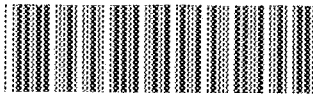


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Income generation, local economic development and community development: paying the price for lacking business skills?¹

Lochner Marais and Lucius Botes

Abstract The introduction of the notion of developmental local government as entrenched in the South African constitution in 1994 has required municipalities and cities to consider initiatives to enhance their local economies. At the same time, the social welfare paradigm has shifted from one of welfare to development. One way of ensuring the sustainability of this developmental paradigm is to embark on income-generating projects or businesses. The Free State provincial government created various projects to develop local economies and to establish income-generating projects with a view to making people more self-reliant and their livelihoods more sustainable. This article aims to evaluate local economic development and income-generating projects in the Free State province from the perspective of business principles.

Introduction

The introduction of the notion of developmental local government as entrenched in the South African constitution in 1994 has required municipalities and cities to consider strategies and programmes to enhance their local economies (Department of Housing, 1997; Republic of South Africa, 1998). Various state departments, amongst which was the then Department of

¹ Funding provided by the Department for International Development (DFID), the National Departments of Provincial and Local Government and Social Development, the Independent Development Trust and the Free State Provincial Department of Social Development is gratefully acknowledged.

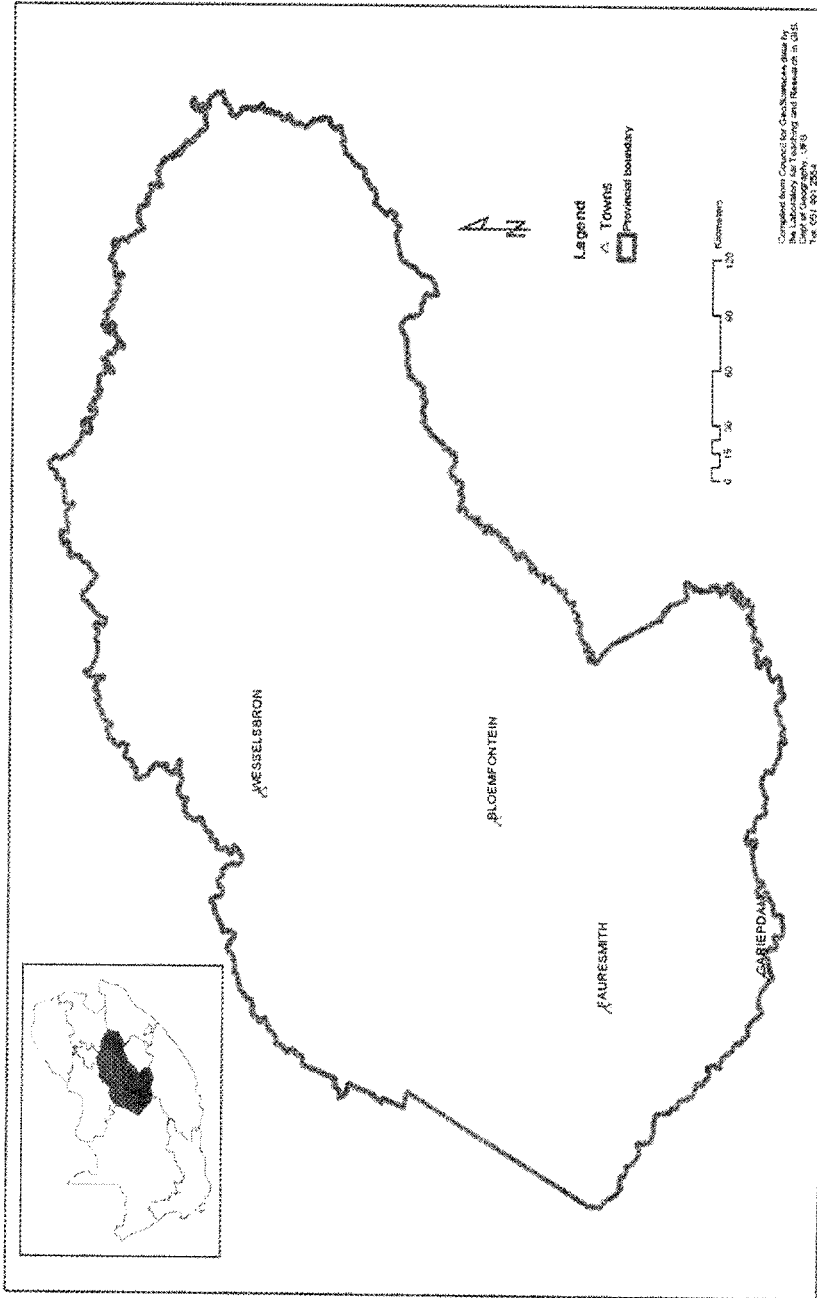
Welfare [now the Department of Social Development (DSD)], were required to identify strategies to ensure job creation and poverty alleviation. Despite Pieterse (2002, p. 5) arguing that developmental government entails far more than just focussing on job creation, poverty alleviation, and local economic development (LED), government programmes have embarked on extensive projects in this regard. Although local government intervention in city economies is not new (Lemon, 2002, p. 18), the approach followed since the mid-1990s emphasizing these three aspects represents a new approach in South Africa.

The White Paper on Local Government specifically stresses the importance of LED (Republic of South Africa, 1998), while the White Paper on Welfare stresses the importance of sustainable welfare interventions (Department of Social Welfare, 1997). According to Rogerson (2000, p. 39), LED gives local authorities new responsibilities and scope for local development planning, which often involves the private sector, community-based organisations, and non-governmental organisations. Also, funds are made available by the national government to ensure that projects generating income are developed locally. The Free State provincial government² embarked on several projects to develop local economies (through the Department of Local Government and Housing) and established income-generating initiatives with the aid of the DSD, while simultaneously seeking the assistance of various other departments with a view to increasing self-reliance and sustainable livelihoods through processes of community development and LED.

This article aims to evaluate these income-generating projects in the Free State³ province from the perspective of business principles. In essence, we argue that players in the public and private sectors (also consultants) lack the capacity to think and plan in terms of business principles, thus thwarting the government's rationale for embarking on these as a mechanism to enhance the long-term development of impoverished communities. We also question the conventional wisdom, prevalent in South Africa, which assumes that the State should be involved in managing these projects. The article first contextualizes the relationship between community development and enterprise development in terms of international literature as well as the South African White Paper on Welfare. Secondly, a general review of the literature on LED projects and of their successes and failures is linked to the available research on small, medium, and micro enterprises (SMMEs). Next, there is a brief overview of the fund-related objectives of LED and the objectives of the income-generating programmes of the DSD

2 South Africa has nine provincial governments and well over 200 local municipalities.

3 The Free State is one of the nine provinces of South Africa and is centrally located in the country (see Map 1).



Map 1 Location of the Free State and case studies in South Africa

related to poverty alleviation. The emphasis then shifts to the evaluation of projects in the Free State on the basis of business management principles. Three case studies will be assessed briefly, after which the LED and income-generating projects will be analysed from the perspective of business management.

Community development and business development: a link?

The literature makes ample mention of a close link between community development and enterprise development (the concept of enterprise zones being popular in the USA) or, at least, what is known in Europe as the social economy (Benedict and Egan, 1993; Vidal, 1995; Glickman and Servon, 1998; Servon, 1997, 1998; Lukkarinen, 2005). This link, though not the ultimate answer, does hold some value for ensuring the longer-term sustainability of efforts in community development. In fact, Servon (1997;1998) argues that the value of enterprise development for community development is not always recognized. Benedict and Egan (1993: p. 4) argue that 'Linkages that pair business development and community development can create more opportunities and generate greater payoffs than would pursuing each independently'. The importance of linking enterprise development and community development is entrenched in the fact that providing sustainable employment for poverty-stricken communities is a priority on all local agendas for community development. According to Lukkarinen (2005: p. 419): 'There is a growing understanding that the development of the economy and of the knowledge society must be accompanied by social balance to ensure cohesion, equity and a decrease of poverty.' From a community development point of view, Servon (1998) argues that projects to generate income and create jobs are important, but that the aspects relating to community development, such as connecting people, training residents and helping them to access resources are often overlooked. In essence, the literature suggests a balanced approach, making community development more sustainable through economic participation, but, at the same time, also ensuring community development outcomes of programmes.

Many donor institutions have promoted the concept of 'making markets work for the poor' (see for example, DFID, 2000; SIDA, 2003; Harper and Tanburn, 2005), which has become instrumental in the process of poverty alleviation and community development (Phillip, 2005). Phillip (2005) also argues for a distinct link between making markets work for the poor and development (including poverty reduction). This approach should be seen against the limited successes of other supporting efforts, such as

skills development, to provide long-term solutions to some poverty-related problems. This shift towards markets, in part, also reflects an inherent requirement to reduce aid dependency.

The South African White Paper on Social Welfare (Department of Social Welfare, 1997) set the tone for the paradigm shift from welfare to social development and reflected this in its name change to the Department of Social Development. The White Paper emphasized the shift towards a more developmental welfare system with community development playing an essential role. For example, the preamble states:

The goal of developmental social welfare is a humane, peaceful, just and caring society which will uphold welfare rights, facilitate the meeting of basic human needs, release people's creative energies, help them achieve their aspirations, build human capacity and self-reliance, and participate fully in all spheres of social, economic and political life. (Department of Social Welfare, 1997: p. 1).

The policy vision provides for an enabling environment, facilitating human development and self-reliance. The link between social and economic development is further emphasized. 'Social development and economic development are therefore interdependent and mutually reinforcing' (Department of Social Welfare, 1997: p. 5) and linked to concepts of creating employment, accessing credit and facilitating the transition from informal to formal employment. In respect of community development, the overall emphasis is on 'the reorientation of social welfare programmes towards comprehensive, integrated and developmental strategies' (Department of Social Welfare, 1997: p. 12). Within this framework, the Department's role will be to support economic empowerment programmes and self-help groups, ensuring the paradigm shift from welfare to development.

LED and SMME development in South Africa

Although some confusion exists as to how LED should be defined and practised, this article focusses mainly on projects in which community groups or local municipalities are funded for the sake of job creation and community development. LED research related to projects of this nature has grown significantly during the last decade (cf. Joubert, Schoeman and Biignaut, 1999; Hughes, 2000), undertaken mainly by geographers and town planners (Nel, 1999; Rogerson, 2002). This research, though pioneering and providing excellent contributions on strategy and policy issues, still neglected to assess the question as to whether the design of and approach to LED projects actually make business sense. Despite there being extensive literature on SMME research in South Africa, very few researchers, except possibly

Rogerson (2000, 2001, 2002), have actually managed to link research on SMMEs to LED research. Instead, the social, spatial, strategic and policy dimensions of LED initiatives have been emphasized at the expense of the business principles – and with good reason. However, we argue that project failure is not only related to the external economic factors emphasized in the literature (Tomlinson, 2003). Many attribute the lack of success to the exclusive focus on the local market (Hughes, 2000, p. 18; Nel and Binns, 2000, p. 368), or to certain structural economic dilemmas (Rogerson, 2001, p. 22; Tomlinson, 2003, p. 113). However, they do not assess the business plans and business approaches to explain the failure of marketing and/or other dimensions of the project. In order to improve the success of LED programmes, it is also necessary to take into account the business principles at the micro-level. We argue that if practitioners in both the public and private sectors could improve their ability to think in terms of business principles, this would go a long way towards ensuring the viability for LED projects.

Direct or indirect local government or state department involvement in job creation is no new phenomenon (Rogerson, 2000, p. 37). Yet, this topic did not receive much attention in South Africa before the early 1990s. In fact, most municipalities are still struggling to develop effective strategies in this regard. A key issue hampering progress is the inherent conflict between strategies boosting the economy and those focusing on poverty alleviation. The LED funding principles (to be analysed later) suggest that projects should have social, economic and business dimensions reflected in the DSD's poverty-relief programme. Indeed, Nel (1999, p. 113) suggests that the social welfare benefits of LED projects (despite their not being financially viable) are better than welfare benefits provided by the government's welfare grant programmes.

A broad overview of LED literature suggests that very few of the small-scale and community-based employment creation projects have resulted in financially viable projects that assist in job creation beyond a specific grant period (Nel, 1999, p. 114; Kheira Management, 2002, p. 8; Marais, Botes and Mosothoane, 2002, p. 42).⁴ The main reasons for this include the lack of markets and the inherent limitations of local initiatives, low levels of skill within local municipalities, as well as a lack of leadership skills (Lemon, 2002, p. 28). Only a small percentage of the literature provides analyses of rural case studies or more marginalised cities (Lemon, 2002, p. 28). Some research also relates many of the problems experienced in respect of income generation and LED to institutional confusion in South Africa (Tomlinson, 2003, p. 120). Yet, the lack of capacity – though

⁴ The provincial LED officials of the Free State have indicated that not more than 10% of the current LED projects will still be operational in three years' time.

usually mentioned in passing – is never analysed in detail, especially from a business management perspective. Neither can the social and strategic dimensions be isolated.

The literature on SMMEs does not differ dramatically from this assessment of LED research, while the lack of access to finance, markets and training also seems to be crucial (Rogerson, 2001: 54; 2004, p. 32). Access to finance seems less of a problem in the case of LED projects, such projects being either donor- or government-funded. In contrast to the strong urban bias that seems to dominate LED funding and research, Rogerson (1998, p. 53) states that a significant number of researchers have also focused on rural SMMEs. In general, SMMEs also struggle to remain viable (being obliged to compete against bigger and more formalised businesses). Rogerson (1998, p. 54), and Burger (2002, p. 9) suggested a relationship between the concentration of SMMEs and their survival rates.

An interesting aspect concerning SMMEs, not always mentioned within LED projects, is the potential role of tendering procedures. Rogerson (2001, p. 57) points out that targeted procurement – or, as it is known in South Africa, preferential procurement – can play an important role in opening up markets within the government services for such projects.

Government attempts to bring about LED and poverty alleviation

The Constitution makes local government responsible for the social and economic development of communities (Republic of South Africa, 1998). However, for municipalities to assume this role effectively an 'enabling environment' is needed. A Local Economic Development Fund was established in 1999 to support municipalities across the country in LED initiatives, as part of the government's poverty-alleviation strategy. Its success led to additional funds being approved for the financial years from 2000/01 to 2003/04. By the end of the financial year 2001/02, a total of 186 projects had been approved by the LED Fund nationally and 16 projects had been approved in the Free State.

Provincial Governments are responsible for short-listing projects for approval, for monitoring and for supporting the implementation of projects. The Department of Provincial and Local Government (DPLG) is responsible for the overall performance of the fund, and for monitoring and providing technical support to projects, as direct transfers are made by the DPLG to municipalities. Municipalities are required to supply monthly reports directly to the DPLG. The objectives of the fund are to:

- Support municipalities in facilitating local job creation and job retention.

- Support the creation of sustainable local economies by proactively addressing problems in respect of economic decline and dependency on single sectors and by taking advantage of economic opportunities.
- Ensure that local economic growth and activity benefit the poor and disadvantaged.
- Support rural development, particularly in areas affected by backward migration from urban areas.
- Support projects targeting both sectors and geographic spaces, addressing urban renewal.
- Assure women's participation in project planning and implementation and ensuring that women benefit directly and indirectly from projects.
- Establish institutions and delivery mechanisms promoting and enhancing co-operative governance.

Concurrently with the development of the LED programme, various other government departments have attempted to develop programmes aimed at fostering income-generation for the poor. Examples are the Department of Agriculture, with a programme of land redistribution, and the DSD with programmes aimed at generating income. Our focus here is on the income-generating programmes of the DSD only. The essence of these projects lies in activities to be carried out by rural women organised within business units. Groups of people should be established in nodal poverty points, rural areas and tourist corridors. Women's groups are expected to embark on programmes such as handicraft, large-scale sewing and knitting, services such as catering and the production of goods such as poultry and confectionery products (Department of Social Development, 2002, p. 7). Despite their different points of departure, the similarity between the LED programmes and the poverty relief programmes is visible in terms of their anti-poverty drive and their emphasis on women and the poor, on creating jobs and boosting the economy. Against this background, the remainder of the article will focus on an assessment of projects related to the LED programme (DPLC) and the income-generating projects of the DSD in the Free State province.

An overview of the Free State LED projects

The article focuses on three arts and crafts income-generating projects in the Southern Free State⁵. Table 1 gives an overview of the LED projects in the Free State from 1999 to 2001.

⁵ See Map 1 for the exact locations.

Table 1. An overview of Free State LED projects, 1999–2001

Sector	Number of projects	Percentage	Investment in '000 (rand)	Percentage
Agriculture	7	43.75	7,861	51.62
Mining	1	6.25	870	5.71
Infrastructure	3	18.75	3,037	19.94
Tourism	0	0.00	0	0.00
Environment	0	0.00	0	0.00
Manufacturing	5	31.25	3,460	22.72
Total	16	100.00	15,228	100.00

Despite an investment of nearly R16 million, none of these projects would be sustainable without the government grant. None of the more than 400 jobs created were long-term, all being grant-dependent.

Table 2 indicates that no LED project was market-competitive. Although more than 50% of the projects were operational, they remained grant-driven. Some of the projects had only just started and it was difficult to predict their success. However, we are convinced that only four or five of the projects had any chance of ever becoming financially viable⁶ due to the inability of key project role-players to think in business terms. Three case studies are presented to support our arguments.

Case studies from the Free State

The Monyakeng poultry and food plot project (Wesselsbron)

This project, consisting of two separate entities – a poultry and a food plot project – was funded by the DPLG's LED fund. The poultry project, previously sponsored by the Department of Agriculture, could not sustain itself. A renewed proposal secured funding and training and the Department of Agriculture provided technical assistance. In the food plot project, vegetables were grown on 15 ha of arable land on the municipal commonage. A piece of consultancy developed a business plan to access the funds and the DPLG approved the plan. A site visit revealed that the administrative systems were all well developed. In the poultry project, poor financial decisions and unforeseen costs caused the first batch of chickens to be sold at a loss. The vegetable growing project suffered from the absence of infrastructure, poor labour supervision and a context of

⁶ According to interviews conducted during 2002 with the LED manager of the Department of Local Government and Housing in the Northern Cape and five other municipal managers, only two to three of the fourteen LED projects in the Northern Cape had any chance of becoming financially viable (Botes and Atkinson, 2002, p. 3).

Table 2. An overview of the progress of LED projects in the Free State, 1999–2001

Criteria	Projects	Percentage
Not started	0	0
Halted	2	12.5
Planning and design stage	0	0
Tender and contractual finalisation	0	0
Construction	0	0
Completed (ready to start being operational)	5	31.25
Advanced (operational)	9	56.25
Market-competitive	0	0
Total	16	100

non-performance (i.e. income unrelated to performance) resulting in under-utilisation and poor productivity. Of the 15 ha of land tested for the growing of vegetables, only about 1 ha was being utilised.

The Gariep Dam weaving project

This project entailed weaving articles made of locally purchased wool utilising a project plan developed by a private consultant, and following the principle of adding value to local products. Although technically these women were well trained and the quality of their products was excellent, they regarded the area around the Gariep Dam as their sole market. Furthermore, there was no specific system according to which they carried out their pricing. Although the financial management was conducted efficiently through the agency of an Article 21 company, the beneficiaries struggled to market their products and a cash-flow problem resulted. Eventually, the project ceased to operate. This excellently planned project failed not only as a result of a total absence of marketing and business management ideas but also due to a lack of costing and profit-sharing skills.

The Fauresmith silk project

This project was aimed at making raw silk products. In terms of originality, the project had identified a sustainable niche market. The beneficiaries were provided with the necessary – though reputedly old – equipment and training, as well as a contract with a wholesaler in Gauteng. From a business point of view, this project was certain to succeed. However, quality, as well as maintaining it, became a major problem, as the wholesaler refused to accept the products and participants blamed the old machinery for the poor quality. The group, relying on memory (no records had been kept) sold clothes at a loss. The consequent depletion of their funds left them unable to buy new raw materials.

Evaluating the projects in the Free State

It is clear from the case studies that the problem is not necessarily attributable to a lack of commendable ideas but rather to a lack of emphasis on business principles, which hampers the financial viability of these projects.

Developing and approving projects

Both the LED projects and the income-generating projects were developed at the local level and business plans were then transferred from provincial to national government. Most of these business plans were desktop designs, with limited input from the possible end-beneficiaries. Furthermore, effective linkages with the Integrated Development Plans of most municipalities were non-existent.

In the case of LED projects, the province played a role in prioritizing projects in terms of viability and of spatial needs in the province. The income-generating projects of the DSD were identified in advance, developed by a community liaison officer, and then passed on to the national department. In a State hierarchy, this is not unusual. Yet, never was there any feedback or business assessment. Local municipalities and projects were never asked to improve the project plans or business plans.

A mere interactive system of approving projects, aimed at enhancing the business quality of the projects, could play an important role in increasing a project's financial viability. However, as such business management skills do not exist at the higher levels of government, consideration could be given to outsourcing the evaluation of business plans, in order to ensure a far more comprehensive assessment.

The nature of business plans and risk identification

In the case of LED projects, a consultation firm – committed mainly to getting the project approved so that the company could become the project manager – usually develop the business plans. It is the 10% project-management fee, not development-related idealism, that motivates firms. Projects of the DSD use a prescribed form originally developed for more socially oriented projects.

In most cases, the so-called 'business plans' are project plans drawn up from the perspective of a consultant. Objectives in these plans typically relate to providing training and arranging accommodation for the group. In general, business plans completely lack operational plans and not one set any production objectives, or made any forecasts (especially with respect to cash-flow projections, break-even analyses, cost-benefit analyses, etc). The challenge is to develop business plans from the perspective of the *business*. Training cannot constitute an objective in itself; It is only one of the

activities needed to ensure a greater degree of productivity or efficiency. Project plans focus more on the tangible aspects that can be provided by the businesses, but not on how to actually get these businesses started.

None of the business plans included properly developed, efficient marketing plans. Some did offer rudimentary plans identifying where the products would be sold but lacked cost-efficiency assessments. No project had ever conducted a market assessment – not even an elementary one involving the assessment of the competition and the estimates of the market share. Furthermore, none of the business plans included any assessment of projects or business risks. Had the Monyakeng project identified the lack of water as a risk and assessed this risk beforehand in terms of the bigger financial situation, the participants would most probably not have planted vegetables without water. If the role-players in the Fauresmith project had identified quality control as a risk, they would have devised a system to assist them in ensuring quality. All estimates for the Monyakeng projects were done in terms of the 'best-scenario' case, allowing the people to believe that they would make large profits. The lack of planning for risks and the exclusive focus on the 'best scenario' emphasize another important aspect of any business plan, i.e. to plan for actions a worst-case scenario. The DSD attempted to provide some assistance in this regard through external consultants. However, both consultants and government departments apparently failed to assess the business nature of the project plans effectively and also did not engage with the applicant bodies to improve the quality of business plans, to ensure that marketing plans were developed, and to manage their risks.

Marketing

Although the lack of a local market is usually mentioned as one of the main reasons for the failure of these projects (Nel, 1999, p. 102; Rogerson, 2004, p. 54), the lack of effective planning for marketing also plays a role. Most business plans were devoid of a marketing strategy and allocated only limited amounts of money for marketing purposes. Most of the projects were production-driven, not market-led. Though it may seem easy to produce something, it is far more difficult to find markets. Strangely enough, no mechanism had been put in place by the government to open some of the public-service markets to these projects, e.g. ensuring that government procurement systems were made available to these projects. The case studies indicate that, when such projects focus on local markets alone, it soon becomes evident that this is insufficient to accommodate the products, or that the project competition has already occupied the market. The agricultural projects thus compete, at major risk, against established farmers who have sufficient capital to recover from drought and

other risks. The challenge is to extend the market area beyond the local arena, or to focus on people who will bring money into the area (tourists). Again, not one of the LED projects in the Free State was tourism-oriented.

Financial and business management: Budgeting, pricing and book-keeping

In terms of the operational assessment of projects, financial management probably caused the most problems. The first problem encountered was with the manner in which money was transferred between the national departments and the projects. The project participants usually did not know when they would receive funds, making it extremely difficult to develop cash-flow projections. On the one hand, government structures require projects to plan but, on the other, the internal systems of government leave projects with many uncertainties, thus making it difficult to plan successfully.

Although elementary book-keeping systems were, in some cases, available, the project members and government officials generally lacked budgeting, pricing, sound financial book-keeping and entrepreneurial skills. Very few of those people involved in the projects understood that bulk-buying might be better than purchasing small quantities of raw materials. In general, the virtual absence of bulk purchasing compromised the financial viability of most of the projects.

Consultants⁷

We believe that most consultants added value to the projects they were involved in. However, it would seem that most consultants were either from the engineering or town-planning professions, although the absence of service providers related to the relevant industries seemed peculiar. The second concern, already mentioned, relates to the fact that the service providers involved viewed such initiatives as projects and not as businesses, with objectives set in terms of project and not production and marketing outcomes. Thirdly, consultants did not assist the projects with detailed pricing and marketing methodologies. Once projects had been approved, consultants ensured that the tangible results, such as venues and training, were delivered (mostly extremely efficiently). However, they did not assist participants to gain an understanding, for example, of how to price and market. In this regard, there is a need to ensure that a greater degree of industrial expertise is made available to projects. Secondly, contracts with consultants could be managed far more effectively. In fact, in many cases, there was no evidence of either a contract having been entered into with the consultants, nor of any innovative ways of managing

⁷ Not all projects were assigned consultants.

consultants in order to ensure that they addressed some of the capacity constraints at a local level. Furthermore, consultation fees were always related to the 10% management fee, and not to the performance of consultants and the success of the business. In our view, a percentage of the consultation fee should be retained, depending on the success of projects, thereby inducing consultants to think more along business lines, rather than only following a project management approach.

The number of end-beneficiaries

The Monyakeng project demonstrated the inability of the 85 participants to sustain themselves effectively on 15 ha of land. Although involving such numbers probably brought about effective welfare benefits and ensured some degree of income for the poor (a specific effort having been made to ensure benefits to the poor), it is probably unrealistic to expect such a project to sustain 85 people.⁸ One DSD criterion is that their income-generating projects should include at least 50 possible end-beneficiaries by the end of a three-year period. Although the social benefits and the aims of the said approach are commendable, it is highly unlikely that projects will actually be able to attain such objectives. Secondly, widespread group conflict raised questions about the DSD vision that such big groups can form businesses.

Training

One of the more positive aspects of the LED and income-generating projects was that of extensive training. Still, there were some problems:

- Most of the training was related to technical skills, with limited training in business skills. There was little or no relationship or integration between the technical training and the financial management of these projects.
- While training and quality control are long-term goals, too much of the training entailed merely short-term interventions.
- Evaluation of the LED projects revealed that more people had been trained than were actually working on the projects at the time.

How entrepreneurial can government be?

The last issue to be addressed in this article is the question of how entrepreneurial a government can be. A few examples in our research revealed extremely low levels of entrepreneurial spirit and drive within government

⁸ Kuwe-Bamanyisa (2002, p. 43), after research on a rural irrigation project in the Eastern Cape province of South Africa, concluded that on 10 ha of irrigation land, 50 beneficiaries could only derive 12% of their livelihood income from the community agriculture project. Some 88% of their income came from remittances and other economic activities.

structures. In some of the agricultural projects, for instance, it took such a long time to obtain money to buy medicine for animals that some of the animals died before they could be helped. A second aspect relating to the observed lack of entrepreneurial spirit within local municipalities concerns their financial commitment. No local municipality has invested in any of these programmes and committed itself financially. In fact, the income-generating projects of the DSD struggled to induce local municipalities and councillors to actively support their projects. It seems that the respective grants are largely regarded as funding from outside, and that a counter-contribution from the local municipality would contribute towards ensuring a greater degree of ownership at the local level. Whether this would be at all possible in view of the desperate financial situation of most local municipalities in the Free State is another question altogether. However, it might be precisely these financial limitations that hamper comprehensive LED strategies in most municipalities.

Conclusions

We have argued that a distinct link exists between income-generating projects, LED and community development. All attempts must be made to bring longer-term sustainability to impoverished communities. Though conceding that LED projects cannot be evaluated solely on economic criteria, we have argued that ignoring economic and business management perspectives limits the success of such programmes. We agree with the conclusions reached in other research and concur that the failure of income-generating projects and SMMEs should be related to the lack of finances, training, and markets. However, we are convinced that a greater effort could be made to bring hard business principles into these projects. To a large extent, LED has become a field of 'soft' social skills, while the 'harder' economic and business-management skills are not accounted for; yet, their introduction would surely enhance financial viability. However, to effect this, business management skills must complement social skills and community development. In our present evaluation, these skills were mostly lacking. This deficiency, we feel, is directly related to the capacity of government structures to manage effectively and efficiently the business skills and financial systems involved. Such capacity is a prerequisite for ensuring a greater degree of financial viability than is currently apparent. Considering these arguments, one would probably want to see fewer projects – but these should be projects selected more carefully, with less direct government involvement in the management. The projects should be properly targeted so as to make sense both in terms of business and in terms of the relevant guidelines for poverty relief or community development.

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