowerment and enhancement of the quality of life through the development of vital commercial, residential and communal facilities." The KCT adopts an integrated approach which involves initiating bulk electricity supply, affordable housing and the development of the Khayelitsha Business District (KBD).

4.3.1 LED Interventions

The prevailing socio-economic reality in Khayelitsha necessitates a commitment to develop initiatives to find progressive and sustainable solutions to the current challenges and ameliorate the problems confronting the area. There have been various initiatives by various actors attempting to address the challenges and unlock the economic opportunities. Civil society and other players have been prime drivers of the process of confronting principal structural problems relating to spatial, institutional and socio-economic development. Due to its poverty profile and other inherent problems Khayelitsha was identified as one of the nodal areas and therefore targeted by the Urban Renewal Programme (URP) which is a major national government intervention in the area.

In the context of Khayelitsha, a diverse range of initiatives exists, *albeit*, lack of coordination minimizes the extent of impact. This is perhaps due to a long history of government marginalization, resource starvation and economic stagnation and thus the vast challenges propel actors to battle a myriad of problems without coordination so desperately needed.

Although numerous local economic projects and programmes have been initiated and successfully implemented, townships (including most of the Urban Renewal Nodes) remain characterised by their unattractive, isolated dormitory features, high unemployment rates, low income levels or thresholds, low skills levels, high income leakage and redlining by banks. The perception remains that these areas are poverty traps, have a high security risk, are far from markets and transport, have undeveloped utility and business infrastructure and the local business entrepreneurs are categorized as being predominantly informal and survivalist (Madell, 2002:1).

"In terms of local economic development activity in Khayelitsha, there isn't a single, coherent initiative, but a range of initiatives which have been pursued by several actors" (Dyantyi et al, 1998). The complex nature of the material conditions in Khayelitsha necessitates diverse strategies that are strategically well directed, concerted and converged. The LED initiatives in Khayelitsha for the purpose of this discussion will be categorized in to three namely;

- Spatial initiatives,
- Economic initiatives, and
- Institutional.

Spatial Initiatives

This section encompasses spatial initiatives by the City of Cape Town in collaboraton with other role players to revitalize the local economy in Khayelitsha in order to close the gap between this and other parts of the City. The historical marginalization has invoked the City to plan and inject funds for the betterment of Khayelitsha and the surrounding areas. "It is intended that the plans will determine public expenditure and resource allocation, which will in turn attract private investment and resultant job opportunities closer to the poor" (Dyantyi et al, 1998:12). The spatial development framework is aimed at attracting inward investors in the medium and long term to change the outlook of Khayelitsha and enhance employment creation, alleviation of poverty, investment in skills development and creation of business opportunities for local people. These spatial development initiatives present potential for residents to accrue benefits. Notably, there are several major initiatives in Khayelitsha including, inter alia, Khayelitsha Central Business District, Swartklip, Monwabisi Resort, Mew Way Mall and Look-out Hill Tourism node.

- **Khayelitsha Central Business District (CBD)**

This initiative proposes development of commercial and light industries as a stimulus for further investment and development in the area. The KBD initiative is an integral part of the anchor projects of the Urban Renewal Project. As Dyantyi et al (1998:13) highlights, "The completed spatial framework proposes a commercial core adjacent to the Khayelitsha Station of two-three storey buildings with mixed land use embracing clean industries, public open space, retail, offices and high density residential units". In addition an open market and a

shopping centre have also been proposed for Khayelitsha CBD. The main driver of the CBD project was Khayelitsha Community Trust which has partnerships with local community organizations and the private sector.

The comprehensive business plan developed helped to secure support at all levels of government. Co-operation agreement with Rand Merchant Bank secured the expertise and funding for market research and the packaging of funding proposals –RMB agreed to secure R425m for the project (COGTA, 2009)

The KBD has changed the landscape and outlook of Khayelitsha in terms of opportunities to develop the retail economic sector. It is critically important to note these specific developments as highlighted in the assessment of the URP Anchor Projects by COGTA (2009) which asserts that, "The 17 500m² retail centre was completed in December 2006 at a total capital cost of R86,5 million. Due to the high demand for trading space, a further 2 000m² is currently under construction at a cost of some R9,325 million". The developmental initiative which involves employment creation, improving market access and integration into the city through viable transport infrastructure is a great investment into the improvement of the living conditions of Khayelitsha residents.

With the aim of leveraging private investment, and generating job opportunities and disposable income for the local community, the partnership between government, business and the civil society has initiated the R380m development of the Khayelitsha mixed-use business district, which is located next to a train station through which thousands of people travel every day. It consists of the following elements: a transport interchange, public space,

sports facilities, a retail centre, municipal offices, a service station, housing and a magistrate's court (COGTA, 2009).

The developmental imperatives have to take into cognizance the spatial development and integration of areas, previously in the periphery, into the City's economic network and development.

The government brought public administration facilities in order to improve accessibility and service delivery; this has the potential to draw investors to further develop the area as noted by Mr Gaula, KCT CEO, with the following commendation:

In order to ensure that further potential investors see Khayelitsha as an investment opportunity, the national government spearheaded the accessibility of state facilities to the local community. As a result, the Home Affairs and Social Services Departments established offices in the KBD. A Khayelitsha Magistrates Court has also been established and is fully operational.

Mr Gaula further commented that:

KCT has also partnered with Passenger Rail Agency of South Africa (PRASA) and will be leasing a portion of KBD land to PRASA as an income-generating initiative.

These are indeed positive public investments to provide comprehensive development in the area to ensure access to government services, trading and markets as well as much needed infrastructure and recreational facilities.

- **Swatklip**

This site is located to the west of Khayelitsha forming a land barrier between Khayelitsha and Mitchells Plain. The current major stakeholder is Denel and the site is strategically located because of its frontage with both Khayelitsha and Mitchells Plain. In this initiative land will be developed and utilized for commercial, retail and light industrial operations with the intention to use SMMEs in manufacturing processes (Dyantyi et al, (1998:14).

- **Monwabisi Coastal Resort**

The resort would cater for the African population and tourists, it is located in a position next to the sea and the wolfgat nature reserve. The planned developments in the area include commercial, retail, tourism,recreation, golf course upgrading of resort facilities and residential areas (Wesgro, 2000:6)

- **Mew Way Mall and Look-out Hill Toursim**

This development is located around the intersection of Mew Way and spine road – the key access through Mitchells Plain and near the Good Hope College (Wesgro, 2000:6). The Look-out Hill Tourism facility has a magnificent view across the cape flats, is set to become the key township tourism attraction for foreign tour buses and local visitors. Facilities include restaurants, tour bus parking, formal crafts trading, open air ampitheatre, tourism information centre (Wesgro, 2000:6).

The Mew Way Mall and Look-out Hill was also meant to develop a retail centre hence the name Mew Way Mall however this component is currently missing nine years since the inception of the R48 million

project. The strategic idea of developing a tourism centre combined with commercial activity to create more attraction tourism of locals and outsiders was incredible. The lack of total implementation of the original project idea is not explained. Further, due to the fact that this element of the Mew Way development removes the vibrancy complementarity between small traders, crafts and retail centre compromised this development. It is evident that this development is neglected as the infrastructure is collapsing due to lack of maintenance in order to facilitate the site as an attraction centre with all the health and safety concerns taken into account.

Table 3: The Programmes and Projects in Khayelitsha

Project	Status	Detail	Estimated value	Key stakeholders
Khayelitsha CBD	Phase 1 complete.	Commercial, retail, light industrial, residential, social and community facilities, 75 hactre site, Devco to manage and own market property, RMB to provide project feasibility, project management and assistance	R500 million	PPP between the City of Cape Town and Khayelitsha Community Trust, Rand Merchant Bank and DBSA
Swartklip	Approved	Businesses, industrial and residential	R200 million	Denel, Public Works, City of Cape Town
Washington Square	Planned	Retail development	Not available	Old Mutial Asset Management, Kuyasa developers
Site C node	Planned	Business node with transportation interchange	Not available	Intersite and City of Cape Town
Mew Way/ Look-Out Hill	Under construction	Gateway tourism node and retail centre	R48 million	City of Cape Town, Provincial and National Government
Monwabisi Resort	Planned	Commercial, retail, tourism, recreation, golf course, residential	R200 million	City of Cape Town
Greenpoint commercial centre site	Proposed	Filling station, estate agency etc	Not available	BP and Inkwekwezi Group
Oliver Tambo Hall Commercial Development	Proposed	Commercial development	Not available	City of Cape Town
Extension of Khayelitsha Railway Line	On-going	Extending Khayelitsha railway towards South Eastern area	R430 million	South African Railway Commuter Corperation (SARCC) and City of Cape Town

Source: adapted from Madell (2002:16)

Economic Initiatives

The economic dynamics in Khayelitsha necessitate a range of concerted interventions to harness and grow the economy, and ultimately ensure active contribution by residents in the country's Growth Domestic Product (GDP). The prevalence of high unemployment levels, poverty and lack of economic activity cannot be overemphasised, hence this area should be prioritized for business development. Residents have the buying power but for long have been subjected to paying transport costs to buy in areas like Mitchell's Plain. To stimulate economic activities some initiatives which have been implemented, although far from perfect, have contributed immensely to ease the burden on the poor of greater Khayelitsha. These initiatives include, inter alia, Sanlam Centre, Shoprite Park, Inkaka Security Services, Vukani Makhosikazi Sewing Project.
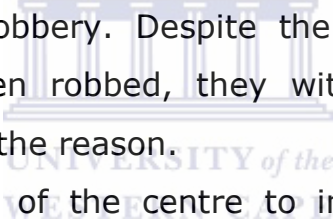
- **Sanlam Centre**

The establishment of the centre provided, in part, a good counter-measure to the problem of lack of retail facilities in Khayelitsha, related transport costs, lack of employment opportunities and developed scope for SMME growth. "Prior to the development of Sanlam Centre, there was very little commercial activity around Nonkqubela station. The area was considered too risky for businesses" (Dyantyi et al, 1998:9). However, the establishment of the centre was not smooth sailing; perhaps the imperative of growing the local economy was not properly implemented in its entirety. The local CBO known as KDF negotiated for the reduction of rent for SMMEs but Sanlam did not agree because that was not beneficial. Subsequently,

only two people were able to sustain their businesses (Sogayise – KDF Chairperson). The benefits of the establishment of the centre include:

- The creation of 300 permanent jobs and 200 temporary jobs during construction,
- A start-up fund for stalls,
- Dramatic growth in informal activity in surrounding areas,
- Household savings on transport, and
- Joint ventures with local contractors.

There are also threatening features to the relatively successful venture namely;

- Targeted armed robbery. Despite the fact that First National Bank had not been robbed, they withdrew from Khayelitsha citing robberies as the reason.
- Lack of expansion of the centre to include essential services needed by the community.
- Unlawful erection of structures around the centre and occupation of land around the centre (Dyantyi et al, 1998:16).

- **Shoprite Park**

Shoprite Park was also established to serve the community and bring retail services closer to the poor who desperately needed such services. Similar challenges to those confronted by Sanlam Centre also surfaced, in particular, affordability and sustainability were experienced. Shoprite allocated bigger spaces to small and emerging businesses, KDF contested this based on the notion that big spaces were expensive thus unaffordable for emerging businesses but

Shoprite disagreed. The private sector is not friendly towards local people and is exclusively profit driven (Mr Sogayise).

- **Ikhaka Security Services cc**

This company was established in 1997 due to the realization that investors in turn demand certain services and guarantees such as security and cleaning services. Its founding members are from Khayelitsha and the company currently employs ten people, they have secured contracts the Olympic Bid Company and Sanlam Properties. "Central to Ikhaka's mission is empowerment of its members with skills to manage the business efficiently and professionally" (Dyantyi et al, 1998:15). In the pipeline is the establishment of the security academy by Ikhaka Security Services in response to the growing needs for security services in the Western Cape.
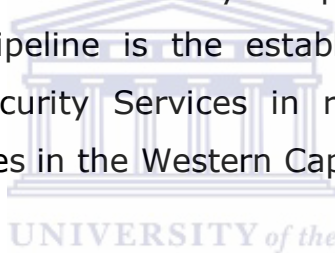
- **Vukani Makhosikazi Sewing Project**

Khayelitsha Education Forum and KDF initiated this project and a group of seventeen women were recruited and formed a cooperative for sewing. Investors included Sanlam who contributed through funding and business courses, and the Triple Trust Organisation who provided skills and business training. The project provided school uniforms but is handicapped due to lack of financial assistance, accommodation and adequate equipment (Dyantyi et al, 1998:15).

- **Zenzele Enterprises**

"This organization focuses on training courses such as pottery, sewing, woodwork and welding and has thus far trained more than 2 610

people in Khayelitsha and has been in operation in the area since 1988" (Madell, 2002:14). Training and development is a strategic area to focus on in Khayelitsha due to availability of human capital. Mr Siswana (in charge of Business Support and Development in the City of Cape Town) noted, "Khayelitsha contributes to the city through human capital, hence Human Resource Development is the key focus area".

- **Nathi Sinako**

This is a six hundred member women's' business organization that was established in 1995 with membership including hawkers, spaza shops, small markets, dressmakers, hairdressers and florists. Members have additional business interests in brick making, sewing training programmes, meat distribution and waste recycling (Madell, 2002:14).
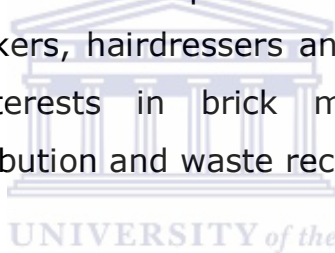
4.4 PROGRESS OF LED IN KHAYELITSHA

Albeit the objective of the study is not to conduct an evaluation of the impact of LED in Khayelitsha it became important to gauge the confidence of the people on the prospects of the community economic development. This section, in a rudimentary manner, seeks to point perception of the respondents about the current and future trajectory of LED in Khayelitsha.

Graph 4

Progress on LED Implementation in Khayelitsha
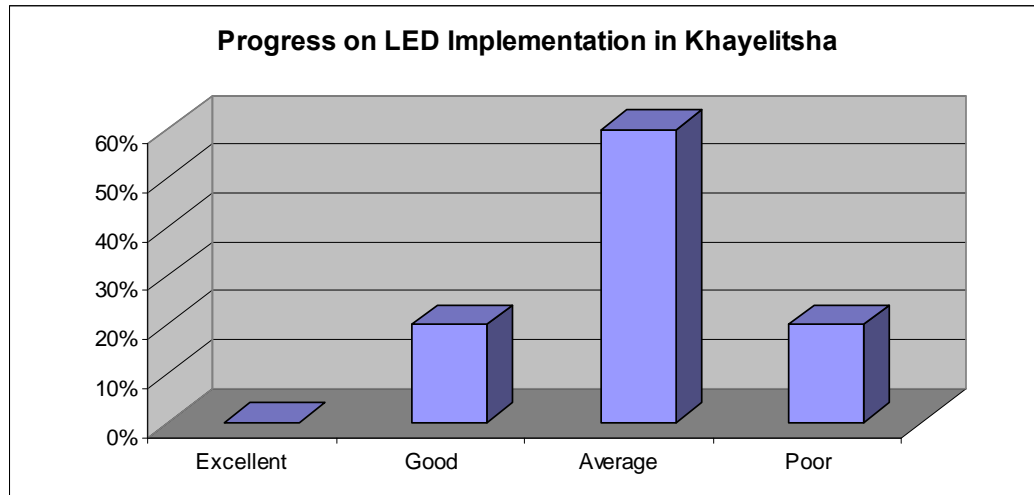
Respondents were asked to indicate the state of progress of LED implementation in Khayelitsha and approximately 68 per cent of the sample indicated that LED progress is average. This is an indication of optimism and hope that indeed LED is progressively attaining its objectives of eradicating poverty, unemployment and chronic skills shortage. Whilst 15 per cent stated that progress is good and another 15 per cent said it is poor. None of the respondent thought that progress is impressive or excellent.

4.5 GOVERNANCE IN LED IMPLEMENTATION IN KHAYELITSHA

The significance of local governance is extremely important as it fosters trust, communication and accountability between the community and local authorities. This sentiment is underscored by the emphasis placed on the importance of democratizing local government and thus creating a more developmental government. Local government is the sphere closest to the people thus able to establish structures and systems for community participation. The ward committee system is one of the instruments developed in order to

bring governance to the people. The Constitution, Municipal Systems Act and Municipal Structures Act respectively are consistent in prescribing that local authorities must progressively strive to ensure good governance in areas within their jurisdiction. Communities have specific rights, duties and responsibilities set out in the Municipal Systems Act (2000) that they must exercise in order to fulfill the ideals of direct democracy.

It must be noted that political power in the City of Cape Town has changed hands democratically and this has implications on developmental community priorities because political parties tend to implement their own programmes. As an example the Democratic Alliance (DA) wrested political power from the African National Congress (ANC) through a coalition in 2006 local government elections. Subsequently the emphasis on strengthening ward committees changed because the Municipal Structures Act provides a leeway for municipalities to do away with such structures.

It is primarily important to have leadership to give strategic direction, mobilise resources and people to partake in the activities on the municipality. Strategic decision making and operational management must always work closely to ensure effective planning and implementation of projects and programmes. Surprisingly, quite a number of councillors do not have indepth knowledge about LED and this begs the question as to how they can facilitate discussions and take decisions about this process of stimulating local economies.

There is also a general lack of convergence of strategies between the various spheres of government for example the Department of Trade and Industry, Khula and Intsika Enterprises should be playing an

instrumental role in supporting SMMEs in Khayelitsha. This lack of convergence in planning and implementation defeats the whole process of economic development if necessary assistance is not sufficiently rendered when required. In order to close this gap senior officials from the two upper spheres are supposed to attend IDP meetings in order to make commitments in developing communities jointly with municipalities.

In this study, the point of emphasis has been squarely on the significance of coordination in order to draw maximum benefits from collective resources and avoid fragmentation across all spheres. The illustration below indicates that participation of sector departments in the formulation of IDPs specifically is average. Only 7 per cent believe that participation of sector departments is satisfactory whilst 13 per cent believe that it is poor.
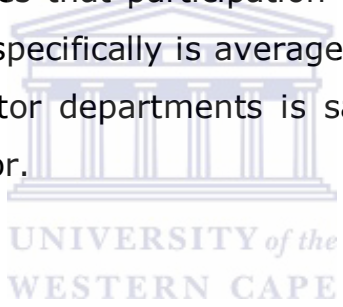
Graph 5
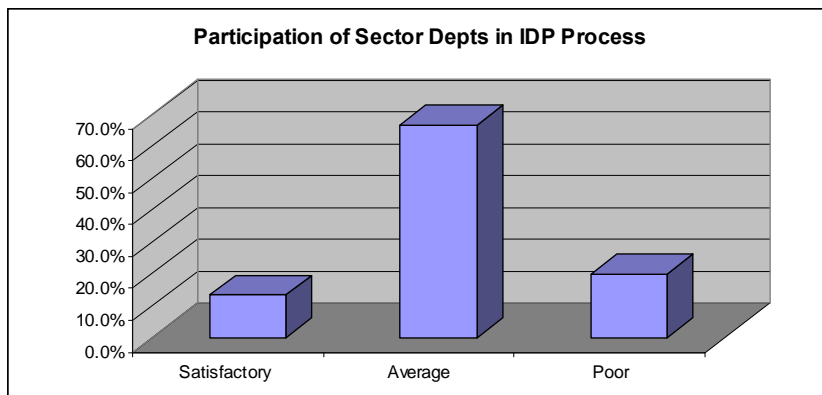
The IDP as a planning instrument which is supposed to detail short – medium term development plans must be viewed within the prism of provincial growth and development strategies as well as the overall national policy framework. In the context of the Western Cape it is

important for IDP and LED strategy to be able to bring linkages with the provincial strategy known as *IKapa Elihlumayo Strategy*. Against this understanding, respondents were asked if the current IDP and LED link with the provincial strategy.

Graph 6 below demonstrates that 50 per cent of the respondents understand that the linkage between the two local and provincial strategies exists. Notably, 37 per cent are uncertain if indeed that is the case. One respondent observes that the IDP and LED are linked with the provincial strategy "……but could be better supported on spatial integration and economic opportunities".

Graph 6
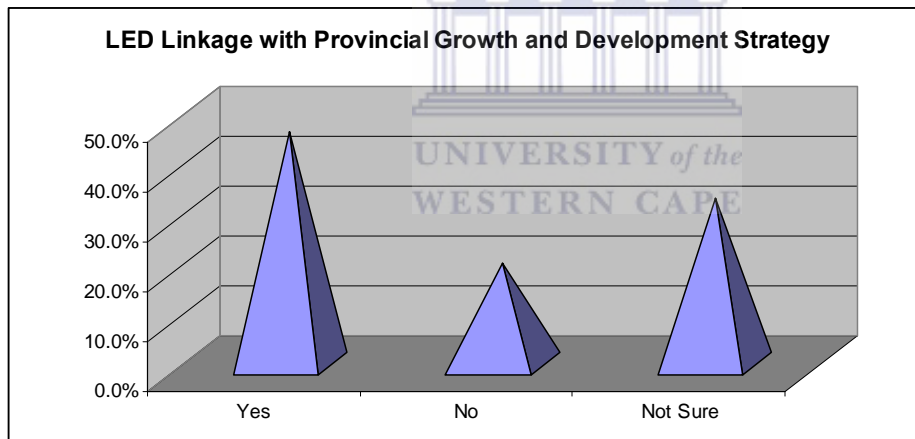
There are also other fundamental linkages at the local level including SMME development which should be linked to business support and economic development. Otherwise emerging businesses in the retail sector at least should not be allowed to collapse shortly after inception. Quite clearly, the URP and LED programmes have common objectives, the difference lies in the fact that URP is a medium term intervention and LED is long term.

4.5.1   The significance of Civil Society

In the case of Khayelitsha, as outlined above, there is a vibrant community based organization known as Khayelitsha Development Forum (KDF) which tackles, through various ways, development issues in the area. The KDF plays a profound role in establishing programmes to eradicate poverty and restore the dignity of the peoples of Khayelitsha. Furthermore, it continues to engage even the private sector in the area to ensure affordability and appreciation of the history of the area.

Councillors on an individual basis have relationships and work closely with KDF on some community projects. Interestingly, the City of Cape Town is ambivalent when it comes to working with KDF. This in many ways is reminiscent of the past. As Graham (2005:7) notes, "However, in the City's general approach there is very little evidence of the type of participatory governance and processes envisioned in the Municipal Systems Act. The City has yet to show any commitment for meaningful partnerships with other stakeholders or any willingness to delegate decision making power".

4.5.2   The Need to Deepen Accountability

Accountability is one of the central tenets of good governance – officials have a duty to account and citizens have the right to hold those in office accountable. Through the establishment of ward development committees or forums, communities are able to call councillors to account on the progress pertaining to the predetermined objectives and priorities. Priorities are comprehensively captured in the

IDP and evaluation of progress on these priorities is done through amongst others:

- Ward committee meetings where the councillor accounts
- Imbizos or public meetings
- Mayoral listening campaigns-where the mayor interacts with the community

Graph 7

State of Public Participation in IDP

Poor 13%
Satisfactory 20%
Average 67%
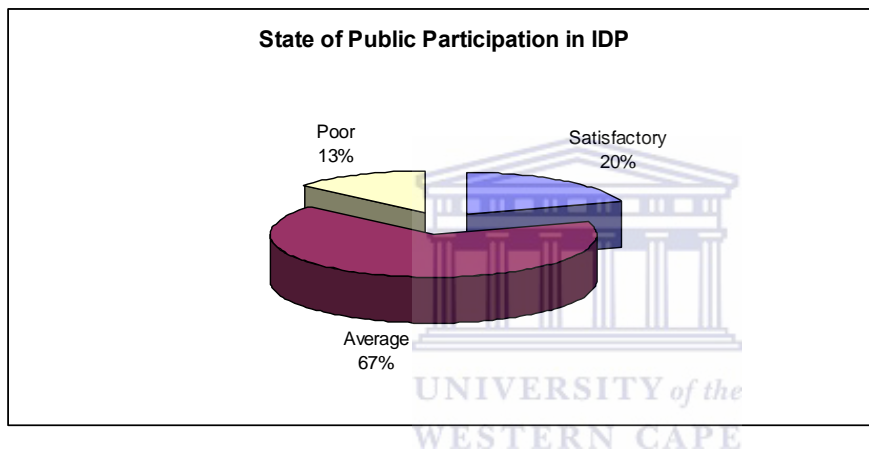
Public participation and consultation are deemed to be average according to the respondents while 20 per cent believe that public participation is satisfactory and 13 per cent feel that it is poor.

To this end, structures have been established to provide room for community participation such as ward forums to discuss issues surrounding development in Khayelitsha. Graph 8 below illustrates that participation of ward forums in the formulation of the IDP and LED in order to give prominence to the local priority developmental issues. Approximately 60 per cent of the respondents feel that the involvement of the ward forum in this process is average and therefore can be improved significantly.

Graph 8

Participation of Ward Forums in IDP & LED
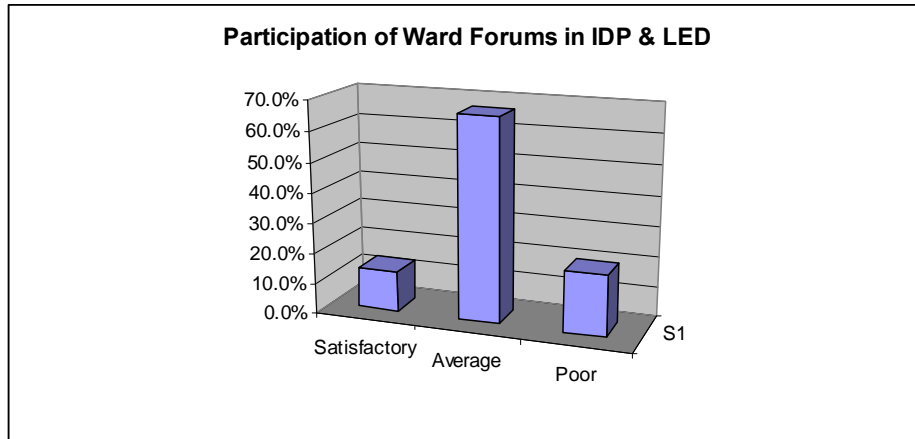
The ward forums must be given teeth to take decisions about the development priorities; this will culminate in more qualitative contribution by the community. It is important for councillors to maintain and strengthen relations with their constituencies in order to get or review mandates.
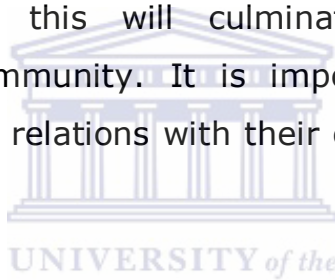
In recent months, there has been proliferation of protests against lack of service delivery and allegations of corruption; Khayelitsha has not been an exception. Scenes of burning tires, blockading of roads and general littering or dumping refuse on the roads has been a regular feature in Khayelitsha prompting Parliament to constitute an ad hoc committee to intervene in Khayelitsha and elsewhere in the country.

4.6 PLANNING, BUDGETING AND PROGRAMMING

Graph 9 below reveals that the majority (47 per cent) of respondents believe that local priorities are encapsulated in the IDP and LED documents. It is astonishing that 33 per cent of the respondents are not sure whether the IDP and LED give priority to local interests or

not. It is important to note that 20 per cent believe that the IDP and LED do not focus on local priorities.

Graph 9

IDP & LED Focus on Local Priorities

Not Sure
33%

Yes
47%

No
20%
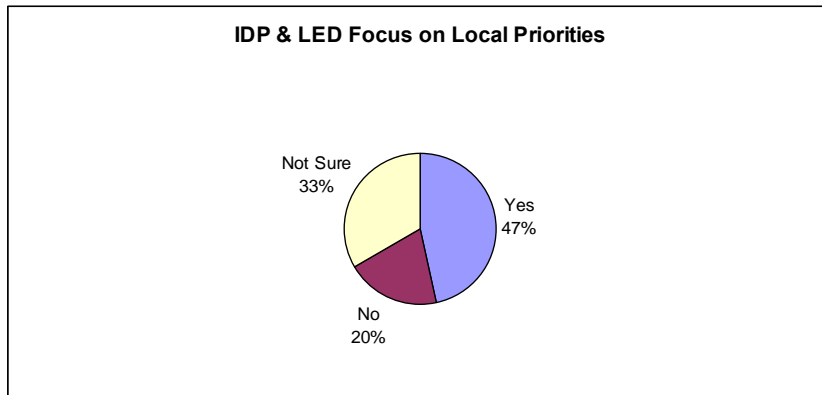
The IDP process warrants broader participation in order to reflect the priorities of the community. The IDP and Budget Implementation Plans must be consistent with each other for the purposes of implementation and accountability. Benefits of IDP and LED implementation must accrue to the community. It must be noted that capacity building is one of the neglected aspects in Khayelitsha. Infrastructure development is leading and thus business opportunities are present. The failure to boost SMMEs remains a challenge for the City of Cape Town as emerging businesses find it difficult to sustain themselves for various reasons. The Service Delivery Budget Implementation Plan (SDBIP) of the City of Cape Town focuses on service delivery spend but not on budgeting for productive investments in LED in Khayelitsha. The City of Cape Town needs to intensify resources mobilisation for LED in the area through partnerships with other sectors of society.

Sound management practices result in effective and efficient planning, managing and implementation of programmes. Senior managers in consultation with senior leadership must be able to translate policy

objectives into operational levels. Project and programme management skills are extremely important particularly at local government where implementation of development interventions which cascade from national and provincial spheres. There is often shortage of project management skills in local government, which hamper effective implementation.

4.7 INSTITUTIONAL CAPACITY

Any good project or progarmme must be complemented by a strong institutional capacity to be effective. The institutional framework would also play a pivotal role in synthesizing the necessary systems for the programme to flourish. As Madell (2002:1) highlights,

"A major obstacle to local economic and business development in these areas is the insufficient capacity amongst the few institutions responsible for implementation that do not exist, to provide support and advice to emerging businesses. This lack of capacity is compounded by the absence of support infrastructure, such as utility services and business premises that are affordable and appropriately located".

Installation of adequately equipped institutional capacity and necessary support mechanisms or systems would provide the basis for meaningful economic and business development.

The purpose of this section is to review the existing institutional capacity for LED in Khayelitsha, namely;

- LED Unit;

- Khayelitsha Business Support Centre; and
- Urban Renewal Unit

4.7.1 LED Unit

Hitherto there is no comprehensive LED strategy focusing specifically on Khayelitsha because, it is argued, 'Khayelitsha is inextricably linked to Cape Town'. However Khayelitsha is also a nodal area which therefore warrants specific attention to eradicate poverty. There is no LED office that is dedicated to LED issues in Khayelitsha but rather LED activities operate under the rubric of the Business and Development Support Directorate in the City of Cape Town. This resembles a trend in most municipalities wherein LED is managed by officials who already have other portfolios or officials with no project management expertise, which might defeat the good intentions of the programme. Clearly this shows that management capacity is non-existent or is not considered a priority for the council in order to implement LED. It must be stated upfront however, that LED is not a stand alone but needs to be given appropriate status, managerial capacity and specific scope.

4.7.2 Khayelitsha Business Support Centre

The major problem confronting Khayelitsha that impedes implementation of development of business development processes is lack of adequate institutional capacity. Khayelitsha has enormous human capital hence training and development becomes paramount.

Few large local and district municipalities have established business advice centres, the majority of survivalist and micro-enterprises that are located in poor townships, rural towns and villages remain largely

dependent on national government for this service. This has resulted in the provision of business support services that are not easily or readily accessible at local level. This situation also limits the potential of LED institutions to respond to the local business conditions and circumstances (Madell, 2002:7).

There is a great need for business support particularly due to lack of necessary skills, capacity and collateral to qualify for conventional loans from commercial banks. Although there is funding of micro enterprises there is lack of skills to complete applications and business plans for funding purposes. Business support centre is meant to provide business support and advice to new emerging businesses and functions mainly as a referral agent to other business support organizations. The Khayelitsha Business Support Centre is however, only staffed with one person and is not properly resourced and capacitated to respond to the ongoing needs of the small business community (Madell:2002:11). The importance of this aspect demands a lot of material and human resources to be able to make a significant contribution to the needs of the business community. More capacity and strategic plan is necessary for this organization to function and make a meaningful impact. Due to size of the community it serves, perhaps establishing other branches to capacitate and support emerging businesses would benefit the community.

The Provincial government established Real Enterprise Development (RED) Door Business Advice Centres across the province to overcome the challenge of inadequate business support which was often fragmented. There is a RED Door centre in Khayelitsha and other parts of the province which aims for:

- *The increased formation of small businesses from the predominantly previously disadvantaged communities;*
- *Increased entrepreneurial talent, whereby job seekers become job creators, especially among the youth, women and the disabled;*
- *Increased rate of enterprises graduating micro-enterprises into small and medium sized enterprises;*
- *Increased viability (survival rate) of small and micro-enterprises;*
- *The Red Door is branded as a one-stop hub for the provision of quality small business services.* (Department of Economic Development and Tourism, 2004:4)

Part of its programmes in Khayelitsha is to provide training and support through Zenzele which *trains unemployed people in welding, woodwork, sewing, catering and tourism. It helps graduates to form co-operatives, and also provides business development and incubation services*

(http://www.capegateway.gov.za/eng/pubs/public_info/R/128596)

The effectiveness of the Business Support Centre is rated as average by the majority 47 per cent of respondents in this study. This can be ascribed to the vastness of the area and enormous demands for technical, financial and operational assistance.

Graph 10

97
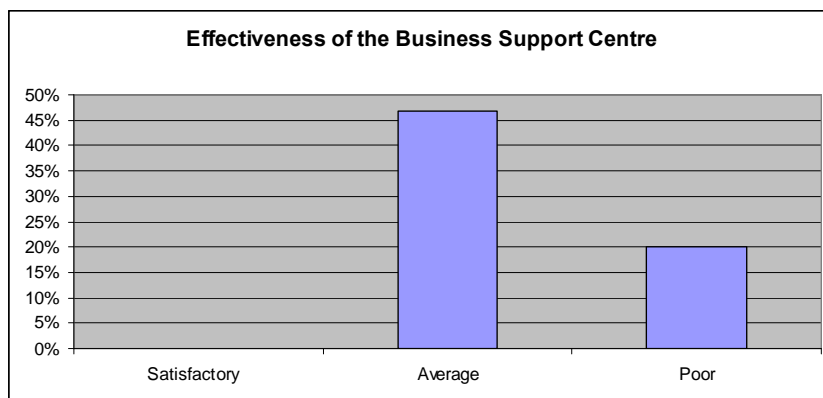
Another area of interest for the effectiveness of the Business Support and Advice Centre is its ability to link emerging businesses to opportunities and mentoring services. This requires regular interaction with registered businesses or entrepreneurs in the database of the centre. The graph below indicates that monitoring of the successes or challenges confronting small businesses is inadequate. It is important to acknowledge that it is the responsibility of emerging businesses themselves to bring forth their challenges and constraints for assistance.

Graph 11

Is There sufficient business advice & mentoring service?

Satisfactory 10%

Average 30%
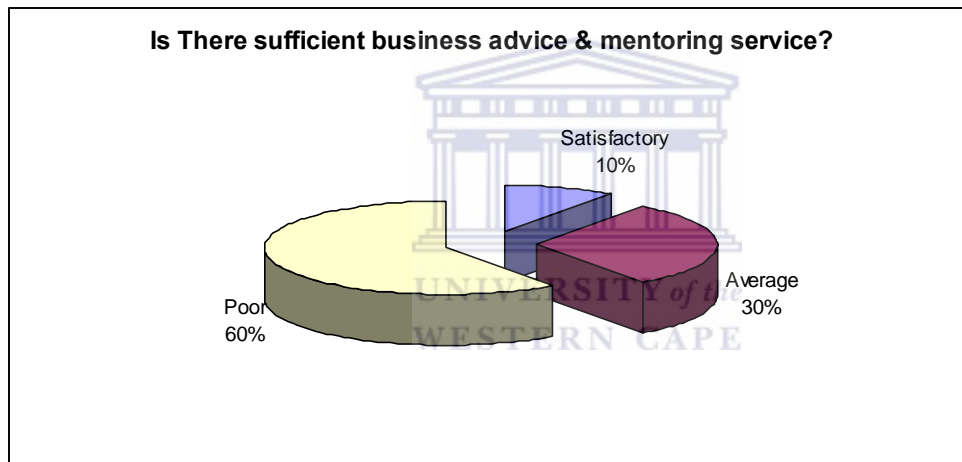
Poor 60%

In this graph it is evident that advice and mentoring service rendered by the Business Advice Centre is poor (60 per cent) as indicated by the majority of respondents. This can be ascribed to the level of thriving business ventures or evidence of demonstrable assistance for emerging businesses to grow or even visibility in the business community through holding business expo's and exhibitions to open new markets and opportunities for entrants and existing enterprises.

4.7.3 Urban Renewal Unit

Urban renewal is a national Presidential Project, which necessitates prioritization of nodal areas for development initiatives, and Khayelitsha has been identified as a nodal district. Khayelitsha Development Forum Chairperson, Mr Sogayise asserts that, "because of the political dynamics in the Western Cape Urban Renewal was not prioritized by the Democratic Alliance government".[3] The Mayor currently champions urban renewal. The City took a position that Khayelitsha is inextricably part of Cape Town thus there is no need for a specific strategy for Khayelitsha, but action plans depicting the profile of the area must be developed by the people of Khayelitsha which can be pursued through LED. On the contrary, the nature of Khayelitsha and the fact that it is nodal district necessitates that a specific LED implementation strategy must be adopted to enhance community economic development.
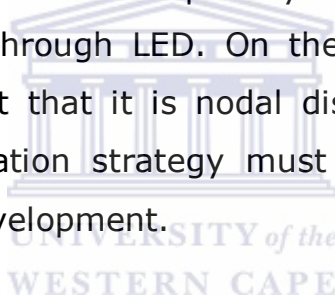
Mr Siswana stated that:

The municipality appointed a dedicated internal Urban Renewal project leader on a three year performance contract, a dedicated internal technical support team on nine months performance contracts and coordinators of logistics, projects, information technology systems and Business Plan Development. An office to oversee and review Urban Renewal has been established in Khayelitsha.[4]
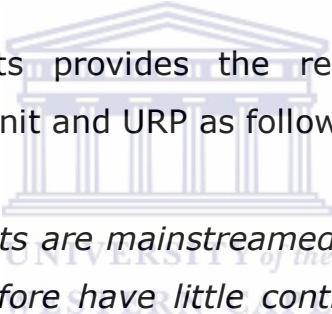
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[3] Interview with KDF Chairperson Mr Sogayise (2005)
[4] Inteview with Mr Siswana . Business and Development Support . City of Cape Town (2005)

There is no LED specific unit in the Metro but LED activities are housed within the Business and Development Support which is not adequately staffed to cope with the needs of the entire City. This state of affairs poses serious challenges to the enormous work of the LED Unit in ensuring coordinated implementation of LED programmes as well as thorough resource mobilization. There is also an important task of stakeholder engagement and ongoing assessment to determine areas of short, medium and long terms investments which can be done effectively by the LED office. In order to undertake these comprehensive tasks the unit needs to be adequately resourced and its performance measured on its own merits.

One of the respondents provides the reason that explains the constraints of both LED unit and URP as follows:

Budget for these units are mainstreamed across other budget's in the City, they therefore have little control over the rate, extent and impact of the interventions undertaken.

Whilst it is important that there is integration and coordination the fact there is no budget may compromise the effectiveness of these critical units. Perhaps in a polemical way one respondent views the situation a reduction of the respective units into Community Liaison Office function. This imposes challenges in respect to what the LED and URP can do drawing of course from the resource base of all the units including the IDP office. Another startling revelation is forcefully articulated by one of the respondents that "There is little clarity of what the LED unit in the City does itself that is not outsourced – M&E is one of those areas".

Graph 12

Are LED & URP Offices Adequately Structured and Resourced?
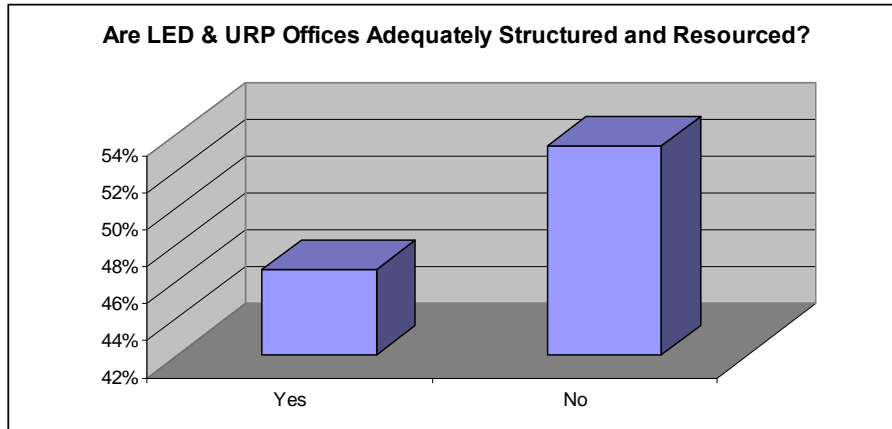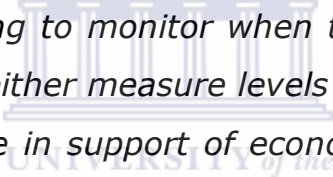
The expectation for existence of sufficient capacity also holds for the URP office. Albeit it is not an implementing agency but it plays a critical facilitative and planning role and therefore must have the requisite capacity to conduct assessments as well as feasibility and impact studies. The graph above indicates 54 per cent of the respondents believe that the respective offices ie LED and URP are not sufficiently resourced in order to carry out the critical tasks they ought to perform. It is important to state that in fact the URP office only has one coordinator for Khayelitsha.

Graph 13

Does LED Unit Monitor Implementation & Evaluate Progress?
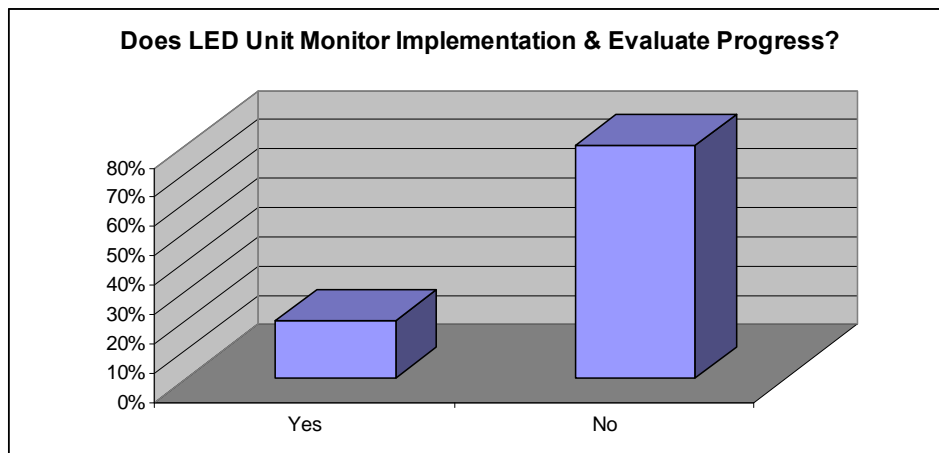
Graph 13 above shows clearly that over 80 per cent believe that the LED office does not monitor implementation and also does not evaluate progress on an ongoing basis. This may be ascribed to the fact that there is no dedicated capacity or the fact that most of this responsibility is shifted to the Khayelitsha Community Trust as an implementing agency. One of the respondents explained that "Perhaps monitoring and evaluation are not visible and all that is happening is quarterly reporting on LED programmes not necessarily evaluation/monitoring". Another LED practitioner pointed to a much deeper problem confronting the LED unit which is a cause for concern. The following statement puts bluntly the limitation of the conception of LED:

It may be challenging to monitor when there are no defined LED outputs. One could either measure levels of public sector spend by way of infrastructure in support of economic activities like roads, electrification etc. Alternatively, one could act as a local marketing agency for LED by promoting existing potentials to prospective private and public investors. (Need to profile community appropriately and this requires unique skills)

4.8 SUMMARY

Khayelitsha has its share of complexities and dynamics that cannot be addressed by one initiative but needs a multipronged approach. The challenges underpinning proverty that afflicts the area necessitates plethora of interventions, however, interventions must be coordinated and integrated. There is enormous human capital and potential for development and growth. The LED interventions and structures that are currently operational need a specific focus, resources and coherent

implementation in order to achieve the desired outcomes. There is insufficient institutional capacity for LED and other related programmes aimed at contributing to the betterment of Khayelitsha. For SMMEs to flourish, training and support are necessary preconditions in ensuring a creation of a conducive environment. There are worrisome factors pertaining to SMMEs in the area due to the fact that private investors are not friendly towards their existence and sustainability.

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CHAPTER FIVE

RESEARCH FINDINGS

5.1 INTRODUCTION

The purpose of this chapter is to present findings emerging from particular areas of focus in this study. It is extremely crucial to record the research findings and draw certain lessons to provide information for progressive realization of the broader goals of LED in Khayelitsha. Some general observations emanating from the case are drawn from the macro-policy environment and particularly areas, including governance, management and institutional capacity. It is important, in this chapter, to remind ourselves about the significance of the LED process for the actualization of the thesis of a developmental local government on the edifice of the developmental state.

The context and history of Khayelitsha cannot be ignored because fundamentally it is crucial to understand the environment and therefore develop instruments that advance a developmental trajectory informed by historical and material conditions. The creation and designation of Black townships by the apartheid regime was to serve a pool of supply of cheap labour hence their location on the urban fringes with severe evidence of underdevelopment and human concentration. The challenges of unemployment, poverty, backlogs in service delivery and economic underdevelopment are embedded in Khayelitsha therefore radical transformation of the structural and systemic features must be implemented. LED in Khayelitsha must be understood against this backdrop.

These specific findings grounded on the unique situation confronting Khayelitsha are important and analysis, observations and interventions are suggested. Some conclusions are drawn based on the theoretical formulations and foundations in order to concretise practical findings. It is important to note the link between the findings, conclusion and recommendations. These could be utilized in order to improve the governance systems, management mechanisms and implementation processes of the LED in Khayelitsha.

5.2   GENERAL OBSERVATIONS AND ANALYSIS

Some general comments on the historical and policy context of local government and Khayelitsha in particular. Until the demise of apartheid local government was merely an instrument for regulation. Post apartheid local government was then confronted with a challenge of democratization and transformation to better position itself in the democratic dispensation focusing primarily on service delivery in a developmental and sustainable manner.

5.2.1   Comments on Policy and Approach

Most certainly the policy environment underpinning national policy imperatives invariably impact on local policy issues and approach. Specific reference in this case is drawn from the debate about the appropriate approach to LED between market oriented approach on one hand and pro-poor approach on the other. On the face of it, this debate seems to correspond with the decade long debate about the Reconstruction and Developmental Programme (RDP) and Growth, Employment and Redistribution (GEAR) macro-economic strategy. The approaches in particular are not mutually exclusive as we have seen

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that developmental local government integrates the two approaches to effectively develop the local economy and improve the well-being of communities.

In the case of Khayelitsha evidence suggests that in the context of LED specifically the two approaches are not mutually exclusive due to the fact that most of the current developments were born out of the KDF initiatives. The case in point is the housing market in Khayelitsha wherein KDF with FRC initiated a bond repayment programme which improved bond servicing to 65 per cent. The KDF has also been a prominent player in the Khayelitsha Business District programme. This illustrates a point that all players ie public sector, community organizations and the private sector can forge partnerships for development. Of course there are different interests in that business wants return on their investment, whilst the community wants achievement of local needs and government wants development and improved living conditions. These interests are mutually reinforcing in that as community developmental priorities are achieved then the ability of residents to pay rates and taxes increases and their purchasing power improves. With specific reference to the experience of Khayelitsha with the KBD project Madell (2006:19) augments this point:

> *Although Khayelitsha has its share of complexities, with community divisions, uncoordinated interventions and high levels of crime, it has demonstrated the capacity to rally around issues, including economic development opportunities. Success, in terms of community involvement in Khayelitsha CBD, can be ascribed to the establishment of a number of institutional vehicles to effectively channel the participation of the local community. This includes the*

Khayelitsha Community Trust, the Khayelitsha Development Company as well as the much broader based Khayelitsha Development Forum.

Madell further elaborates on additional ingredients to successful private public community Partnership as follows:

Another success factor is the role of the municipality as a key driver and ensuring that a dedicated operational team remains committed to the project. The success of the partnership can also be attributed to the role allocation of a wide range of public, private and community based organisations, resulting in interdependency and the need for close co-operation.

This platform provided confidence to the private investment bank that the technical, financial and management issues of the CBD development are is dealt with effectively.

It is important to point out the discrepancy which is emerging between LED plans and implementation particularly in relation to Mew Way Mall and Look-out Hill Tourism Centre, and Monwabisi Resort. These multi-million projects have not been implemented as originally envisaged specifically the retail centre developments which may curtail the economic viability and visitor attractions which invariably compromises the economic participation of the local intended beneficiaries.

5.2.2   LED Approach of the City Of Cape Town

The City of Cape Town took a position consistent with the SMME development to ensure that 80 per cent franchise or ownership of

economic development ie retail stores by local businesses. To realise this objective the business community must be involved particularly the Khayelitsha Business Forum (KBF). It is important however, to ensure that institutional support for business to flourish and benefit from this policy. This also warrants improved coordination between SMME office and LED processes to support and equip local business to engage in the new developments in a sustainable manner.

In terms of leadership, the Executive Mayor has been the champion of the URP. This nature of involvement by the Mayor is extremely necessary to ensure that the political commitment coupled with support and resources is available. The political instability has for many years robbed the project of consistent political support and leadership. Essentially, this support must be aligned with the LED initiatives because URP as a short term measure must be used as an impetus towards strong LED implementation.

5.2.3   Private Sector and Local Conditions

The private sector must continue to invest and develop the area. Whilst conventional financial institutions expressed unease at investing in so-called volatile communities like Khayelitsha, RMB and other companies stepped in to invest. Their efforts, far from enough, but are commendable nonetheless. Necessarily, government must also encourage investment in the area through tax cuts and other measures. This would also encourage the private sector to invest more while taking account of the realities of the people as well as emerging businesses. The tendency to alienate emerging businesses by the big businesses through exorbitant charges for space etc must be a thing of the past as it causes small businesses to collapse. The relations

between government, civil society and the private sector can yield significant results for the growing business community in Khayelitsha. Government made significant investments in providing better accessibility to public services which would be stimulus for private sector investments. Having made this observation the CEO of KCT acknowledged the contribution of the private sector. He recognizes the positive role played by this sector in the development of Khayelitsha as follows:

> *Private sector formations have come to the party and contributed to the construction of various community assets, including a public swimming pool, a multi-purpose community centre, a cricket oval, a basketball court and many more facilities for the community to enjoy!*

5.3   FINDINGS ON GOVERNANCE

Governance plays a fundamental role in ensuring that necessary and effective decisions taken at a strategic level cascade down into operational levels of implementation. Good governance structures and committed leadership creates an enabling environment for implementation. The political drive to deliver on the mandate coupled with the necessary will to commit resources is crucial. The political fluidity in the Cape Metro impacted negatively on the LED implementation process in Khayelitsha.

5.3.1   The Importance of Leadership

The role played by committed and decisive leadership in the implementation of any programme is important regarding resources allocation and as well as elevating the programme to the right level.

Political precariousness is detrimental to the successful implementation of programmes. Political uncertainty or instability has been a serious feature in the Western Cape due to political fluidity. This fluidity also means as Zille stated in the Cabinet lekgotla held in January 2010 recently that the DA has a different mandate and therefore national imperatives do not necessarily override that particular mandate. In essence this means that national priorities can be undermined. This was true several years ago in the Metro when the DA did not prioritise the Urban Renewal Programme which compromised the residents of Khayelitsha.

The Mayor only started to champion the Urban Renewal Programme later which at least meant that decisive steps to create a catalyst for implementation would emerge. Visionary leadership is important is important in providing direction and building linkages between community interests and what is practically possible in the short term as well as the long term. In the context of LED in Khayelitsha the councillors ought to provide leadership and facilitate public participation in the decision-making structures. However, the shocking reality is that most councillors do not know what the LED is about, its purpose and objectives. Needless to say, it is difficult to imagine how such councillors facilitate and encourage participation of community members on forums deliberating on the issues such as LED. Most councillors approached for interviews indicated they were not suitably knowledgeable to give interviews.

5.3.2   Community Participation in Decision Making

Constitutionally, local authorities are obliged to create space for community participation, which warrants accessibility and availability

of information to local communities to enable them to participate effectively. As Ismail et al (1999:110) argues, "Thus, suitable structures and positive support must be provided to encourage individuals and groups to participate in the decision-making processes if and when they wish to do so, and also to sustain their involvement beyond the initial process of voting".

The paramount reason for participatory governance in the form of community participation not only in voting but in formulation and implementation of government programmes is to ensure that local priorities are given prominence in order for government to respond effectively, efficiently and economically. The focus and emphasis on local priorities must be discernible in the plans and budget processes in order to ensure a reasonable expectation or opportunity for implementation and monitoring thereof.
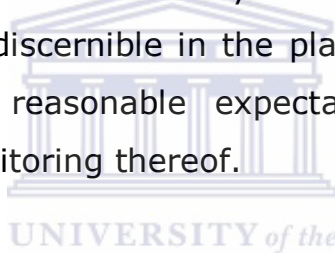
The involvement of organized civil society is imperative however the City of Cape Town treats civil society organizations with ambivalence which is a cause for concern. To enhance qualitative participation, civil society organizations must be provided with opportunities to participate in the decision making and policy formulating bodies to ensure a culture of good governance. The City does not recognise KDF as a partner in the development process but instead is very ambivalent about their existence and role. The interesting thing is that local councillors work with KDF and some are even members but the institution (City of Cape Town) does not have or maintain any networks with KDF. The organization has an array of programmes and initiatives that seek to ameliorate the living conditions in Khayelitsha. In the current initiatives by the City of Cape Town to establish businesses with specific intentions to promote ownership by local

business, it is necessary to consult and agree in terms with the local business community. Khayelitsha Business Forum is a viable structure to approach but unfortunately this has not been done.
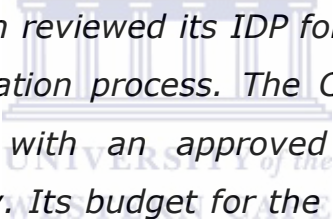
5.4 FINDINGS ON MANAGEMENT PRACTICES AND INSTITUTIONAL CAPACITY

Management and institutional capacity are essential ingredients without which the implementation process of any project or programme is doomed to fail. There is no legitimate question about the significance of management and institutional capacity but rather what appropriate systems must be put in place in order to complement these fundamental mechanisms. Institutions ought to be managed by people with requisite skills to achieve the predetermined objectives. In the local government sphere currently there is a major problem of dearth of technical, managerial and financial skills which hamper the process of service delivery. It is important to identify the institutional competencies that are necessary for implementation of programmes as crucial as LED. The Local Government: Sector Education and Training Authority (LGSETA) has been conducting skills audit for municipalities for several years and the problem of chronic shortage of skills remains critical. Therefore appointment of properly qualified people with the necessary aptitude and emphasis on continuous training must be a priority for all municipalities and various units charged with service delivery.

It is critically important for management to be adequately capacitated in order to guide operational strategies and deploy resources efficiently, effectively and economically. Management provides the necessary linkage between leadership and operational staff, while

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leadership is the centerpiece and conduit for community participation. These linkages are important to ensure that policy formulation is done through a democratic process, and that these policy objectives are realistic and affordable. There important variables for management and institutional capacity, including inter alia, planning and budgeting, integration and coordination, performance management and capacity building.

The South African Local Government Association (SALGA) conducted an assessment, in 2009, of LED in municipalities. The following sentiments emerged from the study with specific reference to Cape Town:

- *The City of Cape Town reviewed its IDP for 2009-2010 IDP through a community participation process. The City has a compliant and credible IDP, along with an approved Economic and Human Development Strategy. Its budget for the 2009-2010 financial year is responsive and the budget is geared towards strategic infrastructure-led investment.*

- *The City of Cape Town has sufficient capacity to implement its targeted priorities for the financial year 2009-2010. Although faced with broader institutional capacity problems, the LED component remains fully functional.*

- *There is no significant prioritisation to sector-focused intervention aside from telecommunications (Fibre Optic project), tourism (with 2010 as an impetus) and the creative industries – of which the link to second economy priorities is not clearly articulated.*

- *Second economy interventions are limited to the arena of enterprise development. It is not clear how the budget and intended policies aim to create jobs, nor is it clear how it will contribute to an 8% growth target set for the city. LED or Local Economic Area Development plans by the city are not clear in how it will address the priorities of unemployment and job creation which is predominantly reported to be very high.* (SALGA, 2010: 21)

5.4.1   Planning and Budgeting

The planning instrument for local government that places public participation as a cornerstone of the process is the IDP, which also seeks to integrate various government programmes and local priorities. The Municipal Finance Management Act of 2003 stipulates that the municipality must table a budget in Council at the beginning of the municipal financial year for adoption. Importantly the budget must be contain measurable indicators and must be in line with the IDP priorities. South Africa applies multi-year planning framework known as the Medium Term Expenditure Framework (MTEF) which makes projections of allocations, revenue and expenditure over a three year period but is reviewed annually to align budget allocation or adjustments with development priorities. However, evidence according to assessment by SALGA suggests that "LED or Local Economic Area Development plans by the city are not clear in how it will address the priorities of unemployment and job creation which is predominantly reported to be very high" (2010:21).

The budgeting process needs to establish priorities of the community. Public participation can be a lengthy process in which municipalities may be reluctant to embark upon but the benefits of mutual

agreement, community buy-in and ownership are much more significant throughout the lifespan of the programme.

Budgeting is an important process of translating policy objectives into practical operations and this is inherently a politically driven process to ensure that the mandate of the electorate is implemented. Equally, budget should not be divorced from strategic management because policy and strategic objectives are unlikely to be achieved without the requisite resources. Conversely, without clear objectives emanating from policy and strategic management processes, the budget is reduced to the numbers game unrelated from actual delivery. It is important to ensure that the IDP addresses and actually implements the aspirations of the people and this must be guided by budget and timeframes to ensure feasibility. The critical report conducted by SALGA (2010:21) concludes that "LED objectives are not clearly reflected or prioritised in the budget". In this scenario the situation of recycling of plans every year is going to continue to prevail. The plans to build light industries in Khayelitsha remains a pipe dream because there are insufficient resources channeled to this end. This is a case of budgeting that is not aligned to IDP.

5.4.2   Integration and Coordination

The IDP is designed to integrate a plethora of government programmes and community priorities. On paper the IDP integrates virtually all programmes ranging from Water Services Plan, Transport Plan, Health Facilities Plan and numerous other broader sectoral plans. In order for these plans to find practical and meaningful expression in the daily lives of the communities all government departments and relevant entities must participate in order to ensure synergies in

planning and budgeting processes. Evidence on the ground suggests that government departments both national and provincial do not attend these planning processes whilst entities have never made any attempt historically.

It is strange that the City of Cape Town believes that there is no need to have a focused economic development strategy for Khayelitsha as a nodal point. The LED or Local Area Economic Development of the City of Cape Town does not have the specifics and therefore the response to the peculiar dynamics and demands of Khayelitsha. Interestingly, the City of Cape Town has developed a Violence Prevention through Urban Upgrading (VPUU) strategy for only a small section of Khayelitsha which is Site C/TR Section. The angle or basis of this strategy seems to be reacting to the challenge of concentration of crime as opposed to a holistic economic regeneration to eradicate poverty, create employment and economic opportunities and thus deal with the disease not the symptoms. The City of Cape Town's resistance to formulating a focused LED strategy for the Khayelitsha node is also at odds with the strategy of the Urban Renewal Programme. The URP has, as at September 2010, developed a Local Economic Development Strategy for the Metro South-East which includes Phillipi, Khayelitsha and Mitchells Plain. This strategy seeks to prioritise economic development in the largest townships in the Cape Metro as a whole. This is a better conception of economic development particularly in attempting to unravel economic potential amid severe backlogs of bulk infrastructure and service delivery. In fact the URP objectives are:

- Promoting local economic development to relieve poverty and unemployment
- Providing a safe and secure environment by fighting crime

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- Supporting education, training and skills development
- Creating a quality urban environment where people can live with dignity and pride
- Developing efficient, integrated and user-friendly transport systems
- Creating job opportunities through the Expanded Public Works Programme (EPWP)
- Delivering well-managed safety nets

Against these specific objectives it is fitting that URP in the identified nodes, Khayelitsha in this context, must pursue a focused local economic development strategy. It must be stated that so far the urban renewal process in Khayelitsha has placed more emphasis on bulk infrastructure and other objectives have not been pursued vigorously.
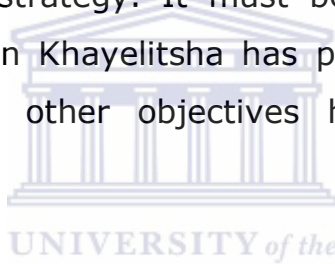
There are different role-players seeking to advance community development through various interventions in Khayelitsha that are not well coordinated and synchronized. Various poverty alleviation targeted programmes by KDF and other players including the municipality need to be integrated and the convergence of objectives will make maximum impact when implemented.

In the recent past there was a study about LED in the City of Cape Town and the conclusions are as relevant today as they were back then. In a study entitled *investigating pro-poor LED in South Africa* (Nel and Goldman 2006:61) the following conclusions and recommendations were reached:

Overall it is apparent that the policy and development context in Cape Town is conducive to support pro-poor development. However, while the 1999 and 2003 policy is committed to a comprehensive understanding poverty, delivery is a challenge and it is questionable whether interventions are cost-effective. There is poor integration of poverty interventions with other programmes and ultimately pro-poor interventions are only a small component of overall LED in the City. Key lessons which emerge, which are important to ensure the effectiveness of pro-poor LED are:

- *There needs to be a conducive policy environment;*
- *Appropriate institutional mechanisms need to be in place;*
- *The physical environment provides scope for development;*
- *Poverty is not one dimensional;*
- *Programmes implemented must be sustainable;*
- *The need to understand the multi-dimensional nature of poverty and the need to look beyond temporary income improvement solutions; and*
- *The importance of having effective institutional structures for poverty relief.*

As the case indicates, an effective M&E system needs to be in place.

5.4.3   Capacity Building

The case demonstrates that there is insufficient capacity to deliver particularly in areas of small business support. The environment is not conducive for emerging business and the business support centre is not capacitated to meet the often diverse and complex needs of the emerging business community in Khayelitsha. Subsequently the small

businesses that were established within the parameters of the retail centres did not survive. There is insufficient budget, human resource and mentoring services rendered by the business centre to effectively develop and maintain entrepreneurs and ensure expansion of opportunities in the Khayelitsha region. The LED and URP offices are both hamstrung by the same challenges of insufficient resources as well as lack of evident areas where cooperation exists.

The introduction of the RED Door business support and training was a good initiative particularly its orientation towards linking entrepreneurs to government services through the Department of Trade and Industry, Intsika and Youth Development Agencies. It is important to ensure that this strategy emphasizes the significance of eliminating fragmentation and rescuing the Business Support and Advice Centre which was experiencing capacity constraints. It is clear from the respondents however, that there remain significant gaps in the provision of support for sustainable business growth and development.

5.5 FINDINGS ON LED IMPLEMENTATION IN KHAYELITSHA

The results of the case study reveal that the dominant economic mode of Khayelitsha is still survivalist or informal sector. This indicates that more resources and developments are still needed to break the stranglehold of poverty and economic deprivation in the area. It is worth acknowledging that the bulk infrastructure interventions by government through providing public service buildings including the magistrate court, home affairs and others changes the landscape of the area.

5.5.1 Governance structures and the economic situation

At the level of governance structures and development agencies working together, there is evidence to suggest that NGOs, CBOs and the private sector can work together. The example cited earlier of FCR and KDF collaborating to encourage the bond repayment augurs well for more partnerships. The role of the KCT is proving very critical in drawing resources and setting up project teams to manage development projects and ensure successful implementation of projects and ensure sustainability.

The economic opportunities and developments are largely in the retail sector which is an indication that chain stores recognise the economic potential as well as the buying power of the residents of Khayelitsha and surrounds. This saves the residents enormous amounts usually incurred for travelling to buy goods in distant locations. The availability of big retail stores such as Shoprite, Spar, Metro to mention a few also helps small *spaza* shops to get quick access to big retailers to buy stock.

5.5.2 Lack of industrial development

The drawback mainly, which the leaves Khayelitsha's economic situation significantly unchanged, is the fact that no real industrial growth and expansion has been done. Failure in this regard compromises the huge employment generating capacity of industries. In addition, development of industries would give rise and opportunities to secondary industries to flourish. The status quo unfortunately leaves many people jobless and therefore the standard of living unchanged. The LED programme for Khayelitsha lists many

industrial development projects ie CBD and Swartklip (see table 3 above). A real effort drawing resources from all relevant actors needs to be made to ensure that not only the promise industries in the two projects highlighted above but also for the Look-out Hill and Monwabisi Resort retail developments as envisaged in the original plans. The lack of implementation of these projects unfortunately undermines progress made in various other areas such as the CBD, Sanlam centre etc.

5.5.3 Bulk infrastructure: a competitive edge

It is abundantly clear that Khayelitsha could grow significantly if adequate attention and leverage is drawn from massive government spending in this area in line with URP priorities. The bulk infrastructure in terms of road networks, rail interchanges as well as water and electricity supply means that the capacity to accommodate business and industrial expansion exists. It is imperative to highlight the point that piecemeal strategies currently adopted are not going to make maximum impact. The strategies must converge and develop a niche that will become the catalyst for more expansive growth. The LED, URP, VPUU and the overarching Metro-South East strategy must be streamlined with all the actors to ensure the realization of the aspirations of the residents of Khayelitsha and surrounds as well as contribute the economic growth of the City.

CHAPTER SIX

CONCLUSION AND RECOMMENDATIONS

6.1 INTRODUCTION

This ultimate chapter attempts to draw a synthesis of the trends and patterns emerging from the entire study. The study presented a general overview of the theoretical as well as guiding policy principles which then culminate in the presentation of the real experience of Khayelitsha in order to give meaningful treatment to LED implementation in context. The is a dichotomy that emerges in the debates about the appropriate approach to LED however in practice particularly in the case of Khayelitsha there seems to be or there is a great potential for a blending of the two dominant approaches ie market-led and pro-poor LED implementation.

It is also quite critical to note the recommendations based on the findings that could improve the efficacy of LED implementation. The central recommendation is that more coordination and integration will ensure better prioritization, resource targeting and thus maximum impact to the ordinary lives of residents. Equally important is the clarion call for a focused comprehensive strategy which is based on analysis of the competitive and comparative advantage of the area and informed by long-term sustainable growth and development path. The edifice of this strategy ought to be industrial development and harnessing the development of productive sustainable sectors building bridges with neighboring communities to ensure benefits to the immediate as well as other areas within the radius of the metro.

6.2   TOWARDS A SYNTHESIS

The theoretical as well as policy underpinnings of the LED policy framework, since the concept gained prominence both internationally and in South Africa, have tended to create an ideological divide between market-led local economic development and pro-poor LED. In the South African context the South African National Civics Organisation propagated pro-poor LED whilst the private sector preferred the market-led approach based on the North American and European experience. Based on the understanding that these approaches may be diametrically opposed ideologically but, as the study demonstrates, all players are integral in the LED implementation process but government plays a leading role. It is important to stress that government (across all three spheres) has a mandate to spearhead the LED implementation process in order to improve the living conditions of ordinary citizens. Against this backdrop there is a moral obligation, in the context of areas like Khayelitsha which have endured years of gross neglect thus resulting in huge poverty and service backlogs, to radically improve socio-economic profile of the area.

In order to overcome the legacy of years of gross neglect, underdevelopment, lack of economic base and deliberate spatial dislocation, government needs to make deliberate plans to integrate Khayelitsha into the City of Cape Town. This requires spatial development planning using Geographic Information Systems to designate residential areas, business areas and mixed areas. It also requires massive bulk infrastructure roll-out to create an environment that makes economic costs of establishing and running business enterprises viable and sustainable. The Local Economic Development

framework as a way of entrenching developmental local government by eradicating poverty, the scourge of unemployment, crime and grime, as well as improving the living conditions of the people is extremely useful.

Throughout the study much more emphasis has been placed on structural and systemic considerations for successful implementation of LED. In Khayelitsha, as the study reveals, there are challenges at the level of governance in relation to both LED and IDP. It is imperative to ensure that formulation of both IDP and LED is conducted in the democratic way as envisaged in the Constitution chapter 7 as well as the Municipal Systems Act, Municipal Structures Act and the White Paper on Local Government. These regulatory prescripts prescribe that public participation must be conducted in order to give prominence to local priorities. It is also critical that other government departments and entities must be involved in the formulation of IDPs in order to integrate and coordinate developmental plans. It is a major concern that participation of sector departments in the IDP and LED process is quite average. This results in the fragmented and uncoordinated implementation of programmes which has a propensity for duplication and wastage of resources. The IDP and LED in terms of policy must be aligned to the Provincial Growth and Development Strategy. In the context of the Western Cape the is a strategy known as *Ikapa Elihlumayo* but it is unclear how the LED contributes to the overall strategy nor is it clear how the LED strategy will achieve the envisaged 8 per cent growth in the City.

There are numerous management and institutional instruments which are key vehicles for successful implementation of LED. In Khayelitsha there is a serious challenge that relates to insufficient capacity for LED,

URP as well as the Business Support and Advice Centre. The lack of capacity is also coupled with insufficient allocation of resources. The astonishing predicament of the LED and URP units is that they do not have budgets of their own but instead they picky-beg on various departments across the City administration.

Another area of concern is the fact that there is no coherent LED strategy. The City of Cape Town has a Local Area Economic Development (LEAD) under the rubric of the Business and Development Support Directorate. More recently the City adopted its IDP together with the Economic and Human Development Strategy. There is lack of coherence in these strategies through allocation of resources and development of a credible implementation plan. The City of Cape Town adopted an approach which states that there is no need to develop a specific LED strategy for Khayelitsha even though it is a nodal district. In the recent years the City developed a strategy known as VPUU narrowly focusing on one area in Khayelitsha which is in Site C/ TR section. The formulation of VPUU is a depature from the stated approach but its orientation is on crime prevention not necessarily LED. As a sign that, broadly, there is no coherent LED approach, the URP unit which has as its primary objective the promotion of LED to fight poverty and unemployment, has developed a Metro South-East Local Economic Development Strategy for 2010. The Metro South-East includes Phillipi, Khayelitsha and Mitchells Plain. This focused strategy with adequate funding, community mobilsation and political will stands a much greater chance of success based on its focused orientation. There is also no evidence that the Business Support and Advice Centre collaborates with the provincially initiated RED Door business support and training initiative. This shows that there are a lot of resources which are scattered all over but if there is

a more advanced strategic thinking these synergies can be identified on leveraged to make better impact in the economic outlook of Khayelitsha.

It is important to note that the economic trajectory of Khayelitsha is positive even though there is more room for improvement. The massive bulk infrastructure provision by government ie water, electricity and sanitation as well as built environment including roads, government buildings which improve access to services by the community have created a climate that is conducive for private sector investment. Another critically important proactive step is the KDF initiative to launch a bond repayment project in order to demonstrate to the private sector that their investments are not in vain. It must be pointed out categorically that the LED in Khayelitsha has over the past years been slant towards retail expansion and there is no discernible evidence of the development of the light industries as envisaged in many plans including the Khayelitsha Business District. There is potential for the development of the manufacturing sector and other industries but this is curtailed by the fact that developers prefer the Airport Industria as opposed to exploiting the enormous potential in Khayelitsha.

The plethora of partnerships with private institutions and international donors such as the Rand Merchant Bank, Development Bank of Southern Africa and the German Development Bank (KfW) are extremely critical in the development of the Khayelitsha Business District. It is a concern that overall the involvement of Development Finance Institutions has been below par. These institutions have enormous resources which can make the seemingly insurmountable task of community economic development in Khayelitsha a reality and

eradicate the scourge of poverty, unemployment, lack of opportunities and economic base as well as eliminate the chronic skills shortage. Perhaps it is fitting to end this paper with a critical assessment of the developmental role of the DFIs. In the latest edition of Umrabulo former head of Policy Coordinating and Advisory Unit (PCAS) Joel Netshitenze makes the apt observation that, "The performance of some state-owned enterprises and development finance institutions in relation to the development path the state has chosen is woeful. We have not used the capacities of the state, including the massive infrastructure programme, to leverage industrial development in specific and effective ways; and we cannot claim that our incentives over the years have delivered the outcomes envisaged".

6.3   RECOMMENDATIONS

In view of the situational analysis of LED in Khayelitsha, it is important to record some recommendations to improve the implementation of LED. This set of recommendations is based on the findings from the case study, thus can be applied in order to improve LED implementation as well as governance and management in Khayelitsha and elsewhere. These recommendations also have theoretical as well as practical foundations and thus offer realistic ways for proper implementation and economic advancement.

- **An overarching strategy**

    An overarching strategy is necessary to ensure targeted development approach and operational plans that respond to the unique circumstances of Khayelitsha. There is a discord in the existing strategies ie LAED, VPUU and Metro South-East

LED. A plan that integrates URP and LED strategies and connects the resources into targeted development zones and corridors can pay dividends in this process. A comprehensive strategy would actually assist to pull and attract investors and grow local business through creation of opportunities. This type of strategy would provide an overview of the economic profile of the area and outline comparative and competitive advantages of Khayelitsha. Importantly, such as broad strategy would also highlight the available resources and sources of resource mobilization as well as an outline of the skills base in order to have advanced long-term plans.

- **Developing partnerships**

It is important that the City encourages development of partnerships with various stakeholders to ensure coherent integration of strategies. The significance of this process is the resourcefulness of various actors to integrate these and build synergies to avoid duplication. This can also serve to create a database or portal to direct investors to key strategic areas identified collectively by stakeholders. This would also give significant and compelling strategies on marketing the area for investment and development. The partnership between the City of Cape Town through its entity the Khayelitsha Community Trust and Rand Merchant Bank is a wonderful venture and therefore commendable. It has brought more focused interventions to improve the economic outlook of the area.

- **Build strong SMME Support Infrastructure**

It is evident that amid developments and some private sector investments in Khayelitsha emerging small businesses are unable to flourish. Small businesses are unsustainable because of various factors including unfriendly private sector demands. This could also be attributed to insufficient SMME support. Sustained support and mentoring would enable small enterprises to seize the opportunities particularly in light of the proliferation of retail centres. Strong SMME support gives effect to the concept of empowering local businesses by adopting and implementing a policy that every business must have certain portion or percentage under the ownership of local businesses to progressively build the economic development potential and capacity of local people. The Business Support and Advice Centre and RED Door Business Support ought to integrate their strategies and resources to serve the growing business and entrepreneurial potential in Khayelitsha.

- **Strengthen Coordination and Integration**

There are greater benefits for government's delivery mandate if plans, projects and programmes can be more coordinated at the level of conceptualisation in order to developed synergies and use resources efficiently. Participation of sector departments in the IDP process remains low and therefore institutionalisation of the statutory Inter-Governmental Relations must be done as a matter of urgency. Coordination of strategies including more importantly IDP and provincial strategy is critically important for targeted resource allocation

and complementary implementation process of LED in areas like Khayelitsha.

- **Enhance leadership, management and institutional capacity**

The primary responsibility to develop the economic profile of Khayelitsha rests with the City hence it must play a significant role in providing leadership. It is through such leadership that opportunities for other players are created. The functionality of ward forums needs to be prioritized in order to give the broader community an opportunity to participate in development processes as well as hold councillors to account. The immense contribution of the KDF needs to be strengthened and not be treated in an ambivalent fashion.
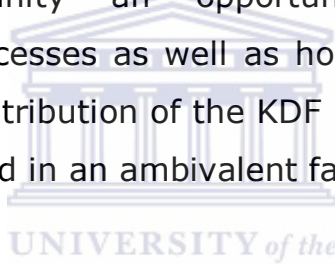
Training on management skills for municipal employees to build managerial capacity and also professionalization of municipal management remain fundamental. Importantly, the capacity of the LED and URP offices as well as the Business Support Centre needs to be strengthened to vigorously intensify community economic development as well as sustained support to emerging entrepreneurs. These respective units need dedicated staff with technical, managerial, financial and professional expertise in order to unlock the potential and ensure integration of strategies in practice to intensify the economic development in order to eradicate poverty, crime and other social ills. It is important to have an operational team to have costed long-term development plans as well as measurable outputs.

- **Provide incentives for private sector investment**

The situation in Khayelitsha manifests a poverty profile and thus becomes a security risk on the investment returns of the private sector. Under such circumstances there is no predictability, security and certainty of return of investment therefore the private sector would be unwilling to invest. However, engagement between various interested parties would enable business to look beyond the short-term risks and take the full view of the development potential. The government in particular needs to build an enabling environment through providing incentives such as tax cuts and other packages for instance it can be suggested that all big contractors that are awarded tenders by government must invest in the identified urban and rural node.

Government can also provide services that would enable the light industries envisaged in the IDP to flourish through ensuring that things like water supply, land and electricity and infrastructure are adequate for business purposes. There is an already existing abundance of human capital to leverage on.

- **Development of Light Industries**

In order to unlock the economic potential in a speedy and sustainable way the development and spread of industries in Khayelitsha must be encouraged and intensified. There are existing ventures of small manufacturing business for households and many others. These domestic industries can

grow through spin-offs from the established industries as secondary industries.

These recommendations based on the literature, instructive regulatory frameworks and emerging lessons from the study, *albeit*, not a panacea to successful LED implementation but certainly can contribute towards improving socio-economic conditions in South African townships. The case demonstrates flashes of success and therefore makes recommendations for further improvements for more efficacious LED implementation through maximizing resource utilisation through synchronisation of programmes, strengthening governance systems as well as management and institutional capacity.

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