

Economic development beyond the core - An examination of the economic trends and local government development programmes within the Mooi-Mpofana Municipality-KZN.

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DEDICATION

This thesis is dedicated to the Cele family [proud parents: Mr S.M. Cele and Mrs Z.P. Cele; Brothers (Langelihle “Mreez” Cele, and Nhlakanipho “Mzuman” Cele) and Sister (Nomcebo “Mangunjungunju” Cele); Aunties (Iris Luthuli, Siza Cele); late and beloved cousin Maureen Cici Luthuli]. For if it was not for your love and support this would not have been possible. Ngiyabonga!!!!

Be content with what you have, for God has said, "Never will I leave you; never will I forsake you." So say with confidence, "The Lord is my helper; I will not be afraid."

- Hebrews 13:5, 6

DECLARATION

Submitted in partial fulfilment of the requirements for the degree of Masters of Development Studies, in the Graduate Programme in the School of Development Studies, University of KwaZulu-Natal,
Durban, South Africa.

I declare that this dissertation is my own unaided work. All citations, references and borrowed ideas have been duly acknowledged. It is being submitted for the degree of Masters in Development Studies in the Faculty of Humanities, Development and Social Science, University of KwaZulu-Natal, Durban, South Africa. None of the present work has been submitted previously for any degree or examination in any other University.

Student signature

Date

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LIST OF ABBREVIATION

ACRONYMS	EXPLANATION
ASGISA	Accelerated and Shared Growth Initiative of South Africa
BRE	Business Retention and Expansion
CDE	Centre for Development and Enterprise
CBD	Central Business District
DBSA	Development Bank of South Africa
DPLG	Department of Provincial and Local Government
DTI	Department of Trade and Industry
EPWP	Extended Public Works Programme
FDI	Foreign Direct Investment
GIAI	Global Insight Africa International
GVA	Gross Value Added
IDP	Integrated Development Plan
IMF	International Monetary Fund
IPE	Institutional Political Economy
KZN	KwaZulu-Natal
LED	Local Economic Development
MNC	Multinational Corporations
MXA	Macintosh Xaba and Associates
NSDP	National spatial development framework
PGDS	Provincial Growth and Development strategy
PSEDS	Provincial Spatial Economic Development strategy
R&D	Research and Development
RDP	Reconstruction and Development Programme
RIDS	Regional Industrial Development Strategy
SANCO	South African National Civics Organisation
SAP	Structural Adjustment Program
SDF	Spatial Development Framework
SMME	Small/Medium Enterprises
USA	United States of America

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CHAPTER 1: INTRODUCTION

1.1) Introduction

In the post-apartheid era, particularly from 1996, South Africa has increasingly been integrated into the global economy. This has meant a great shift in macroeconomic policies and strategies. Whereas some city-regions in the economy have increasingly prospered from global interaction/trading, some towns have been demolished. This dissertation focuses on smaller urban centres located outside major urban nodes¹ and how they can best promote regional/local economic growth. The concentration of economic activity in major nodes have occurred hand-in-hand with urbanisation leaving many smaller towns (or secondary cities) with shrinking populations, stagnant if not declining incomes, and weakened profiles of economic activity. Under such circumstances debates have emerged, not just in developing countries, about the best approaches to support viable small town economic platforms so as to enable such areas to contribute to income generation, employment, and growth opportunities. Some towns have through coincidence or collective action been more successful in such endeavours whilst others have continued to suffer losses of population and business activity (Gibb and Nel, 2007; Nel and Rogerson, 2007; World Bank, 2009).

The dissertation, based on a case study approach of the Mooi-Mpofana Municipality, will discuss the necessary methodologies for this enquiry as well as the limitations and benefits of the research process. Moreover, this dissertation will provide an examination of the relationship between the real economic trends and dynamics of the selected small town and the performance of private enterprises that have been targeted for inclusion in local development programmes/initiatives existing within the Mpofana Municipality.

A key objective of this dissertation is to evaluate how local small towns, with apparent limited economic opportunities, can generate improved economic returns for local people. To achieve this, the aim of the dissertation is to gauge the perspectives/perceptions of the key private sector

¹ Major urban nodes are defined here as being the country's six metropolitan areas as well as municipalities incorporating Pietermaritzburg, East London, and Bloemfontein.

stakeholders and local government officials. It is intended that the products of this research will be of potential use to stakeholders in the Mooi-Mpofana Municipality in considering future economic choices. The Mpofana Municipality is located within the uMgungundlovu District, in the midlands of KwaZulu-Natal (close to the midland meanders). The Mpofana municipality has a total population of 36 000 people with an area of 181 000 ha and encompasses a large number of economic activities which include a mix of manufacturing industries, tourism destinations, and an agricultural sector (Mpofana LED strategy, 2007). The municipality has experienced a decline in economic activities which some have equated with the closure of the textile industry within the municipality hence the focus on manufacturing firms which are perceived as providing new economic development opportunities for the Mooi-Mpofana municipality (UMGDM LED strategy, 2007).

1.2) Significance of the research

The research is motivated by an interest in understanding development prospects outside major economic centres. It is the major nodes that grab the headlines in discussions regarding the country's economic performance and prospects. However, despite trends of growing urbanisation, the country continues to be characterised by a large rural population that is dependent on smaller towns for the provision of services and the generation of economic opportunities. It is undoubtedly the case that some rural small towns will wither away in the next few years, but it is also true that some will continue to exist, even if on the margins of viability.

1.3) Research Problem and Objectives: Key questions to be asked

For this dissertation the main research question asks: **What scope is there for effective local action to improve economic circumstances in smaller towns outside the major urban core area?** With this core question in mind, the research process will seek to respond to specific key research sub-questions:

- What have been the main economic trends for the businesses in Mooi-Mpofana for the past decade and what has been their contribution to employment and economic growth?

- What factors have been the main influences behind these trends - particularly those related to private sector investment and employment (both within Mooi-Mpofana and in the broader context)?
- What has been the nature of government policies with regard to economic development in the area and how have these changed over time?
- How have these economic frameworks been translated into actions?
- What perspectives do different local stakeholders have regarding local economic development prospects of the area and the roles of different role players in response to local and other challenges?

1.4) Literature Review and Survey

The process of globalisation has brought about many debates around its impacts on development objectives. Domestic markets (developed and developing) have been forced to adjust their activities to cope with the increasing pressures from international markets. The most heated debates centres around income distribution and its effects on poverty: many theorists believe that this phenomenon has brought about extensive poverty around the world with the developing nations being severely affected by poverty. This study focuses on the local firms in a small towns' ability to insert themselves effectively (competitiveness) into the global economy, and not whether the phenomenon of globalisation is "good" or "bad." More precisely, this research aims to contribute into the academic debates on the role of smaller urban centres located outside major urban nodes in regional development. The assumption here is that local firms could provide much needed employment for the many poor people in the developing nations such as South Africa.

1.5) Methodology

The research methodology has involved the use of a case study. This strategy uses a variety of techniques/methods to collect and analyze the data. These qualitative methods will include survey questionnaires and in-dept/semi structured interviews with key informants. Key informants interviews have been held with public officials/employees (KZN Department of Economic Development, uMgungundlovu District Municipality, Mpofana Municipality) and

selected local businesses. There has been a review of the official documents (Integrated Development Plans IDP, Spatial Development Framework Local Economic Development Plans, BRE programme). What should be noted here is that the quantitative data will be used as to verify the qualitative data sources where possible.

A total number of twelve people have been interviewed from the local business community and government departments. The limitations of the dissertation included time and resource constraints as well as the lack of availability of original source documentation from the municipality. However despite these limitations, it is hoped that the research project will contribute in some manner way to the contemporary developmental issues relevant to regional studies and in particular smaller town development.

1.6) Structure of the Dissertation

This dissertation has the following six chapters:

- Chapter 1: Introduction
- Chapter 2: Literature Review and Theoretical Framework- Provides context/justification for literature review.
- Chapter 3: Methodology
- Chapter 4: Research Results
- Chapter 5: Discussion- comparison and contradiction of field results and existing literature to assist in the contemporary debates on developmental issues.
- Chapter 6: Conclusion and Policy Recommendations- dissertation summarised with emphasis on results obtained, contribution made by results, recommendations (policy related) and suggestions for further research.

CHAPTER 2: LITERATURE REVIEW AND THEORETICAL FRAMEWORK

2.1) Introduction

This chapter examines the key issues for local economic development in developing regions with the focus on small towns in South Africa. The processes of globalisation have created increased poverty levels in many regions. These processes have generated major impacts in the global economic geography with some regions of the world capturing more growth opportunities and others remaining trapped in cycles of poverty and under-development (see Blakely and Bradshaw, 2002; Chang, 2006; Martenuissen, 1997; Messner, 2004; Mohan, 1998; Stiglitz, 1998). Such spatial disparities have been part of the pattern of development in many, if not most, countries and can certainly be witnessed in developing middle income countries such as South Africa where the majority of economic activity is concentrated in the Gauteng Province. In this situation, small towns in many regions have witnessed declining or stagnant economic development trajectories. The South African government has provided an array of government policies and initiatives to respond to this situation affecting the local economy e.g. Regional Industrial Development Strategy (Rogerson, 2009).

In examining the literature, an attempt is made to explore issues such as: what are the definitions and concepts of local economic development? How has LED been practised in Africa and more specifically in South Africa? What has been the experience of smaller towns in South Africa in responding to the pressures of globalisation and economic concentration?

The study draws on economic development experiences from African countries with particular focus on South Africa. This chapter is divided into four sub-sections: the first sub-section engages in LED definitions and concepts; the second sub-section engages in LED international and South African practice; the third sub-section discusses in the issues of small urban centre development looking at the case of south Africa; the fourth sub-section present the principal theories upon which the research project has been constructed (theoretical framework).

2.2) Local Economic Development: Definitions and Concepts

There are many definitions for local economic development (LED). The World Bank suggests that “Local economic development is the process by which public, business and nongovernmental sector partners work collectively to create better conditions for economic growth and employment generation. The aim is to improve the quality of life for all (World Bank in Cunningham and Meyer-Stamer, 2005:5).” The World Bank definition affiliates more with a corporate centre approach, which is based on urban spatial infrastructural development and direct inwards investment into the location. This should assist in promoting economic growth and prosperity for the regions through strategies for sector development e.g. clothing and textiles, automotives, chemicals, agro-processing etc. This approach has been widely criticised by authors such as Patrick Bond as adhering to neo-liberal ideologies. Bond (2003) calls this strategy a smokestack chasing approach.

UN Habitat defines LED as “a participatory process where local people from all sectors work together to stimulate local commercial activity resulting in a resilient and sustainable economy. It is a tool to help create decent jobs and improve the quality of life for everyone, including the poor and marginalized (UN Habitat in Cunningham and Meyer-Stamer, 2005:5).” This definition has theoretical affiliations with the “alternative approach”, which primarily attempts to steer investment into locally disadvantaged areas. Bond (2003) further defines this perspective as the “development” LED approach. The alternative or developmental LED approach is aimed at economic development for poor people in pursuit of better livelihood strategies e.g. SMMEs, cooperatives, informal sector development etc. It is widely argued in contemporary theory that a combination of these approaches should be considered if there is an objective to assist third world countries in pursuit of better livelihood strategies (Cunningham and Meyer-Stamer, 2005).

The most evident similarity between these two definitions is that there is recognition of all the local stakeholders’/role players’ (especially the state’s) participation as significant in the economic environment and processes. Furthermore there is a move away from top-down development strategies towards more inclusive/participatory development approaches. A major

difference between the definitions is that the UN Habitat leans more toward a pro-poor LED approach (informal sector, SMMEs) and the World Bank focuses on pro-growth LED (sectoral development). The aim for contemporary LED theories and practices is the synthesis of these two approaches to promote more effective development outcomes for nation-states across the world (Sunley, 2003).

A generally accepted description of LED can be founded in authors such as Helmsing (2003:69) who defines LED as “a process in which partnerships between local governments, community and civic groups and the private sector are established to manage existing resources to create jobs and stimulate the economy of a well defined area. It emphasizes local control, using the potentials of human, institutional and physical and area natural resources. LED initiatives mobilize actors, organizations and resources; develop new institutions and local systems through dialogue and strategic actions.” Cunningham and Meyer-Stamer (2005:11-12) conclude that LED processes and initiatives should also “to a large extent be about learning, not only how to produce better products, and produce them in a more efficient way. LED is about various stakeholders learning about each other’s existence and goals, learning about the structure and evolutionary pattern of the local economy, learning about opportunities to stimulate upgrading in the local economy, and the tools necessary to do that.” The last definition attempts to synthesise the two perspectives of LED. In summary, contemporary LED theories and practices have come to incorporate to significant aspects of economic development: 1) all stakeholders are significant in the development process; 2) development should be considered as a learning process for all of these stakeholders.

2.3) Local Economic Development: The International and South African experience

2.3.1) International Experience with LED

Earlier initiations of LED programmes and projects have been documented within the United Kingdom (UK), Europe (EU) and the United States of America (USA) since the early twentieth century (Clarke and Gaile, 1998, Turok, 1989). The World Bank notes that there have been “three waves” of local economic development strategies in third world countries: the main purpose of the first wave (1960-1980) was to attract business and investment (especially

industries) and to create competition (comparative advantages) between regions. This was known as “local boosterism”; was to capture as much business from outside the locality as possible as this was believed to be the way to stimulate economic growth. The second wave (1980-1990) focused on the traditional industrial regions hardest hit by restructuring with emphasis on inward investment to local regions; the focus of began to shift from growth that was externally focused to local initiatives to stimulate economic growth. The third wave (late 1990) focused on making the entire business environment conducive to business. The aim of these strategies would be to increase competitiveness of local city-regions (Clarke and Gaile, 1998).² Interestingly, some authors propose that the globalisation process has a “fourth wave” to local economic development and city-regions. This “fourth wave” refers to the new global restructuring process focusing mainly on economic globalisation (competitiveness of firms across regions) and human capital (see Clarke & Gaile, 1998).

Therefore, some of the key features of the world economy as modified by the new global restructuring process are: firstly, a shift from high volume to high value added production processes. This change in the production process is the result of a response to special customer needs and hence triggers an increase in the competitiveness of firms (Clarke and Gaile, 1998). In a global economy of high value added production, leading firms now have the opportunity to relocate to more competitively advantageous locations. Only a few countries in Africa (such as South Africa and Kenya) have managed to attract some of these firms to their countries (Helmsing, 2003).

Second, the contemporary world economy is characterized by advancement in the technology of transport and communication. In effect this has shrunk economic space which presents an increase in direct competition of firms even at distant locations. As a consequence, the globalisation process creates “winners and losers.” The “winners” occupy localities that enhance their capability in the form of attracting foreign investment and skilled individuals, exports goods, and essential supporting services to larger domestic and international markets. The “losers” occupy localities that cannot incorporate the opportunities presented by the globalisation

² In this global economy there is a movement towards industries achieving systemic competitiveness (see Kaplinsky and Morris, 2003).

process. What is particularly detrimental for these locations is that they further lose capital, firms, and skilled labor in the process. Localities are now forced to create the “right conditions for economic advancement of its population” (Helmsing, 2003:69).

Third, there is recognition of the integral role of human capital (Sunley, 2003). There is increasing significance attached to the symbolic analytic and information skills necessary for local economy to enhance its capacity. Currently, for developing nations such as those in Africa, there is inadequate access of labour to education and limited knowledge about required skills for the domestic and international markets. There is a great pressure for firms to improve their industrial capabilities, such as through technological development. However, once these technological breakthroughs have been established, it is very difficult to prevent imitation by other competing firms” (Sunley, 2003: 195). Fourth, there has been increased mobility of capital, firms, and people towards more prosperous regions. Based on statistics from UNCTAD (2001, 1996, 1994 in Helmsing, 2003), foreign direct investment (FDI) has increased substantially. The total value of FDI across the globe has increased from 67 million in 1980 to 1271 trillion in 2000; multiplying almost 20 times their original value. Whereby most developing regions (particularly in East Asia and Latin America) have been able to capture on some of the FDI, Africa has experienced a drop in its share. Africa’s share in FDI fell from 2.8 percent in 1980 to 0.6 percent in 2000. Only in some African countries (South Africa and Kenya) that have clearly demonstrated significant growth trajectories in its share in the global FDI (Helmsing, 2003). Linked to the mobility of capital is a strategy deployed by most firms (multinational) to relocate to other locations (Sunley, 2003).

The mobility of firms enables them to locate in more comparatively and competitively advantageous regions to achieve higher productivity and capture increased profits. As stated above there has also been mobility of the world population to other regions. In most cases this population is made up of highly trained and skilled individuals from various professions. The total world population grew from 4.3 percent in 1900 to 10.5 percent in 2009 for the largest 100 cities ((World Bank, 2009: 132-157). This shows that in the last two decades the total world population migrating to major cities grew by 6.2 per cent. Furthermore, in the manufacturing

and service dominated town/cities, the global population share grew from 15 percent to 47 percent thus demonstrate a 32 per cent increase (World Bank, 2009: 132-157). In these town/cities there is clearly a greater demand for professional in specialized fields i.e. engineering. On the contrary to the global population trends, the sub-Saharan region has shown a 60 per cent decline in its population with 20 per cent comprised of skilled workers. In most cases, these individuals immigrate to other countries. Nation-states in the sub-Saharan region (particularly in growing economies such as South Africa, Botswana and Angola) have had to engage with this migration issue affecting the human resources availability in their economies (World Bank, 2009: 132-157).

Lastly, another significant key feature of the contemporary world economy is a phenomenon which authors such as Clarke and Gaile (1998) metaphorically term as the “hollowing out of the state.” Through neo-liberal policy imperatives, this strategy is targeted at reducing the central capability of nation-states to undertake autonomous economic development decisions pertaining to its domestic markets (Clarke and Gaile, 1998; Chang, 2006). As in the case of many African countries and developing regions across the globe, the role of the state has been reduced through the application of policies entailing de-regulation, liberalization of trade and financial markets, privatization of the public sector, tax-cut, and anti-labor policy. Many African countries have been experiencing major problems in their economies hence required financial assistance from major international development institutions such as the International Monetary Fund (IMF) and World Bank. Conditionality imposed by the loans from the International Monetary Fund and World Bank, for developing countries, required that there be macroeconomic stabilization and the application of Structural Adjustment Programs (SAP) within national government policy frameworks (Chang, 2006).

The SAP proposed by the IMF and World Bank has produced economic downturns in many countries in Africa. In summary, there have been two significantly negative outcomes that have been produced by the SAP in many developing nations: 1) creation of political instability within countries; 2) less concern by federal government regarding issues of economic inequalities within the countries. This situation has brought about a shift in the direction into reassessing

development objectives that are of relevance to regions and localities in the world economy. The central concept of local economic development has meant to engage in strategies to assist the local community to achieve their development objectives. Thus calling for a movement away by federal government from central policies with a “one size fits all approach” to economic development (Cunningham and Meyer-Stamer, 2005).

There are three main categories of local economic development initiatives implemented across most developing countries: first, community economic development initiatives. According to Helmsing (2003:69) “the essence is to facilitate household diversification of economic activity as the principal way to improve livelihood and reduce poverty and vulnerability.” Second, initiatives aimed at enterprise development. These initiatives focus on improving the performance of enterprises to achieve higher productivity and greater returns on investment. They are also aimed at assisting small to medium enterprises (SMME) to grow and prosper. Third, LED initiatives aimed at locality development e.g. infrastructural development and maintenance (see Hindson and Vicente, 2005).

The community development initiatives have mainly sought to target the disadvantaged and vulnerable people in Africa. Some of the main problems that poor rural areas and urban slum settlements experience include lack of access to basic services, poor living conditions in settlements, and insecurity of income. Community development initiatives of LED in Africa were previously primarily aimed at agricultural advancement in particular in rural economies. Helmsing (2003:70) argues that rural people also engage in a variety of “non-agricultural and non-farm activities.” Hence the community development initiatives should look to support these activities. However, a major threat to the sustainability of these activities is the apparent increase in the number of people migrating to other locations. The UN Habitat, (2004: 5b) in Kuiper and Van der Ree (2005:3), states that “in the next 25 years, roughly 400 million people will be added to the African continent’s urban population, putting tremendous pressure on cities.”

Some of the broad aims of the current community economic development initiatives include promoting and supporting micro-enterprises to provide basic community services, and improve

urban slum settlements through strategies such as *in-situ* upgrading. Community development programmes should contain strategies aimed at creating social safety nets, housing and settlement improvements, basic service delivery, and stimulating the informal sector (Kuiper and Van der Ree, 2005; Helmsing, 2003).

The second category of LED initiatives is aimed at enterprise development. Helmsing (2003) adds that “the core of the LED programmes would be the expansion, restructuring or creation of the economic base of the area.” Two strategies that can be deployed for economic development of any localities are: first, promoting and supporting cluster formation to capture new opportunities presented by the new geo-economy (Messner, 2004; Porter, 1998). Helmsing (2003:72) states that “manufacturing clusters in Africa are comparatively underdeveloped.” A second strategy would be to attract corresponding commodity chain firms through direct investment by business (foreign or domestic). For local businesses to tap into larger markets, they require “specialist business development services” A business development service aims “to help enterprises (especially SMME) overcome barriers to increased profitability and competitiveness by improving their productivity and access to markets” (Helmsing, 2003:73). One of the main functions would be to ensure that information is gathered and disseminated to local enterprises. This information could be on new products, technologies (equipment), and skills relevant to SMMEs for sustainability and future prospects in terms of growth. Furthermore this institution would assist local businesses to organise themselves internally to become more sustainable and viable. Some of the “special programmes” for enterprise development include: 1) generating passive agglomerations, such as the creation of a growth centre, and 2) promoting clusters of enterprises.

Clustering can assist regions in the creation of improved competition and cooperation amongst industrial firms and so enhance firms’ productive performance within the national and global economies and 3) facilitate group learning in enterprises (Helmsing, 2003). It is essential that the business environment or conditions for these clusters are improved and sustained for the future prosperity of the regions. Examples of success of cluster formations have been well documented, particularly for developing countries in Latin American and African countries such as South

Africa (see Morris and Barnes, 2007; Altenburg and Meyer-Stamer, 1999). In summary, clusters can help any industry to compete in the global economy using more sophisticated skills and technologies (Porter, 1998; Helmsing, 2001; Humphrey and Schmitz, 2002).

The third category of LED initiatives includes that of locality development. Its main objectives are to provide adequate infrastructural development and economic and social capital for the local population in pursuit of better livelihood strategies (Helmsing, 2003). Kuiper and van der Vee (2005:18) state that infrastructure development is essential to achieving the dual objective of improved living conditions and economic development. It is long recognized that investments in areas such as roads, footpaths, drainage, water supply, sanitation, electricity, and waste management have a major positive impact on quality of life and on the environment. In countries such as South Africa and Senegal, infrastructural development has been streamlined through federal governments' public works programmes. Some of the most fundamental outcomes of infrastructural development are that it not only improves the aesthetic appeal of cities to attract and/or retain businesses, but also provides essential labour intensive employment for the local poor population (Kuiper and Van der Ree, 2005). Physical planning for land uses thus becomes pivotal in area development. Locality development initiatives engage in strategies to better manage their territory for "enhanced quality of life and competitiveness of local economic activities" (Helmsing, 2003:73). Some of the LED programmes aimed at territory management could include participatory LED planning, physical planning and developmental controls, infrastructure development, and socio-economic overhead capital (Helmsing, 2003).

The next section engages with the experience of South Africa in the initiation of LED policies and practices.

2.3.2) South African experience with LED

The Republic of South Africa has made 'undeniable progresses' across a number of critical areas (Lewis, 2001). On the political front, democratic institutions are well established, and the re-invention of government, continuing through the creation of new tiers of government (provincial and local) has changed the environment for governance and service delivery. On the economic front, the government has pursued policies that have restored and maintained macroeconomic

stability in the context of a difficult global environment (Lewis, 2001). The post apartheid government has deployed strategies such as local economic development programmes to achieve growth and prosperity for the nation. Planning for LED in South Africa has mainly been influenced by the experiences of some western nations (Britain and USA) and the Australian strategies for small town economies regeneration (Rogerson, 2009).

The South African LED policy and programmes have been initiated since the transition from the apartheid government in the early 1990s. By 1994, the Centre for Development and Enterprise (then Urban Foundation) published a policy document for LED based on the experiences of western nations. The document focuses on the improvement of the private sector economic environment as a strategy for LED. In 1995, the South African National Civics Organization (SANCO) published their LED policy document which focused on community economic development. During 1996, another policy document for LED was published by the National Business Initiative and the RDP ministry. This document focuses on the combinations of private sector and community economic development (Nel, 2000 in Rogerson, 2009).

To mark the intent of the federal government of South Africa to deploy LED, LED frameworks and strategies has become known as an “obligatory mandate in terms of the national constitution” (Rogerson, 2009). The most relevant state policies and legislation targeted for the implementation of LED include: the 1994 Reconstruction and Development Programme; the 1996 Constitution recognising the significance of local government; the 1998 local government White Paper-recognition of the developmental local government, and the 2000 local government Municipal System Act implementation of the Integrated Development Plan in local government, and other relevant documents commissioned by the national Department of Provincial and Local Government (DPLG). Two relevant ‘first attempt’ LED policy documents published by the DPLG were the 2001 LED policy paper titled “Refocusing Development on the Poor” and the 2002 Draft LED Policy paper. By 2006, the DPLG published a Framework document for LED titled “Stimulating and Developing Sustainable Local Economies (Rogerson, 2009).” Authors such as Nel and Goldman (2006) in Rogerson (2009) have heralded this framework as having reached “maturity.” LED strategies are now applied in policies and programmes across many

government departments in South Africa. Some of the most fundamental policy interventions include the 2005 Policy Guidelines for Implementing Local Economic Development in South Africa; the five year Local Government Strategic Agenda and Implementation Plan; the Accelerated and Shared Growth Initiative; the National Spatial Development Perspective (NSDP); the Draft Regional Industrial Development Strategy (RIDS); and the National Industrial Policy Framework (Rogerson, 2009).

These policy instruments have made significant attempts at pro-poor development incorporating strategies for poverty alleviation (Bond, 2002; Nel and Rogerson, 2007; Rogerson, 2009). However, Rogerson (2009) argues that pro-poor strategies in South Africa have largely been evident in policies but not in practice. This can be accounted for by direct contestation with the neoliberal market-based macroeconomic strategies support by other national institutions such as the Department of Trade and Industry (Nel and Rogerson, 2007). It has been widely acknowledged by authors such as Rogerson (2009) and Hindson and Vicente (2005) as is that there is a serious need for the incorporation of both pro-poor and pro-growth approaches in policies and strategies for appropriate economic development to occur within the Southern African region.

In the next section, the paper will engage in the fundamental issue of the development of small urban centers in South Africa.

2.4) Small Urban Centres Development: The Case of South Africa

According to Gibb and Nel (2007:70) there has been a “lack of agreement on what qualifies as a small town.” Added to this, there is a serious lack of adequate research / literature on the issues affecting these areas. However, a generally accepted definition describes small towns as areas with a population of less than 50 000, and there are approximately 500 of these small towns in South Africa. Small towns have been estimated to accommodate more than 3.3 million people, which is approximately 8 percent of the total population. Although small towns may be different in characteristics they do have some commonalities such as linkages with rural hinterlands (see CDE, 1996; Gibb and Nel, 2007; Nel and Rogerson, 2007; Van Niekerk and Marais, 2008; World Bank, 2009; Xuza, 2007).

As the above section stresses, there seems to be a declining trend of economic activity in small towns in South Africa and in the most of the developing regions across the world. More generally (across the globe), this decline is a result of a shift of economic activity to larger urban centres (city-regions) - where there is greater population density or market for products and services (Helmsing, 2003). There are two significant outcomes from this out migration phenomenon: 1) an increase in unemployment of local inhabitants in these areas thus increasing rural poverty and inequality; 2) greater chance of insolvency for businesses located in small urban centres (Gibb and Nel, 2007; Nel and Rogerson, 2007; World Bank, 2009). Other main factors that have led to the stagnation of small towns in South Africa include the demise of railway transport, the growth of tourism towns, the growth of larger small towns, links between welfare grants and economies of small towns, and small towns losing their function due to policy and legislation changes i.e. local government systems act of 2000 (Rogerson, 2009; Van Niekerk and Marais, 2008).

What should be noted is that in South Africa, the historical political circumstances have perpetuated further the declining economies of small towns: due to the Apartheid government's racial discriminatory and top-down interventions, small towns (particularly in the homelands) were largely unplanned or under-serviced. In the post apartheid government, small towns receive less attention from national institutions, such as the Department of Trade and Industry (Rogerson, 2009; Xuza, 2007). A potential reason for this is that development professionals usually provide skewed definition and attention of rural and urban development. Rural development initiatives usually entail strategies aimed at agricultural advancement and land reform. Urban development initiatives on the other hand are mainly focused on the improvement of the performance of particular sectors potentially to export some of their commodities (Gibb and Nel, 2007; Van Niekerk and Marais, 2008; Xuza, 2007). Nel and Rogerson (2007:6) propose the following reasons for the lack of support by the new South Africa government for small town development in LED initiatives:

- Under-resourced and economically stressed to provide desired levels of service and infrastructure.

- Comparative advantage of small towns revolve around a single product or activity i.e. minerals or agriculture.
- Community based development is difficult as local skilled people migrate to more prosperous locations and there is limited buying power to support such initiatives, mainly pension-driven local economies.
- After the municipal demarcation process, smaller centres in South Africa no longer have an independent local authority and fall under a neighbouring centre, weakening local autonomy and decision-making potential (Nel and Rogerson, 2007: 6).

LED policy and initiatives in South Africa need to focus more on small town development (Nel and Rogerson, 2007) and according to Gibb and Nel (2007) this can be achieved through:

- Encouraging small and medium enterprise development (SMME). This should include manufacturing activities.
- Private investment attraction and retention through direct investment in the local economy / sector, and retention and expansion of skilled labour in the area.
- Appropriate use of available natural resources in the area can provide economic opportunities in sectors, e.g. nature-based tourism.

LED in South Africa (particularly for small towns) must incorporate the abovementioned strategies. However, it is imperative that the local actors (the public and private sectors) should participate to define their own needs and objectives. There is a call for a partnership-driven approach to local economic development in small urban areas. Gibb and Nel (2007) acknowledge that “the survival of South African small towns now generally rests on the creativity and ability of local actors to identify and to develop new economic foci.” Gibb and Nel, 2007:72). In the private sector this may include local enterprises and business association, and in the public domain this includes all government institutions (national, provincial, and local), local politicians as well as other voluntary or non governmental organisations (Gibb and Nel, 2007; Nel and Rogerson, 2007).

Cunningham and Meyer-Stamer (2005), argue that LED is a “learning process” for the various stakeholders for concerted action to improve their local circumstances. This learning process can include acquiring knowledge and information from the experiences of other urban locations and international city-regions. Internationally, small urban centres located in the United Kingdom, the USA, Australia and Canada, have prospered through investments in the service sector (Gibb and Nel, 2007). Some of the successful models of urban development of small towns in South Africa include the Eastern Cape town of Stutterheim, the tourism focused coastal towns of Still Bay, Utrecht, and Alicedale (Gibb and Nel, 2007; Nel and Rogerson, 2007).

2.5) Contemporary Theories and Concepts of LED: The Theoretical Framework

The neo-liberalist macro economic approaches, disseminated through major financial institutions, such as the IMF and World Bank, have proved to create adverse outcomes which have deviated from the initially aspired development objectives for developing countries (Chang, 2006). Hence, there has there has been a general concession on the refocus of development efforts on regional and/or local economic development for developing countries such as South Africa.

Blakely and Bradshaw (2002:23) state there is “no theory or set of theories that adequately explains local and/or regional economic development.” However, for the purpose of this thesis, two theories have been used to understand the processes inherent in local economies (particularly in small towns) and the potential prospects for economic development: first, the economic geography approach. This approach is fundamental in the analysis of the functionality of the market forces and micro dynamics of the economic system. Second is the Institutional Political Economy Theory. This theory assesses the institutions inherent in markets that influence the decision making of the local stakeholders. Another significant attribute of this approach is that it puts politics back into market analysis and re-introduces state participation in the market.

2.5.1) Economic Geography Approaches

According to Sheppard (2003:171) “understanding the behaviours of firms competing in space to sell the same product to geographically scattered consumers has been a defining problem to economic geographers.” However, interpretation of the competitiveness of firms across economic spaces has been debated since the inception of this approach in the 1960s (Sheppard, 2003). Economic geography introduces two broad theories for assessing the geography of production: location theory and economic base theory. Economic base theory has been described by Blakely and Bradshaw (2002: 45) as, “directly related for its goods, services, and products from areas outside its local economic boundaries. The growth of industries that use local resources, including labour and materials for final export elsewhere, will generate both wealth and jobs.” This approach has a greater tendency towards export-led growth of regional economies. Industries that export some of their commodities to international markets have greater support from local development institutions. Fundamental policy interventions include reduction of trade barriers to promote more penetration into global markets, and incentives for exporting firms such as tax relief and subsidisation of facilities for transport and telecommunication services (Blakely and Bradshaw, 2002). The economic base theory is rooted in market equilibrium processes. The market equilibrium theorists argue that the supply of goods and services (also associated with setting of prices) will be at “equilibrium” with the demand of the consumers in the market (Sheppard, 2003).

According to Sheppard (2003:177) the market equilibrium approach is an “essentialist way of thinking” about economic geography. The assumption is that firms compete on an equal basis which would create “perfect competition.” However, one aspect which this approach fails to incorporate is that in some sectors you get larger firms which control the pricing on products creating fragmented competitive markets (Sheppard, 2003). Two theories have been developed in support of the economic base approach: product cycle theory and new market theory. The former involves the understanding of product cycle and the significance of innovation of new products as a key element of the survival of local firms and regional economies. The latter describes untapped or under-utilised market potential. The main focus is on how rural communities can utilise the comparative advantage in domestic markets to promote growth and

poverty alleviation. Another approach to economic geography has been related to location (Blakely and Bradshaw, 2002).

The location approach has been described by Blakely and Bradshaw (2002: 62) as the “variables that affect the quality or suitability of a location” e.g. labour costs of energy, availability of suppliers, communications. Two theories are particularly significant in support of this approach: attraction theory and central place theory. The former looks at strategies to promote investments, new migrants and entrepreneurs to strengthening their local economies while the latter looks at attempts to explain “...the different growth prospects of central and peripheral regions. Each centre is supported by a series of smaller places that provide resources (industries and raw materials) to the central place, which is more specialized and productive.” The central place theory supports the new market theory of promoting strategies for the engagement of local poor people in markets but emphasises communities in partnership with government to create enabling environments for industrial firms to invest and locate in such communities.

Furthermore, what has assisted these firms is that their transactional costs have been lowered through the recent technological advancements particularly in transportation and communication. These firms are termed “footloose” because of their ability to locate in any area due to advanced productive and communications technology. The outcomes of such strategies would be employment creation for local people, greater returns for firms, and economic growth for the regions. Contemporary theories of economic geography call for an integration of the economic base and location approaches to effectively understand the economic process inherent in markets (Blakely and Bradshaw, 2002). This approach can be termed “market socialism” (Sheppard, 2003). The institutional political economy approach (IPE) engages in the institutional and political complexities in the local markets and further argues for the re-introduction of the state (active) participation in the local economy.

2.5.2) Institutional Political Economy Approach

The IPE approach was developed as a criticism of the neo-classical/neo-liberal approach. In summary, Chang (2002) argues that IPE puts politics back into the market (which Chang argues is often ignored by neo-liberals) which means that the role of the state becomes significant. Markets are based on institutions that regulate who can participate, that determine legitimate objects of market exchange, that define what each agent's rights and obligations are that regulate the process of exchange (contracts, rule regarding default, fraud, etc). All of these factors are determined in the political sphere. The neo-liberal view perceives individuals as self-interested and individual motivations as 'the ultimate data' (Chang, 2002). In conclusion Chang (2002) argues that especially in the public sphere, this may not be the case, and that these institutions may be able to shape the motivations of individuals.

This paper will draw on the economic trends and dynamics as these are the outputs from the market institutions, namely the private sector. The analysis of state programmes re-emphasizes the importance of their actions/activities on the domestic markets performance (hence the IPE approach is in support of this analysis).

2.6) Summary of Main Points

In an era of global social crisis characterised by increasing unemployment, the growth of joblessness and ecological destruction, we need a broader vision of how people can meet their needs in a sustainable way. Attempting to solve the world's employment crisis using conventional job creation strategies (mainly pro-growth oriented) to sustain economic growth cannot work. For LED initiatives to achieve their intended development prospects there is a need to integrate pro-poor strategies in planning for LED. Furthermore, the LED should assist in building public-private partnerships to meet the development objectives of the local stakeholders. These partnerships should facilitate a learning process between all the relevant stakeholders. The role of state is fundamental in the coordination and regulation of the markets. A major issue of concern is the stagnant and/or declining economies of small towns in South Africa. The application of LED initiative is much needed to assist these small towns to regenerate their

economic activities. Some of the LED strategies to assist small towns include SMME development, private sector investment and the use of natural resources.

CHAPTER 3: METHODOLOGY

3.1) Introduction

This chapter outlines the methodology applied in the research project. The research has deployed a qualitative approach. A case study method was used to investigate the situations affecting small towns and to assist in looking for strategies for regeneration. This strategy uses a variety of techniques/methods to collect and analyze the data. These qualitative methods will also include some surveys and in-dept/semi structured interviews with key informants, and relevant stakeholders.

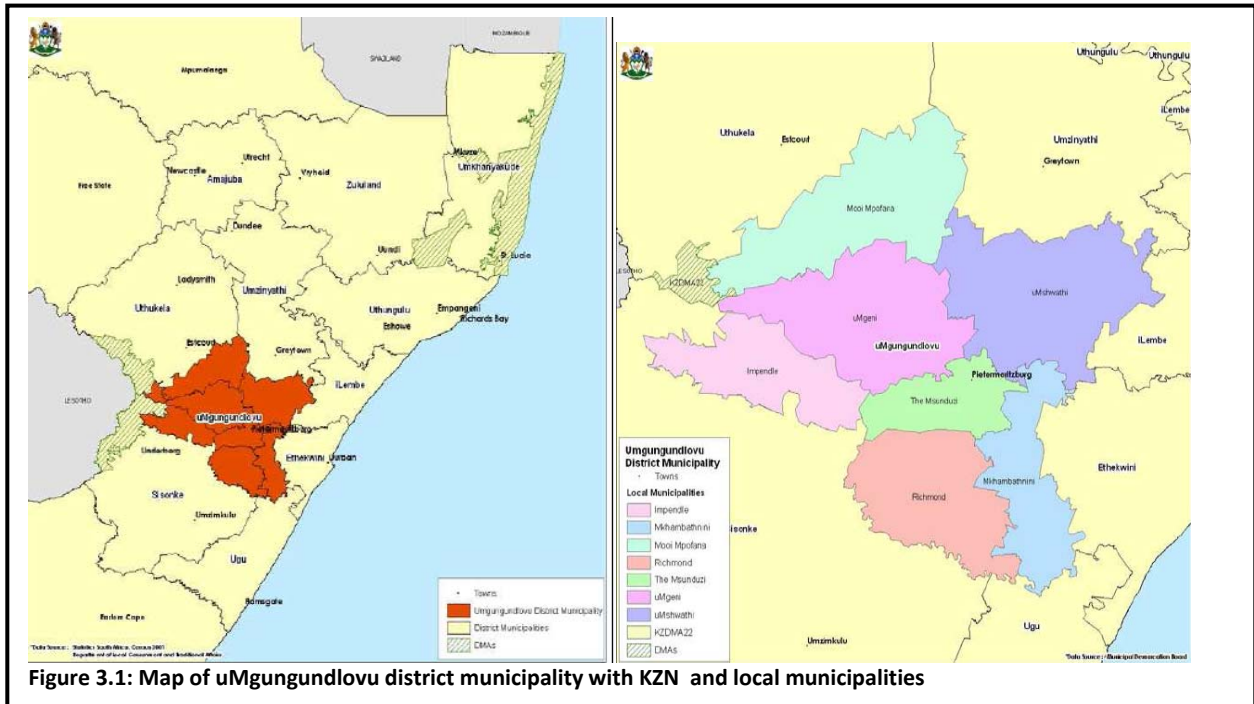
3.2) Site and Sample selection

3.2.1) Brief Description of the Mpofana and Mooi River area

The Mooi-Mpofana Municipality is located in the north of the uMgungundlovu District, in the midlands of the KwaZulu-Natal province of South Africa. Other municipalities situated within the uMgungundlovu district include uMsunduzi, uMngeni, Impendle, uMshwathi, Richmond and uMkhambathini (see figure 3.1). The major cities/towns located within the uMgungundlovu district include Pietermaritzburg (uMsunduzi), New Hanover, Wartburg (uMshwathi), Howick (uMngeni), Hilton, Mooi River (Mooi Mpofana), Camperdown (uMkhambathini), Impendle (Impendle), and Richmond (Richmond). Within the uMgungundlovu district, the uMsunduzi municipality contains about 60% of the total population. An increase in total population is expected within the uMsunduzi, uMngeni and uMkhambathini municipalities. The total population in the Mooi-Mpofana municipal area is approximately 31 517 as compared to 36 820 in the 2001 statistics. Some of the main reasons stated in the Mpofana IDP (2009) for the drop in the total population include; 1) “out migration” of the local population (from the township and rural areas) to major city centres such as Howick and Pietermaritzburg; 2) insufficient availability of jobs.

Consequently, this has forced the local population (highly skilled labour) to seek employment in other more affluent urban centres; and 3) the prevalence of the HIV/AIDS pandemic in the

Mooi-Mpofana municipality. The HIV/AIDS pandemic has the ability to lower the levels of the youth population quite considerably hence affecting the availability of the labour force for local businesses in the community (Mpofana IDP, 2009).



(Source: UMGDM SDF, 2006:8-9)

The Mooi-Mpofana municipality is subdivided into four wards occupying an area of approximately 8 934 km square or 181 000 ha. A vast majority of the land within the Mooi-Mpofana municipality is divided between commercial agricultural farmers and communal rural areas (UMGDM LED, 2007). Mooi River is located in ward 1 along the primary N3 corridor / highway (Mpofana IDP, 2009). The N3 highway connects the Gauteng major cities (Johannesburg and Pretoria) to Durban. In essence the N3 highway is regarded by the MXA (2009) as “a primary multi-sectoral provincial development corridor.” (MXA, 2009:5) At Mooi River, there is a toll gate which intersects the N3 highway moving towards other towns / cities such as Howick, Pietermaritzburg, and Durban (see Appendix 4). The R103 corridor (secondary main route) which runs parallel to the N3 highway is also situated within the Mooi-Mpofana municipality. Furthermore, Mooi River is regarded as a major commercial urban node for the Mpofana municipality (MXA, 2009; UMGDM LED, 2007).

The Mooi River town is located approximately 70 km north west of Pietermaritzburg. The town is bisected by the N3 highway and a railway line which runs from Johannesburg to Durban (Cunningham, 2001). The Mooi River town provides essential goods and services for the local population and surrounding (mostly rural and commercial farming) areas. The Mooi-Mpofana municipality is considered by government officials as a “small municipality” due to limited diversities of economic activities in their area. Another small municipality in the uMgungundlovu district is Impendle (UMGDM LED, 2007). The nearest population residences to Mooi River CBD are Bruntville and Phumula townships (See below: figure 3.2).

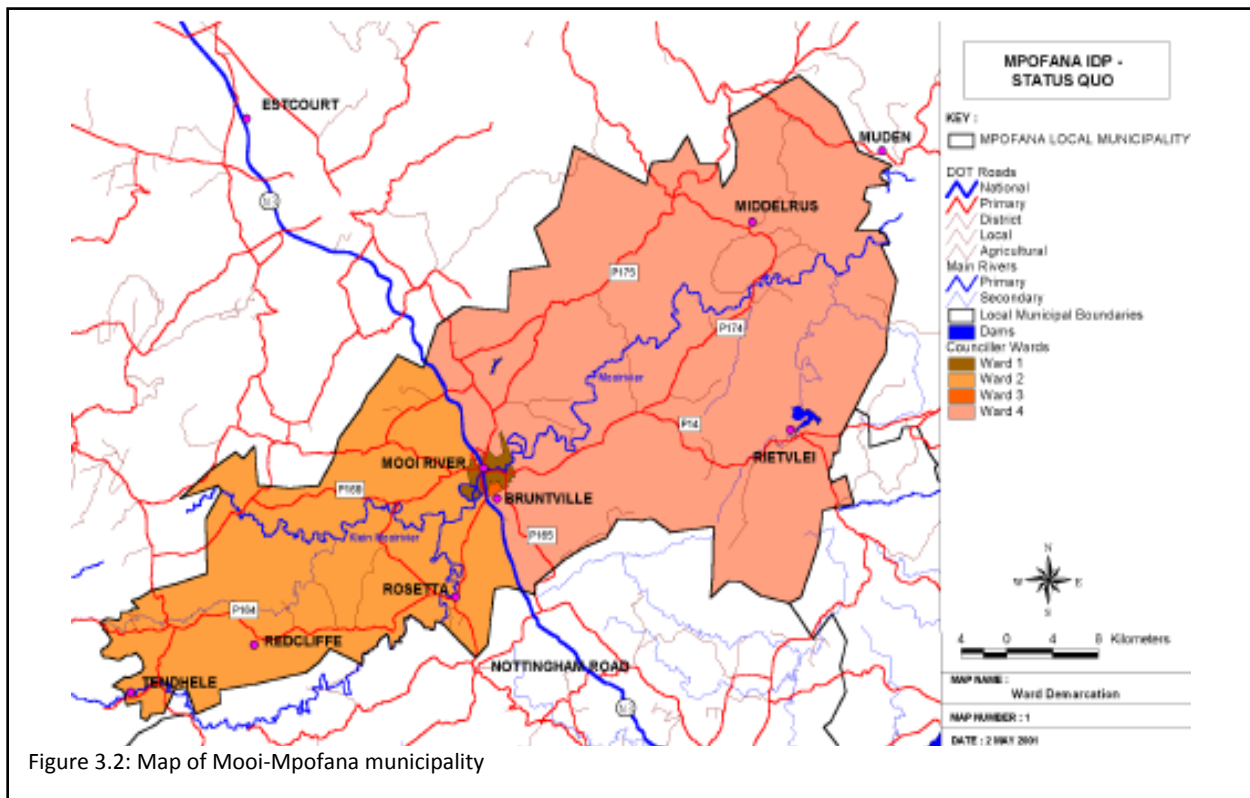


Figure 3.2: Map of Mooi-Mpofana municipality

(Source: Mpofana IDP, 2006:3)

Mooi River, although classified as a small town, has a range of economic activities including a mix of manufacturing industries, a tourism destination, and a large group of retail outlets. The businesses located in Mooi River share two general characteristics: firstly, 80% of businesses in Mooi River are in the retail sector (BRE report, 2008). The businesses owners also live within the community (farmer, township and rural people). The Mooi River town is used as an intermediary location for tourists visiting the Midland Meanders in that they pass through it and use it for some services but it is not a major tourist destination.

3.3) Socio-Economic Profile of the Mooi-Mpofana Municipality

3.3.1) Education

According to Table 3.1 below the majority of the youth in this area are still in primary (9805) and secondary (11661) educational institutions. A particularly worrying trend for the municipality is that they are a high number of young individuals in the Mpofana municipality that are not attaining any level of education (3670), particularly females (2185). According to the Mpofana IDP (2009:14), there could be a variety of factors which influence this trend such as “stereotypical thinking that women should not obtain education or perhaps lack of interest.” A more cogent reason provided by one of the business owners is that “most of the people in the community are illiterate due to poverty.” The main causes for this trend are not adequately understood and may require further investigation.

Table 3.1: Level of Education in the Mooi-Mpofana Municipality

<u>PERSONS</u>	<u>MALE</u>	<u>FEMALE</u>	<u>TOTAL</u>
Primary	4 567	5 239	9 805
Secondary	5 964	5 697	11 661
Certificate/diploma with less than grade 12	230	248	478
Tertiary	584	556	1 140
No schooling	1485	2185	3 670
TOTAL	12 830	13 925	26754

(Source: Community Survey, 2007 in Mpofana IDP, 2009:14)

However, a strategy is proposed to invest in programmes for skills training for the youth in the community (Mpofana IDP, 2009). In the next section, the paper engages in how businesses in the Mooi-Mpofana municipality have contributed to employment generation for the local community.

3.3.2) Employment

The figures in table 3.2 below show (in descending order) that 48, 37% of the people are employed. A significant number of people living within the Mooi-Mpofana municipality are not

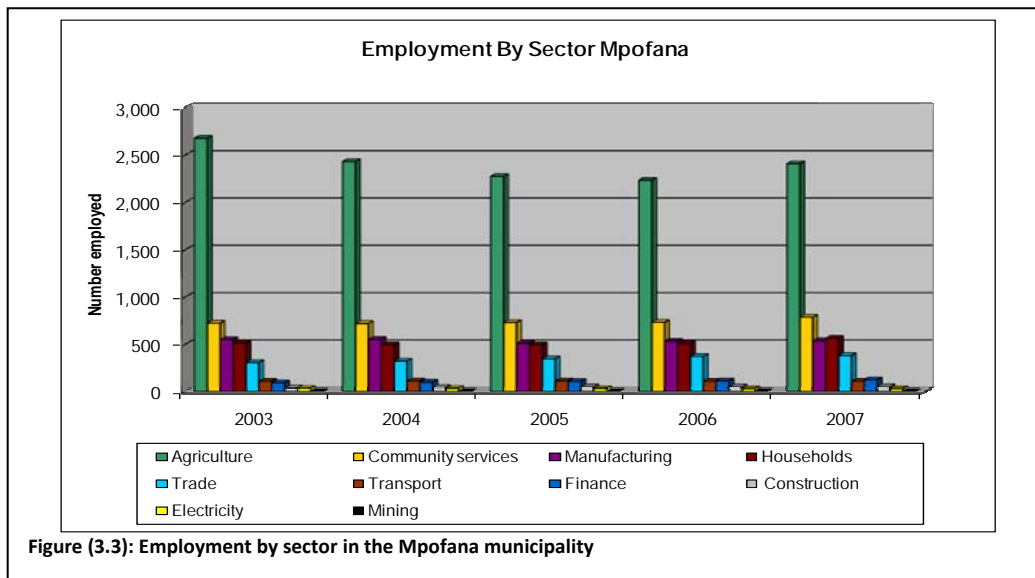
economically active (30.31%) and unemployed (16.08%). This could be attributed to the limited job opportunities available (Mpofana IDP, 2009). The local businesses community does not agree that there are limited job opportunities. They argue that there is a lack of skilled individuals required for their businesses. Most of the people that participate in the local economy are employed in “elementary occupations” (Mpofana IDP, 2009). The local business community confirms that they employ individuals with medium/low skills.

Table 3.2: Employment trends for those aged 15-65 year in Mooi-Mpofana municipality

<u>STATUS</u>	<u>PERSON</u>	<u>PERCENTAGE</u>
Employed	9564	48.37
Unemployed	3180	16.08
Not economically active	5993	30.31
Not applicable	1033	5.22
total	19771	100

(Source: Community Survey, 2007 in Mpofana IDP, 2009:15)

As shown in Figure (3.3) below, the agricultural sector has been the largest provider of employment in the Mpofana municipality for years and employs over 2000 semi-skilled to low skilled individuals. The agricultural sector is followed by the community services, manufacturing, and household sectors which employ around 500 individuals in the community. Consequently, the municipality has to outsource some of the skills required in the area (Mpofana IDP, 2009). According to local business respondents the skills that may be required in the future include financial management, business management, marketing, use of spreadsheets and word-processing, public relations, and customer service. The local municipality should include these skills in their youth training programmes.



(Source: Global Insight Africa in MXA, 2009:33)

3.4) Research Strategies

The research methodology involves the use of a case study. Cresswell (1994:12) describes case studies as “the researcher explores a single entity or phenomenon (“the case”) bounded by time and activity (a program, event, process, institution, or social group) and collection detail information by using a variety of data collection procedures during a sustained period of time.” Case studies methods are also found in the field of economics to investigate the economy of the city or region (Yin, 2003:).

For the case study, different methods are used such as face-to-face / semi-structured interviews with key informants, observations, and documentation analyses. This method is defined as the triangulation of data. Key informant interviews were held with public officials/employees (KZN department of Economic Development, Mpofana municipality) and local businesses. To cross-examine the key informants from local businesses and government officials, survey questionnaires were used (see appendices). For direct observations, digital cameras were used to capture significant aspects that might be of use for the research. For documentation collection, memory sticks or USBs were used. In most instances key informants were asked if they had any documentation that might be of use for the research. The official documents which were reviewed for the research include the Office of the Presidency report, Integrated Development Plans (IDPs), the Provincial Spatial Development Framework (PSDF), Local Economic

Development Plans, and Business Retention and Expansion programme reports. What should be noted here is that the quantitative data is only used as evidence to verify the qualitative existing data. Twelve face-to-face interviews were conducted. The interviewees include people from local businesses in the retail services and manufacturing sector, and government officials from the provincial, district and local municipality. Interviews were transcribed. As stated previously, the sampling strategy was informed by both the purposive and snowballing approaches. For purposive sampling techniques the sample is 'handpicked' (Denscombe, 1998: 15). The pre-visit assisted in establishing some understanding of the area and included communication with relevant people who could inform the researcher of the individuals (from businesses and government) who could provide significant information.

The pre-visits were also significant for conducting a test run of the survey questionnaire. What was particularly difficult about the purposive sampling technique throughout the field work is the fact that the people who had been handpicked sometimes did not want to participate in the research. In these situations the snowballing sampling technique was applied. Denscombe (1994:16) states that "with snowballing, the sample emerges through the process of reference from one person to the next." The respondents would refer the researcher to another potential interviewee for the research. In many cases, this strategy was more productive than the purposive sampling technique. Furthermore the snow balling sampling strategy was useful in building a reasonable sample size for a small research project (Descombe, 1998). A particular limitation for this sampling strategy is that some of the individuals referred had limited knowledge on some of the issues at question. This was more particularly evident in the interviews undertaken with the government officials which then forced the researcher to remove some of the questions from the questionnaire i.e. assessment of the BRE programme project cycle.

3.5) Assumptions and Limitations of the Research

Due to the lack of sufficient knowledge of the Mooi River area, a major assumption made on how to initiate the research project (particularly the field interviews) was that the local municipality would have adequate information about businesses in the area. Mooi River being a

small town it was also assumed that locating key informants would not be too difficult. The main limitations of this dissertation, which have been partially highlighted, are the time and resources necessary to engage in such a research project. By time the paper refers to the period available for conducting research and the final submission of the dissertation. In terms of resources, the significant issues were financial resources (for acquiring material for field work such as, paper, printing credits, traveling costs etc) available to the researcher. Another limitation was that the research was conducted in mid-winter hence environmental conditions on certain days made it impossible to conduct field work. These delays due to climate not only affect time but also the financial resources available. However with all these limitations, it is hoped that the research project will contribute in some way to the contemporary developmental issues relevant to regional studies and in particular smaller town development in South Africa.

3.6) Data Collection Strategies

3.6.1) Negotiating Entry

Negotiating entry was more essential with regard to public officials than the local businesses in the Mooi River area. For the public officials in provincial and local government, a letter was drafted by the supervisor stipulating the intention of the research. This letter was submitted to the intended interviewee or their supervisors. In most cases in the business community, the intention of the research was verbally articulated during the face-to-face interviews. Some business managers / owners declined to participate in the research. A copy of the letter was given to respondents before conducting the interviews.

3.6.2) Managing and Recording data

To manage and record the data these the equipment below was used during the fieldwork phase of the project:

- A street map of KZN- to find directions for the location of businesses or government departments.
- Writing materials (includes writing pads and pens) - to capture and record the data.
- A camera- to capture observed features relevant to the study.

- A USB/memory stick- to collect data relevant electronic documents for the project.
- Clip file- storage of all the survey questionnaires.
- A lap top.

3.6.3) Primary and Secondary data Collection

For primary data collection, a survey questionnaire was used in interviews with key informants. The survey questionnaires for local businesses had an information cover sheet which provided details of the respondents (see Appendix 1). The cover sheet also provided interview policies which included a ‘confidentiality’ clause and a ‘skip it rule’. The confidentiality clause purpose is to ensure that the information obtained from businesses is to be treated as confidential and is not to be disclosed to others except for purpose for which it was collected. The ‘skip it rule’ allows the interviewees to decline responding to any question that maybe asked by the interviewer. Furthermore, the aim was to motivate the respondents to participate more actively in the surveys.

The interviews were semi-structured, the respondents were provided the opportunity to discuss in-depth any points they felt needed more attention, or to provide reasons for their choice of options. The survey questionnaire has a mix of closed and open ended questions. However, for the government questionnaire, there were only open ended questions (Appendix 2). Added to this the questionnaires offered two types of responses, namely nominal and ordinal responses. For the ordinal responses in the local business questionnaire, a Likert scale was used (strongly agree, agree, neither, disagree, and strongly disagree). In the likert scale the higher the value (0 to 10) the greater the significant of the variable presented. The likert scale data was then re-entered into the excel software to create the charts and graphs (see figure 3, 6, 8). Sites that had been observed directly and had importance for the research were captured using a digital camera. In the secondary data collection, most of the documents were collected during the interviews using mass data storage devices (USB/flash disk). Other relevant documents for the research were accessed via the internet.

3.7) Data Gathering and Organising Strategies

3.7.1) Data capturing, manipulation and means of verification

Microsoft packages (Word and Excel) were used to capture and manipulate the data from the survey questionnaires and notes in a hard cover exercise book. Excel software was used to create charts and graphs in the report and final write-up. Once the field data was collected, a report was prepared for evaluation by the supervisor. Field pictures were downloaded on a computer and saved on a flash disk. Each survey questionnaire had a case identification number which made it easy for the researcher to trace back any information for verification. Furthermore the documents collected in the fieldwork also touch on the key themes for the research hence could correspondingly verify all data collected.

3.8) Summary of Main Points

The research aims to investigate the prospects for local economic development of small urban centres located outside those of the core city centres. The Mooi River area was selected as an ideal site for investigation into these issues. The research methodology involved the use of a case study. This strategy uses a variety of techniques / methods to collect and analyse the data. Qualitative methods include surveys and in-depth / semi-structured interviews with key informants. Key informants interviews were held with public officials / employees (KZN Department of Economic Development, Mpofana municipality) and local businesses. There was a review of official documents (Integrated Development Plans IDPs, the Spatial Development Framework, Local Economic Development Plans, and the BRE programme.) Furthermore the sampling strategy was informed by both purposive and snowballing approaches. A total number of twelve interviews were conducted during the fieldwork phase of the research project. The key informants from local businesses are predominantly involved in retail services sectors in the Mooi River town. Survey questionnaires were used in the research project to gauge some of the perspectives of local businesses on the prospects for LED within the Mooi River town and Mpofana municipality.

CHAPTER 4: RESEARCH FINDINGS

4.1) Introduction

This chapter presents the main findings of the research project. Three sources were used to assess the situation affecting local businesses in Mooi River. These are: 1) government documents (Integrated Development Plans, Local Economic Development plans, the Spatial Development Framework, and the BRE programme); 2) semi-structured interviews with government / non-government officials and local business managers in Mooi River; 3) other relevant data (surveys and reports). To gather the primary data three site visits were made: the first field visit was on 16 May 2009 (pre-visit). This afforded the researcher the opportunity to see the area and make arrangements with relevant people for interviews, and to make accommodation reservations; the second visit was for five days (from 21-25 July 2009) to conduct interviews with all the relevant stakeholders (i.e. the business community and government officials in the area); the third visit (03 August 2009) was mainly in Pietermaritzburg to interview government officials (provincial and district).

The businesses interviewed were located in the central business district of Mooi River with some located on the periphery of the town. The researcher used a snowball sampling strategy to identify most of the interviewees. Only one major manufacturing firm was identified during the fieldwork with the rest of the businesses mainly involved in the retail/service business. These interviews included five retail service enterprises, two manufacturing companies, one distribution / logistics Company and one property estate agency. Three government officials were interviewed: a town planner from the Mpoofana municipality; the LED manager for the uMgungundlovu district municipality; and the LED director from the KZN Department of Economic Development and Tourism. As already stated in the previous chapter, the findings are presented through a triangulation method entailing interviews, official (government) documents, and data. However, the interviews with key informant are given primacy.

This chapter has three sub-sections: the first sub section presents the general context of the Mooi River town and the Mpoofana municipality; the second provides an analysis of the economic

trends and dynamic within the Mooi-Mpofana municipal area; the third presents the policy responses and perspectives from government and local businesses.

4.2) General Context of the Mooi River town and Mpofana municipality

4.2.1) History of the Mooi River town

Earlier settlement around the Mooi river area was by the Nguni tribe and a migration route for the San people. The first European settlers came in 1852 that occupied the banks of Mooi River and near the serviced transport routes. By 1866 came the emergence of a first township called Western. This township had also established a hotel, store, church and a bridge on the south side of Mooi River. Later on, Alexander Lawrence purchased the Grantleigh farm property which was west of the township. In 1884 there had been a proposed development of a railway route from Johannesburg to Durban which would run through his property. Alexander Lawrence sold his some of his property for the development of the railway services on the condition that a train station would be created that could be utilized by the local population (Seneque Maughan-Brown SWK, 1995 in Cunningham, 2001 see also www.routes.co.za/kzn/mooiriver/index.html).

Consequently, the railway transport network caused development to move westwards from the township and to cluster around the railway station area. This cluster formed a town which was named Mooi River in 1921. During this period, the Mooi River area saw the emergence of agro processing industries which later closed down. Some of the main economic activities of this town are in agriculture, servicing transport operators on the Johannesburg-Durban route and access point to main tourism destination i.e. midland meanders. The Mooi River town was the centre where farmers could sell their produce and export some of it to other areas of the country. Interestingly, the Mooi River had also been used as a key military base during the war periods. In the postwar period was the emergence of textile industry which became the main economic activity of the town. This new company was called Mooi river textiles (Seneque Maughan-Brown SWK, 1995 in Cunningham, 2001 see also www.routes.co.za/kzn/mooiriver/index.html).

This Mooi river textile firm had employed over 1600 people in the community and had established itself as the main economic activity of the town. The location of this textile industry came about through a national department range of incentives and availability of infrastructure, labour and water (Seneque Maughan-Brown SWK, 1995 in Hadingham, 2000). The Mooi River textile company had remained operation in the town for over forty years until they began experiencing some problem which ultimately later led to its subsequent closure in June 1999. One of the main reasons attached to the collapse of the textile industry is the reduction of trade barriers into the country which exposed the industry to direct competition from foreign companies, particularly China (MXA, 2009). However, a Taiwanese firm has re-established the operations of the textile company in the community. Unlike its predecessor, this Taiwanese company now only employs about 150 people in the community. (Seneque Maughan-Brown SWK, 1995, Cunningham, 2001 see also www.routes.co.za/kzn/mooiriver/index.html).

4.2.2) Overview of the Mooi River Town Business Environment

The interviewees have been doing businesses in this area for over ten years. The existence of these businesses for over a decade does give the impression that it is an area which has prospects for economic development. Second, 7 out of 8 of the firms' larger customer base are local, servicing the needs of inhabitants in the townships and surrounding rural areas (see also BRE report, 2008). Interestingly, the inputs required for their businesses are said to be purchased outside the community i.e. Pietermaritzburg and Howick. A generally accepted reason for this is that these centres provide "more competitive prices" than local suppliers. One of the firms highlighted that they outsource some of the productive inputs from the local community.

There are many advantages and disadvantages of operating a business in the Mooi River town (see figure 4.1 above). The main advantages are: 1) good communication networks; 2) close to the market; and 3) local customer loyalty. However, even with these advantages there is a concern amongst business owners / managers about the crime rate in the area, the local quality of life, and reliable local support / services. Judging from the perceptions of the business owners / managers the main disadvantages are the result of predominantly external factors such as quality of the infrastructure, high transport costs linked to increases in the price of fuel, and municipal lack of support.

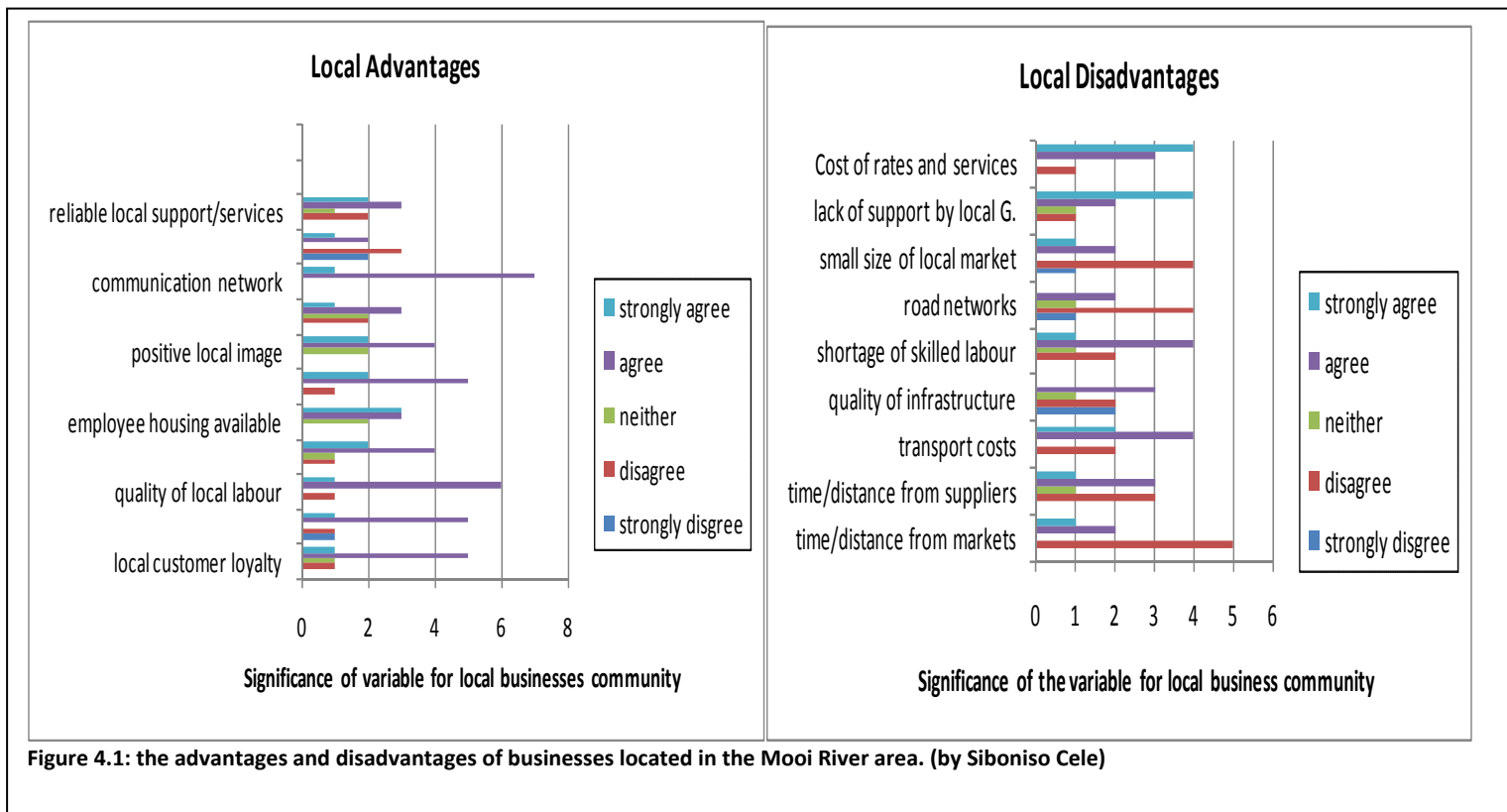


Figure 4.1: the advantages and disadvantages of businesses located in the Mooi River area. (by Siboniso Cele)

There is a serious lack of infrastructural development and maintenance within the CBD (see appendix 4). In support of this statement some of the responses from local businesses included:

- “Clean up the Central Business District (CBD.)”
- “Maintain infrastructure.”
- “The quality of infrastructure is very poor.”
- “Improve the Central Business District.”
- “Infrastructure is in most cases a major problem leading to the problem of access to the market.”

There was also general agreement from government officials regarding the problem of inadequate infrastructural development and maintenance. However, their interpretation on infrastructural development and maintenance is based on the view that this would help the surrounding rural and township areas to gain access to the markets. Consequently, one gets the impression that they are more biased towards promoting small to medium enterprise (SMME) development than strategies for supporting established firms. Nevertheless, the Mpofana IDP

(2009) has proposed a budget of R15 million for infrastructural development for towns in the municipality. The highway toll may also add to the costs of transport incurred by businesses.

Furthermore, there seems to be no issue with regards to time distance from the market (business are located in the CBD). However, the time distance from markets comes into effect when there is a need to source some of the inputs required by the business; higher transport costs are incurred as a result of distance, fuel, and toll gate levies. The next section discusses in the socio-economic environment of Mooi-Mpofana and how it in one way or another affects the performance of local firms in areas such as Mooi River.

4.3) Analysis of the Economic Trends and Dynamics within the Mpofana Municipality Area

Two indicators have been selected to assess the economic trends and performances of businesses in the Mooi-Mpofana municipal area: 1) Gross Value Added (GVA), and 2) location quotient. To gain a better understanding of the performance of the businesses in Mooi-Mpofana, it is necessary to provide a comparative assessment of the operational environment and contribution of the businesses to Mooi-Mpofana municipality, the uMgungundlovu district, and the wider region. This will help the reader gain a better understanding of the economic environment in which these firms (particularly in Mooi River) area are operating.

4.3.1) Gross Value Added

The uMgungundlovu district municipality contributes only 8.53% of the total provincial GVA. This is a meagre share in comparison to the eThekweni district's contribution of 65.40%. What is clearly evident according to these figures is that the eThekweni district municipality is the major economy in the KZN province. The uMgungundlovu district is also fractionally surpassed (9.41%) by the uThungulu district, leaving the uMgungundlovu district in third place in the ranking of contribution to the total provincial GVA. Within the uMgungundlovu district, the uMsunduzi municipality is the biggest contributor (R18,115,466) for 2007 followed by uMngeni, uMshwathi, uMkhambathini, Richmond, Mooi-Mpofana, and Impendle local municipalities (see UMGDM LED, 2007). Interestingly, uMngeni has shown considerable growth. The Mpofana,

uMshwathi, Impendle, UMkhambathini and Richmond municipalities display stagnant or declining economies (MXA, 2009).

Table 4.1 below shows that the community services sector is the highest GVA contributor in the uMgungundlovu district. Furthermore, the community services sector in the uMgungundlovu district contributes 18.98% to KZN GVA and 20.47% to the national GVA, followed closely by the finance sector contributing 21.1% to the uMgungundlovu district GVA in 2007. The financial sector has demonstrated consistent growth. In terms of the provincial and national contribution to the GVA, it has performed better than the community services sector. The finance sector contributes 19.20% of the total KZN GVA and 22.8% to the total SA GVA. Other sectors that contribute significantly to the uMgungundlovu districts GVA include manufacturing (13.7%), agriculture (11.6%), trade (11.2%) and transport (9.8) in 2007.

Table 4.1: GVA by major sector, uMgungundlovu district municipality, 2003 – 2007

Sector	2003 (R1000)	%	2004	%	2005	%	2006	%	2007	%
Mining	65748.8	0.4	64113.6	0.4	69428.7	0.4	86199.1	0.4	97525.9	0.4
Construction	306639.4	1.9	388661.7	2.2	386844.3	2.0	426737.0	2.0	496279.3	2.0
Electricity	457832.2	2.8	492107.3	2.7	534997.9	2.8	597060.7	2.8	686468.7	2.8
Transport	1754695.1	10.7	1926118.5	10.7	2098634.2	10.9	2237571.8	10.4	2413493.6	9.8
Trade	1888125.0	11.5	2058533.5	11.5	2235578.8	11.6	2521044.7	11.7	2757361.9	11.2
Agriculture	2102356.0	12.9	2117289.9	11.8	2018573.5	10.5	2258117.8	10.5	2865068.6	11.6
Manufacturing	2393034.2	14.6	2551494.1	14.2	2709312.4	14.1	3009815.7	13.9	3364779.1	13.7
Finance	3006389.7	18.4	3405220.8	19.0	3738901.1	19.5	4502666.1	20.9	5187793.3	21.1
Community services	4371191.2	26.7	4935801.5	27.5	5415384.3	28.2	5935031.7	27.5	6724548.6	27.3
Total	16348014.7	100	17941344.8	100	19209660.3	100	21576250.8	100	24595326.1	100

(Source: Global Insights Africa International, 2007 in MXA, 2009:14-15)

The agriculture and transport sectors have displayed a relatively steady growth pattern, with certain periods showing a slight decline in the total district GVA output. They have however made a small contribution to the provincial and the national GVA, with the exception of the manufacturing sector which has contributed 23.98% to the provincial total GVA and 18.20% to the national total GVA. The mining, construction, and electricity sectors have been displaying stagnant growth patterns across the district and local region (MXA, 2009).

The stagnant growth patterns in the agricultural sector are argued to be the result of declining investments “due to the slow pace of finalization in land claims” (MXA, 2009). What is clearly evident is that the uMgungundlovu district has a tertiary dominated economy in part boosted by the relocation of government departments to the uMsunduzi municipality (Pietermaritzburg city). Other localities that have improved due to this phenomenon include the uMngeni and uMkhambathini municipalities. Prospects for economic growth are understood to be preeminent in the uMsunduzi, uMngeni and uMkhambathini municipalities. Two reasons are presented in support of this statement: 1) proximity to the N3 corridor, and 2) proximity to the eThekweni municipality to capture some of its externalities (MXA, 2009). As shown in Figure 4.2 below, the agricultural sector is the highest contributor to the total GVA for the Mooi-Mpofana municipal area throughout the period of 2003 to 2007.

The agricultural sector is followed by the community services and financial sector respectively. The Mpofana BRE report (2009) confirms that these (particularly agricultural and community services) are the leading sectors within the municipality. Facilitating the improvement and sustainability of these economic activities will be very important for the growth and development of the Mooi Mpofana municipality. The Mooi-Mpofana municipality has made some considerable progress across all sectors with the exception of some sectors (mining, construction and electricity) performance has declined (MXA, 2009).

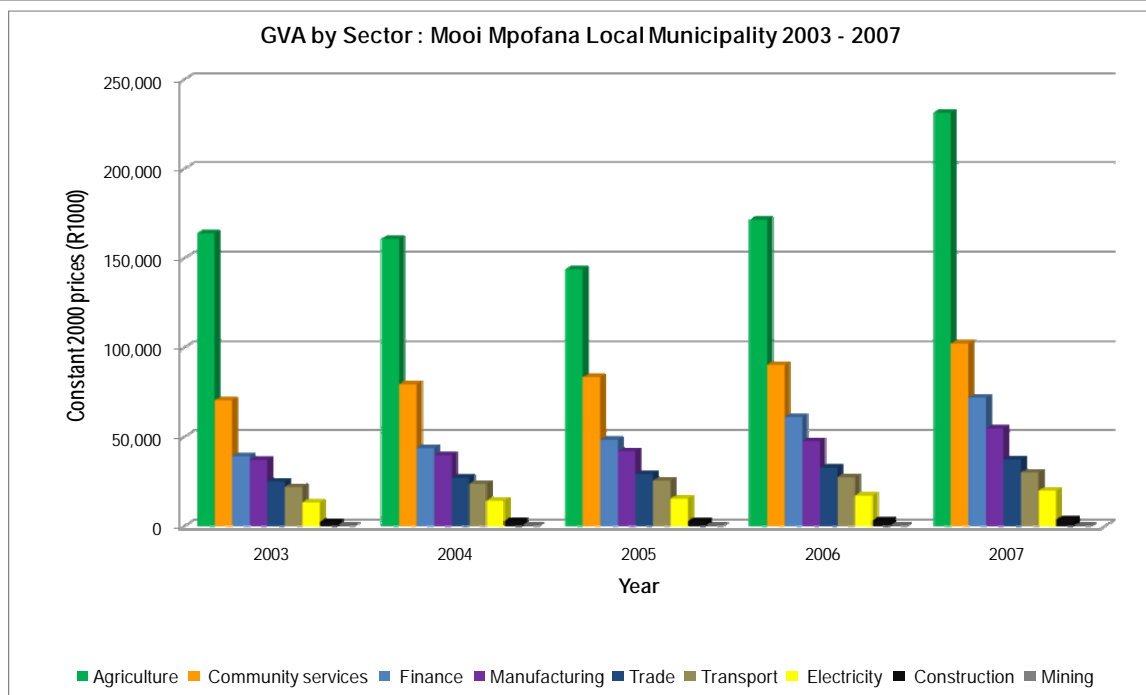


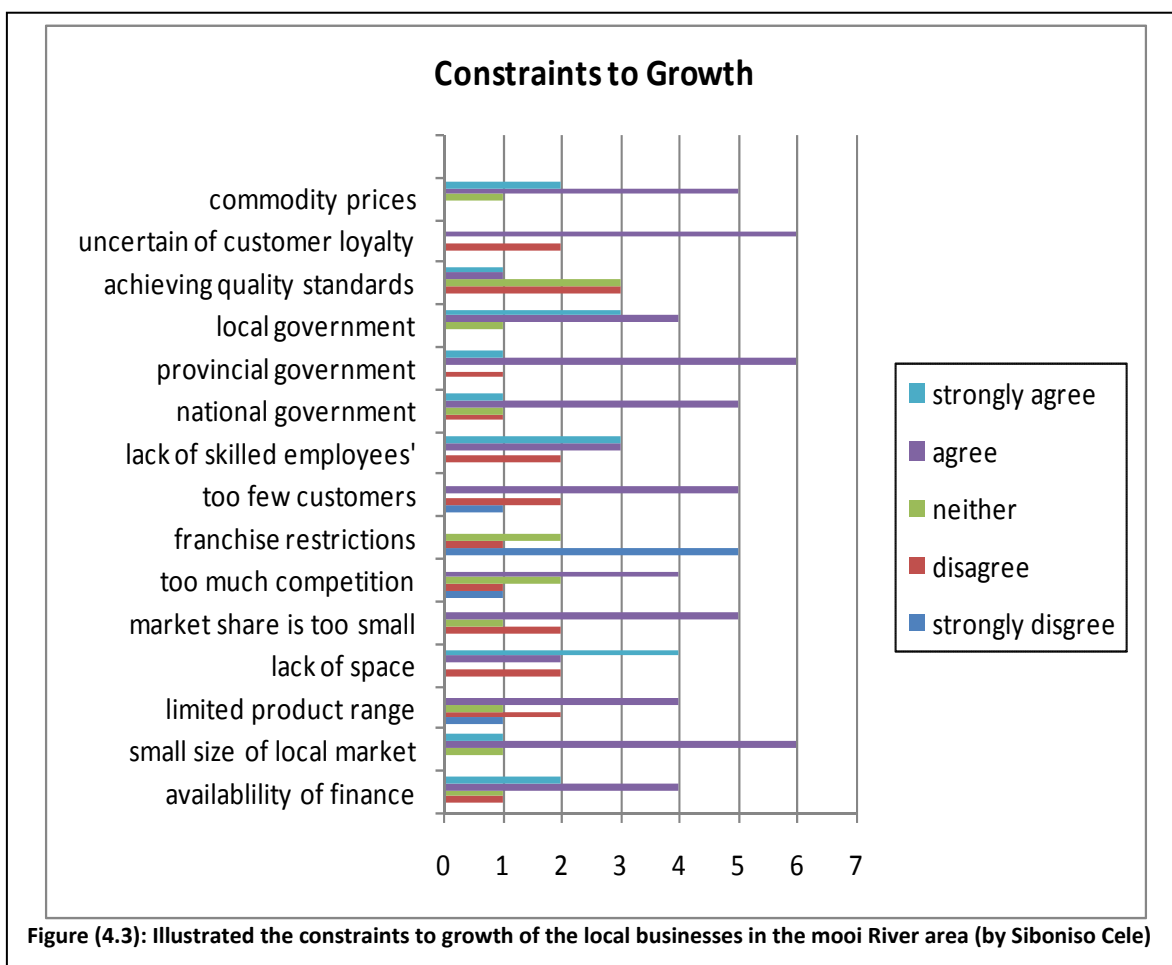
Figure 4.2: GVA by major sectors: Mpofana municipality 2003-2007

(Source: Global Insight Africa international, 2007 in MXA (2009:22))

Even though the respondents' businesses are shown to be dominant in the municipality, some of the major factors that are perceived to constrain the growth of their businesses are small size of local market, too few customers' commodity prices, and the lack of skilled employees. Furthermore, the impact of governments' (particularly local government) activity is perceived to be a major source to the constraint in expansion of the local businesses (see Figure 4.3 below).

Some of the criticisms from local businesses about the functionalities of the local municipality in the area include:

- “[The] local municipality is misguided.”
- “Municipal rates have threatened the survival of my business.”
- “Create a new municipal system.”
- “Rates too high, lack of infrastructure, lack of communication....the list is endless”
- “We have a non-functioning municipality.”
- “The (local) municipality doesn't do what they are supposed to do.”



In most cases these comments are directed towards the municipal rates in the Mooi River town. The interviewees provided mixed responses on the main roles of government (local and provincial) to assist businesses in the Mooi River town to enhance their productivity/services:

- “Develop and maintain infrastructure in the town.”
- “Lower the rates in the town.”
- “Build better communication networks between municipality and businesses”
- “Better service delivery.”
- “Improve image of the town for future investment.”
- “Assist in lowering the transactional cost of the business.”

In most instances the interviewees from the business community in Mooi River would highlight some of the comments presented by other respondents. The general response from government officials is that local municipalities “lack capacity” to undertake initiative in support of local economic development, for instance funding, and staff. Facilitating the improvement and

sustainability of these economic activities will be very important for the growth and development of the Mooi Mpfana municipality. To sustain these improvements it is important that potential constraints to the growth of these local businesses are minimised. Furthermore, limiting constraints to growth can assist in facilitating an increase in the Mooi-Mpfana municipality's comparative advantage over the uMgungundlovu district. In the next section, the paper engages more intensively with the uMgungundlovu district and Mooi-Mpfana municipalities' comparative advantages.

4.3.2) Location Quotient

The location quotient is a suitable indicator to examine a municipality's economic advantages. According to MXA (2009:25), the Location quotients "indicate the comparative advantage or disadvantage of a particular economic sector in an area or region." How this economic measuring instrument works is that quotients greater than one indicate a comparative advantage and less than one indicate a comparative disadvantage for that particular location, as in this case the uMgungundlovu district municipality. Figure 4.4 below, indicates that the agricultural sector has a greater comparative advantage over the other identified major sectors in the uMgungundlovu district. This is supported by the fact that in 2007, the uMgungundlovu district achieved a positive comparative advantage in the KZN province. Other sectors that have a comparative advantage in the uMgungundlovu district municipality include community services, electricity, and transport.

However, community services have a comparative disadvantage when compared to other major sectors in the KZN province. All the other sectors indicate a comparative disadvantage of being located in the uMgungundlovu district municipality during the period from 2003 to 2007. Surprisingly, the manufacturing and trade sectors have a comparative advantage of being located in the uMgungundlovu district when compared to the KZN province.

What can further be deduced from figure 4.4 is that local municipalities (particularly small municipalities such as Mpofana and ILembe) located within the uMgungundlovu district need to reassess their agricultural development strategies and assist this sector to exploit the opportunities. What all the respondents agree upon is that this area has a very prominent agricultural sector. There is further great potential for industries in the agro-processing sector to be located within the Mooi-Mpofana municipality.

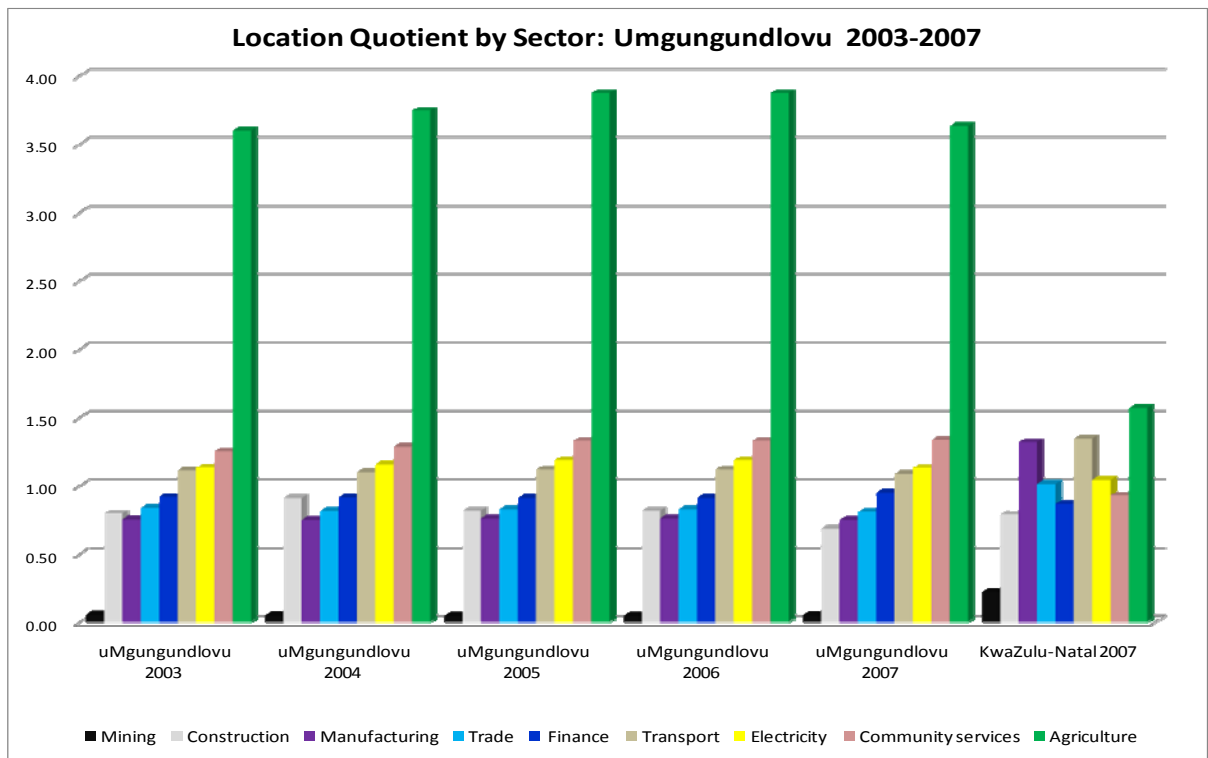


Figure 4.4: Location Quotient by sector: uMgungundlovu 2003-2007

(Source: Global Insight Africa International, 2007 in MXA, 2009)

Moreover, the firm managers/ owners perceive Mooi River as an ideal place for a diverse range of manufacturing industries. According to the local government official interviewees, land has been designated for any manufacturing activities to be situated there. One of the main reasons for manufacturing industries (such as the textile company which collapsed) locating in the Mooi River town is that the previously received incentives from national government. However, a Taiwanese firm has now been allocated the area previously occupied by the Mooi River textile company.

Some of the Mooi-Mpofana comparative advantages include access to natural resources; being close to the Midland Meander; a youthful population; and strong cultural and historic heritage. The competitive advantages of the Mooi-Mpofana municipality include a thriving agricultural sector and wide access to natural resources that could be utilised for further economic development i.e. forestry. There is abundant arable land (67%) that has the potential for agricultural development. The support and development of the agricultural sector will assist in further enhancing the comparative advantage of the uMgungundlovu district. Being close to the Midland Meander also opens new opportunities for tourism development in the municipality. In addition, the Mooi-Mpofana municipal area contains some of the best private schools in the KZN midlands (Mpofana IDP, 2009).

4.4) Policy Responses and Perspectives from Government and Local Businesses

4.4.1) South African Government Policy Framework for LED

These policy frameworks guide development interventions in the form of programmes and projects aimed at local and regional economic growth and prosperity in the Mooi-Mpofana municipality. At the national level, there are four relevant policy frameworks: 1) the Accelerated and Shared Growth Initiative of South Africa (ASGISA) and Joint Initiative on Priority Skills Acquisition (JIPSA); 2) the National Spatial Development Framework (NSDF); 3) the National industrial policy framework (NIPF); and 4) National Vision for LED. The National Industrial Policy Framework for example “aims to provide strategic direction to the economy with respect to the issues of industrial development” (DTI, 2006: 9). This framework includes the implementation of thirteen strategic programmes over the short-medium term i.e. sectoral strategies, industrial financing, skills and education for industrialization, spatial and industrial infrastructure, industrial upgrading.

In the Kwazulu-Natal province the essential policies and programmes relevant for economic development are: 1) the Provincial Growth and Development Strategy (PGDS), and 2) the Provincial Spatial Economic Development Strategy (PSEDS). The PSEDS recognises Mooi River as an “additional priority node” for development (Mpofana LED, 2007:16). For the

uMgungundlovu district and the Mooi-Mpofana municipality there are two guiding policy frameworks, namely the Integrated Development Plan and Spatial Development framework (see chapter 2).

A major constraint is the lack of capacity (financial and human resources) for the implementation of the LED policy strategies in the uMgungundlovu district municipality. This is evident from the fact that the district and municipal LED strategy has not been updated to reflect the current economic circumstances and on potential new economic developmental strategies (UMGDM LED, 2007; Mpofana LED, 2007). However, one of the government officials describes the integrated development plan as a “conformatory document” reflecting on the inability of local municipalities to implement most of the proposed programmes and projects that have been included in the strategy. There are three policy responses that may have significant impacts for the businesses in the manufacturing sector in the Mooi River area: first is the uMgungundlovu Spatial Development Framework; second is the Gijima KZN LED support programme; third is the Mpofana Business Retention and Expansion programme. What should be noted is that the uMgungundlovu SDF and The Gijima KZN project are meso-level interventions where as the Mpofana BRE programme focuses specifically on the issues affecting businesses in the Mooi River area.

4.4.2) uMgungundlovu Spatial Development Framework

Within the uMgungundlovu district municipality, the spatial development framework is most relevant in terms of the necessary infrastructural development that is required in the Mooi-Mpofana municipality. The uMgungundlovu SDF is “a framework within which to discuss future developments of the district economy in the context of the provincial and national space economies” (UMGDM LED, 2007:30). A government official stated that the one of the most useful things about the SDF is that there are “[financial] resources that come with the strategy” making it more viable than the LED strategy. One of the fundamental programmes that have come from this framework is the Extended Public Works Programme (EPWP). There are three significant policy frameworks that guide the structuring of the local municipalities SDFs, namely

the NSDF, the PSEDS and the district SDF. Some of the main goals and objectives identified for the uMgungundlovu district (2007:30) to support economic development include:

- “To promote improved systems of access to markets and socio-economic opportunities. Improvement and sustainability of the provincial priority corridor (N3) and primary route (R103) which gives access and opportunities to markets for the major sectors such as agriculture and tourism.”
- “To integrate district space and link various settlements/opportunities into a functional and meaningful whole.”
- “To provide a framework for managing development that includes identifying areas for investment, rehabilitation and protection.”
- “To maximise inherent opportunities and potentials within the district in a way that promotes growth and investment.”
- “To create an overall system of opportunity that includes access to economic opportunity.” (UMGDM LED, 2007:30).

For the Mpofana municipality, the following corridors have been identified as significant for future economic growth and development: The provincial priority corridor (N3 highway) which presents great stimulus to boost economic development for the area; and the primary route (R103) which links Mooi River to other locally and regionally significant destinations i.e. Rosetta town, uMngeni and uMsunduzi municipalities. Furthermore, in accordance to the NSDF, the following actions have been deployed in the municipality: 1) the existence of ward committees, 2) land reform recipients are to receive the necessary assistance to sustain their activities, 3) infrastructural development and maintenance of electricity facilities, town revitalisation, and the proposed development of trade centres at Hidcote and Tendele, 4) human settlement development including housing, sport fields, and recreational facilities. The Mpofana IDP (2009) proposed an upgrading of central business district roads to the cost of R15 million and township road upgrade to the total cost of R4.5 million. All of these activities are aimed at supporting the Integrated Development Plan of the district and local municipality (UMGDM LED, 2007; Mpofana IDP, 2009).

4.4.3) Gijima KZN LED Support Programme

The Gijima KZN LED Support programme is an initiative developed by the KZN Department of Economic Development (DED) with the financial support of the European Union (EU). The Gijima KZN LED support programme is based on two main goals: first to support “disadvantaged groups” to become more involved in economic activities i.e. SMME support and development; second to provide support for local municipalities through skills and capacity development. This incentive would help to create a “better environment for economic growth.” Various projects have been implemented as a district wide initiative for the uMgungundlovu area i.e. development of the informal economy policy and LED strategic planning.

In the Mooi-Mpofana municipality, the Gijima programme has initiated two projects: namely the Bruntville and Hidden Valley tourism marketing development plan, and the Mpofana Beef processing facility. The projects received funding to the value of R 214,005 (for the tourism plan) and R 117,740 (for the processing facility). Evaluations of these projects have not been discussed in any document. However, as stated previously by a government official, most of the LED projects have failed which could potentially include these projects. Nevertheless, the Mooi-Mpofana municipality has developed a coherent tourism strategy (See Mpofana Tourism development strategy, 2007). According to the Mpofana IDP (2009) there is currently an application being processed for the funding support of the formation of a Local Development Forum. This forum is aimed at creating a “communication network and synergies” between the private and public sectors within the municipality (Mpofana IDP, 2009: annexure B).

4.4.4) Mpofana Business Retention and Expansion Programme (BRE)

The Mpofana BRE programme was formally launched on 20 August 2008, although the task team members had met before this date (BRE, 2009). By definition, the BRE is “any strategy or programme designed to help existing business to grow or prevent them from shutting down (BRE, 2009:2).” As acknowledged in the Mpofana BRE report (2009:1), “the overall goal of the Mpofana BRE programme is to stimulate local economic development and create employment opportunities by retaining and expanding existing businesses.” The BRE programme has

uncovered significant issues that affect businesses in Mooi River most of which have been deliberated in this chapter i.e. infrastructural development and maintenance, municipal rates. Other issues raised by the BRE programme include that of there being no local association in which the businesses in Mooi River can participate.

The only business association in existence, according to the interviewees, is the farmers association. The local business managers believe that their performance could improve within the next 12 months if they could gain access to local and regional information. Information on trade and export is not necessary for these businesses. Internally, information on staff incentives could be very helpful. Furthermore, information on staff incentives would assist in improved labour relations (see figure 4.5 below). This information could be relevant particularly after recent disputes between labour unions and the employers in the textile industry. In part, the role of the association would be to provide essential information to local businesses in the Mpofana municipality.

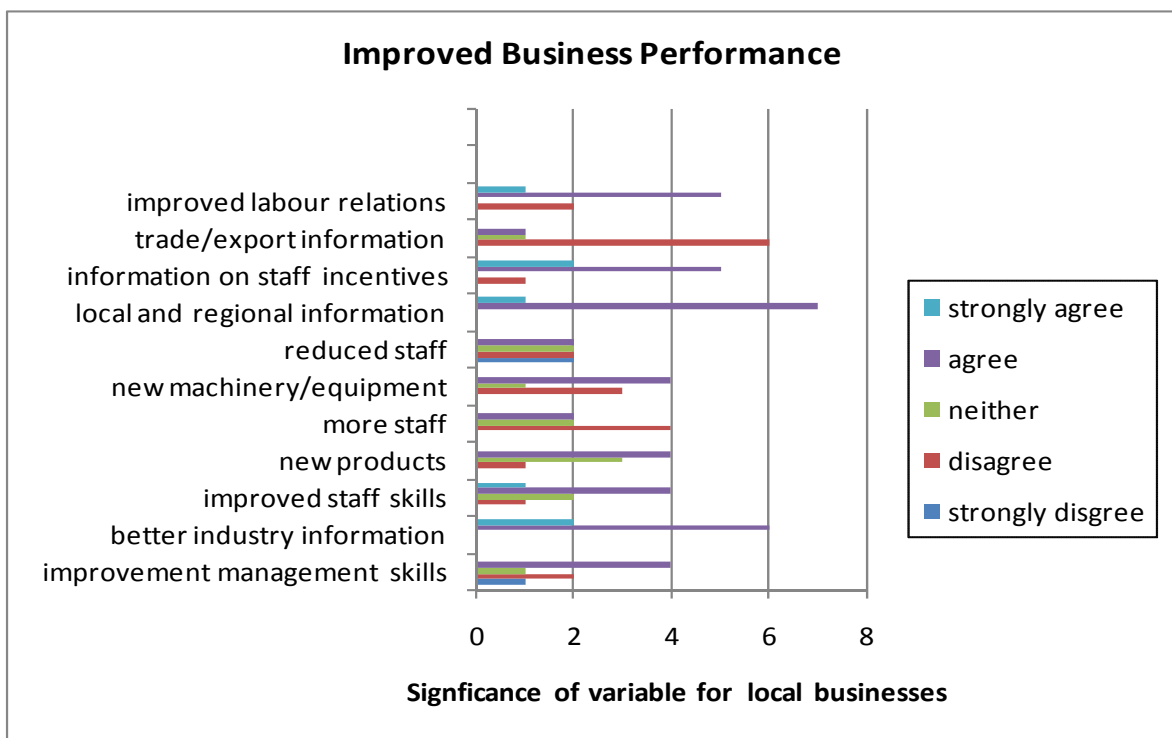


Figure 4.5: Showing variables for improved operational performance of businessse located in the Mooi River. (by Siboniso Cele)

4.5) Summary of Main Points

These are the main points that have arisen from this chapter. In the first sub-section, an in-depth description of the location and socio-economic environment within the Mpofana and Mooi River area was presented. In the second sub-section, the paper aimed to provide an analysis of the economic trends and dynamics in Mooi-Mpofana and further provided a comparison to other regions in KZN. Two market indicators were presented, namely the Gross Value Added and location quotient indicators. What can be deduced from the GVA indicator is that the tertiary sector (community services and financial) is dominant in the uMgungundlovu district particularly in the local municipalities of uMsunduzi and uMngeni. However, the primary sector is the most dominant sector in small municipalities such as Mpofana. It is most evident that the growth and sustainability of these small municipalities depend on the growth and prosperity of the primary sectors.

This point is further supported by the fact that the location quotient indicator reflects that the agricultural sector presents a greater comparative advantage for the uMgungundlovu district in comparison to other district/regions. The agro-processing industries would be ideal businesses to be located in areas such Mooi River. The third sub-section reflected some of the government policy frameworks, programmes, and initiatives that have been implemented for economic development in the Mpofana municipality. Two significant programmes were evaluated, namely the spatial the development framework and the Business Retention and Expansion programme. These programmes are significant in responding to some of the major issues that affect performances of firms in the local municipality.

CHAPTER 5: DISCUSSION

5.1) Introduction

This chapter discusses the findings reflected in the previous chapter. In summary, some of the key findings of the research project are: firstly, there is inadequate infrastructural development and maintenance of the central business district in Mooi River. Some of the proposed infrastructural development in the spatial development framework and integrated development plans has not been implemented yet (besides the redevelopment of the taxi rank). Second, there is a lack of highly skilled individuals in the community; as they mostly immigrate to more prosperous locations i.e. Pietermaritzburg or Howick. Most people in the community occupy elementary positions in the businesses. The proposed skills training programme should aim at giving individuals the necessary expertise required in the local markets. Third, there is a lack of implementation of the proposed strategies particularly in small municipalities; fourth, the local businesses in Mooi River are not part of any association, forum, or organising body that could assist them in a variety of ways to enhance their productivity and expand their businesses.

This chapter will respond to the central question of what scope there is for effective local action to improve economic circumstances in smaller towns outside the major urban core area. It seeks where possible to explore factors influencing: 1) trends in the economy, and explanation for these, 2) the nature and impact of public policy on the local economy. Against this background, the paper will further present with some of the lessons learnt regarding small towns' development/revitalisation and future growth prospects of other small towns in the country.

This chapter contains three sub-sections: the first examines the economic trends and dynamic within Mpofana and Mooi river area. The second engages in the nature and impact of public policy on economic prospects in the Mooi-Mpofana municipality. The third discusses the key lessons from the Mooi River case study.

5.2) Assessment of the Economic Trends and Dynamics within Mpofana and Mooi River Area

As stated in the previous chapter, the Mooi-Mpofana municipality is located in the uMgungundlovu district area. According to the Global Insight Africa International (2007) in MXA (2009), the uMgungundlovu district is ranked third in its contribution to the GVA in the KwaZulu-Natal (KZN) province. The uMgungundlovu contributes approximately 8.53 % to the total GVA. The most dominant economy in the KZN province is the eThekweni municipality contributing 65% to the total GVA. The second highest contributor to the KZN total GVA is the uThungulu municipality (9.41%) surpassing the fractionally the uMgungundlovu municipality by 0.88%. Furthermore, the tertiary sector (community services and finance) is the most dominant economic activity in the uMgungundlovu district. Hence the uMgungundlovu district has been classified as a “consumer-driven economy.” Products and services sold in the market are determined by the need or demand by the final consumer. In these situations local businesses have a more direct link to the final consumers in the product cycle or value chain. In the value chain literature, this market economy would be termed a “buyer-driven value chain” (Kaplinsky and Morris, 2003).

These tertiary activities are based in two local municipalities, namely uMsunduzi and uMngeni. Other economic activities that make significant contribution to the total GVA in the uMgungundlovu district come from the manufacturing, agriculture, and trade sectors. The location quotient indicator shows that the agricultural sector has a greater comparative advantage in the uMgungundlovu district municipality and support for this sector will be necessary for future growth prospects in the uMgungundlovu district and particularly the uMsunduzi and uMngeni municipalities (GIAI, 2007 in MXA, 2009).

The uMsunduzi local municipality contributes the highest (R18, 115,466) to the uMgungundlovu district GVA. There are two significant features that support the economic dominance of the uMsunduzi municipality in the uMgungundlovu district: 1) the relocation of the Government departments to the city of Pietermaritzburg (PMB); 2) rise in population trends migrating into the municipality (particularly the PMB city). The population increase in the municipality has been in part as a consequence of government official demand for residential property. Another factor that

has contributed to the rise in population trends has the location of various tertiary training institutions in the uMsunduzi municipality. Both of these factors have created a greater demand for essential consumer services e.g. shopping malls and financial banks. (UMDGM LED, 2007).

The lack of growth in other small municipalities (uMshwathi, Mpofana, Impendle and Richmond) in the uMgungundlovu district is linked to their low diversification of economic activities. However, according to the location indicator, the agricultural sector has comparative advantage in the district. Hence small municipalities such as Mpofana municipality should strengthen their agricultural activities (MXA, 2009). The Mpofana municipality has a very strong natural resource base which can assist the municipality to develop and sustain agricultural activities. Furthermore, the Mooi-Mpofana municipality has recently compiled a comprehensive tourism development strategy to improve the economic prospects of the area (Mpofana IDP, 2009).

The Mooi-Mpofana municipality is ranked sixth in total contribution to the GVA in the uMgungundlovu district. Furthermore the GVA indicator illustrates that the primary sector (agriculture, hunting, forestry, and fishing) is the most dominant activity in the Mpofana municipality. It is followed by the community services, finance, and the manufacturing sector respectively. The Mpofana municipality's main economic hub is the Mooi River town. Historically, the Mooi River area has had a diversified economy which included agro-processing industries. However, these businesses either closed down or relocated. Two main reasons that can be linked to the choices made by these businesses: first, the business strategy to maximise profits namely mergers. Second, the withdrawal of national government support through a range of incentives (tax cuts and subsidies) including infrastructural development and maintenance within the Mooi River town. The collapse of the textile industry can be attributed to the removal of trade barriers by government which exposed them to direct competition from foreign industries (Seneque Maughan-Brown SWK, 1995 in Cunningham, 2001).

Currently, the majority of the businesses in Mooi River are in the retail sector providing services and products to commercial farmers (also selling some of their products to local consumers), township, and rural populations. Furthermore, incoming tourists also reside in the town to visit the Midland Meanders and purchase some necessary equipment from this town e.g. camp tent. Some of the key issues presented by the local firms in Mooi River that affect performance include: first, inadequate infrastructural development and maintenance. The local firms interviewed criticised the municipality for lack of maintenance of infrastructure in the CBD i.e. roads, electricity, water, and sanitation facilities. Furthermore, to attract new investment (particularly in the manufacturing sector); there is a need to upgrade the CBD infrastructure to improve its aesthetic appeal. Second, there is low skills availability in the local community. The low skills availability in the Mooi-Mpofana municipality is as a result of an emigration trend of skilled labour to other locations potentially for better job opportunities, e.g. Pietermaritzburg, and the impact of diseases such as HIV/AIDS on these skilled individuals. In response to this issue the Mooi-Mpofana municipality has proposed the initiation of youth skills training programmes to try and close this skills shortage in the community.

Third, according to local businesses in Mooi River there is lack of support from the local municipality. The municipal rates are also understood to hamper the performances of businesses through a reduction of profits margins. Fourth, high transactional costs linked to the operationalisation of the businesses i.e. transport and communications. It is perceived by government officials that interventions in these issues can assist local businesses to perform better. However, in the short to medium term, the entrepreneurs/managers expect that business will grow even in these recession times.

5.3) The Nature and Impacts of Public Policy on prospects for Economic Development in the Mpofana and Mooi river area

There are a range of policies from national (ASGISA, NIPF, NSDF), to provincial (PGDS, PSEDS) and district (IDP, SDF) departments that engage with the issues of economic development of localities in South Africa. The national industrial policy framework presents significant strategic programmes relevant for responding to issues presented in small towns such

as Mooi River i.e. sectoral strategies, spatial and industrial infrastructures, and skills and education for industrialisation (DTI, 2007). The regional industrial development strategy (RIDS) is such a strategy that aims to implement some of the visions presented in the National Industrial policy Framework. RIDS is a fund-driven initiative which identifies sectors that require intervention according to their four pillars. The RIDS four pillars are building partnerships, addressing economic decline, building regional agglomerations, financing regional development. What is particularly significant about this strategy is that it assists in the development of spatial infrastructure to facilitate regional development (see DTI, 2006). The Mooi-Mpofana municipality is making attempts to contact the Department of Trade and Industry to access these development funds although the purpose for these funds was not elaborated. The national policy frameworks provide guidelines for provincial economic development strategies.

There are four significant LED policy frameworks and initiatives that are relevant (and interrelated) to the uMgungundlovu district and the Mooi-Mpofana municipality: 1) the Provincial Spatial Economic development strategy; 2) and the Provincial Spatial Development framework; 3) the Gijima KZN LED support programme and, 4) the Mpofana Business retention and expansion programme (BRE). In most instances, these policy frameworks are stated by government officials and local businesses as significant in the LED strategies of the uMgungundlovu district municipalities. However, each municipality in the district develops their own LED strategy relevant to their localities. An important aspect of these policy frameworks is their main focus on providing spatial and industrial infrastructure relevant to the development of urban localities i.e. roads, electricity, sanitation, amenities. In Mooi River there has been a demand from local business to develop and maintain infrastructure. The provincial spatial economic development strategy (PSED) is recognized by the uMgungundlovu district as an essential policy framework for local economic development. In the case of the uMgungundlovu district area, the PSED recognizes essential priority nodes (Howick, Camperdown, Pietermaritzburg) however Mooi River is regarded as an “additional priority node” for future developmental intervention. The general sense from government officials (local, district and provincial) is that the Mooi River area takes second place in economic development policy interventions by the district municipality.

Furthermore, the criteria for the selection of these “priority nodes” are not well defined in the documents or by the government officials. However a general assumption is that the support for these nodes would make good economic sense as these are the areas that have better growth prospects (according to the recent economic trends within the localities) and can yield significant returns on investment (MXA, 2009; UMGDM LED, 2007). The Mpofana spatial development framework draws on the policy guidelines from the NSDF, the PSED and the uMgungundlovu SDF. An important aspect of the Mpofana SDF is the proposed funding (total of R15 million over the next five years) to upgrade the Central Business District of Mooi River.

The Gijima LED programme is a meso-level intervention and is developed through a coalition between the European Union and the provincial KZN Department of Economic Development and Tourism. The programme is a fund-driven initiative targeting specific projects in KZN that can assist local municipalities in its growth and development prospects. In the Mooi-Mpofana municipalities, two projects have received funding from the programme, namely the Bruntville and Hidden Valley tourism marketing development plan and the Mpofana Beef processing facility. The impacts of the projects are unknown. The Mpofana BRE programme follows the pattern of mobilizing the local firms to act to fix their own problems in partnership with one another and the municipality. In part, the programme aims to create a platform for dialogue between local municipalities and businesses on pertinent issues and looking for concerted effort to remedy them. An important issue that came out of the programme (and was also reiterated in the interviews) is the lack of organisational structure that facilitates the business activities in the community i.e. associations, chamber of commerce. However, the local municipality has made an application to the Gijima KZN programme to access funds to develop the Mpofana business forum (Mpofana IDP, 2009).

What can be deduced from the LED strategies for the uMgungundlovu district and Mooi-Mpofana municipality is: First, there is a lack of resources to implement most of the proposed plans in the LED strategy. This is confirmed by the government officials interviewed that these plans require significant amounts of financial and human resources to implement the proposed programmes. In most instances where there was a need to implement the proposed strategy, the

municipalities would use the services of private consultants. Second, the LED strategies are not continuously reviewed (or updated) to assess their relevance in the current economic circumstances. The last time this LED strategy was reviewed for the local municipalities in the uMgungundlovu district was in 2007. Nevertheless, the LED Framework can be considered an essential strategy to boost economic activities in the district.

5.4) Key Lessons from the Case Study of the Mooi River Area

There have been three key themes from the research study: 1) public-private partnerships to enhance economic growth and prosperity 2) locality development strategies to promote economic growth and 3) enterprise development strategies to support local firms to improve their performance.

5.4.1) Partnership-Driven LED strategies

“Partnerships are defined as collaboration between municipalities, the private sector, and civil society to commit to work together on projects or programmes to pursue common goals and in which the different partners bring complimentary resources, contribute to the design of the programme, and share risks and benefits” (Stibbe, 2008: 4 in Rogerson, 2009). Public-private partnerships encourage collaborative and cooperative engagement and learning of all the affected parties in the local community (see Blakely and Bradshaw, 2002; Kaplinski and Morris, 2003; Morris et al, 2007; Rodrik, 2004). In the case of the Mooi River town, the key stakeholders should include the Mpofana municipality, local businesses, and other significant organisations in the business community such as the farmers association. There is strong critique of the lack of support from the local municipality; the local municipality has made attempts through the Mpofana BRE programme to engage with the issues affecting the productivity of local businesses in Mooi River. The outcomes of these actions could support the creation of jobs and the stimulation of the general local economy.

The Mpofana business retention and expansion programme is an initiative that promotes collective action and learning of various interested and affected stakeholders and the municipality. The proposed establishment of a local association which can assist in the circulation of trade knowledge and information would be helpful to promote growth in the area. The various interested and affected stakeholders should aim at the growth of the economic base of the town. In particular, consideration needs to be given to avoiding excessive and ongoing resource commitments to the textile industry at the cost of other economic opportunities, which despite being more fragmented and having less direct employment leverage, might have a more sustainable future.

5.4.2) Enterprise Development Strategies

Respondents argued that there is a need for an organisational structure that can assist the local businesses in the dissemination of essential information on business activities in the municipality i.e. associations, and a chamber of commerce. Another option would be to promote the formation of “specialist business development services” to assist local businesses with essential information and participation into larger markets. The growth of the Mooi River town’s economic base will be determined by the ability of the local firms to export some of its commodities to domestic and foreign markets. Most businesses in the Mooi River sell their produce to the local market hence government should encourage the export of some of these commodities. There is a well established agricultural sector in the Mpofana municipality hence there should be encouragement/attraction of industries particularly in the agro-processing sector. The products produced from by these industries could be sold to larger markets such as in Pietermaritzburg and Durban.

The uMgungundlovu district municipality has a higher comparative advantage in the KwaZulu-Natal province in its agricultural sector (MXA, 2009). Some of the policy interventions proposed by stakeholders to promote this sector in the Mpofana municipality include tax relief or subsidisation of transport, and communication services. Potentially, the subsidisation of transport and communication can assist in the lowering of the high transaction costs incurred by the business. Previously, the implementation of these interventions had contributed to the choice of

some of these firms to invest in this town in the first instance. However, the provision of subsidies is unlikely to be sustainable in the longer term. To stimulate business growth in the area there is a need to improve the quality of life within the Mooi River town i.e. infrastructural development such as roads, electricity and sanitation. Clearly, to achieve this, the local municipality should look at strategies to better manage its territory i.e. infrastructural development and maintenance.

5.4.3) Locality Development Strategies

The Mooi River town is the main economic hub for residents in the Mpofana municipality. It provides essential products and services for the rural and township population. To improve the quality of life in the town there needs to be adequate infrastructure, and economic and social capital. As noted earlier, there is a serious backlog in terms of infrastructural development and maintenance (roads, electricity) in the central business district. Some of the proposed development in the spatial development plans (and integrated development plans) has not yet been implemented.

The provision of adequate infrastructure can have multiple positive (spillover) effects. The main outcomes include local businesses performing better, better access for customers to business units, attracting new investment to the area which could assist in raising the economic and social capital of the municipality through increasing job opportunities, thus reducing the high levels of poverty in the rural and township communities. Furthermore, this could reduce the emigration of skilled labour and potentially draw highly skilled individuals to the area.

Clearly, in the Mpofana municipality there is a lack of skilled individuals in the community who can be employed by local businesses. Some of the skills required by the local businesses include financial management, business management, marketing, knowledge of spreadsheets and word-processing, public relations, and customer services. The proposed skills development training programmes could be an essential remedy. These programmes should provide skills training that are relevant to the local markets.

5.5) Reflecting on the prospects of small towns in the light of the Mooi-Mpofana experience

Small towns, for the most part, have different histories and face unique sets of circumstances. It is thus difficult to draw from the analysis of one town in thinking about the prospects of small towns more generally. Some towns have in fact thrived in recent years whilst others have become something close to ghost towns (Rogerson, 2009; Gibb and Nel, 2007). At various points in time, policy makers have stood up and made a case for greater attention on small towns and their development prospects. Many of these approaches tend to focus on forms of external support that might arrest further decline. Experience suggests that it is often difficult for towns with weak social capital and decaying infrastructure and services to absorb external support in an effective manner (Hinderink and Titus, 2002). Weak local capacity in the municipal sphere tends to reduce the prospects for local success such as demonstrated in the patchy follow-up to the Mooi River BR&E initiative. The tendency for LED initiatives to be centred around the initiative (such as it is) of the local state does little to encourage local commercial enterprises to respond to such agendas. However, private sector driven approaches tend to rapidly reach a point where their next step requires more effective engagement with the local state to ensure greater social benefits or simply to sustain the activities. Ultimately, an imperative does exist for small towns to ensure that key stakeholders collaborate over time to build a solid institutional base for local development (Van Niekerk and Marais, 2008; Gibb and Nel, 2007; Nel and Rogerson, 2007; CDE, 1996). There is a strong case for this to initially focus on basic issues of services and attention to local business operating environment concerns. Without this foundation, LED strategies, no matter how elaborate, will tend to lead to rather unsustainable interventions.

Local towns must have municipal authorities that are prepared to work with a spectrum of local businesses to allocate resources and effort to initiatives to improve local economic circumstances. External support agents, with a tendency to seek short term results on “catalytic” projects should consider moving to more discreet longer term ventures in partnership with local stakeholders that avoid short term capturing of resources and the siphoning off of these to particular interest groups. Not all small towns are likely to see sustained growth over time, however, the bulk of them can create the conditions in which there is enhanced collaboration and tangible efforts at improving the resilience and responsiveness in a context where towns are

likely to be buffeted by external forces on an ongoing basis. The often very complex social relations of small towns tends to result in policy makers reaching for off-the-shelf solutions rather than doing the hard work of persistent local engagement to craft local compacts and agreements that actually enhance local prospects. The tendency arising from this can leave significant areas of economic activity bypassed by local initiatives as there is a lack of openness to explore opportunities (Hinderink and Titus, 2002, CDE,1996). In the Mooi-Mpofana area, a tendency to see the agricultural sector and agri-industry as less attractive than other propositions would be a case in point. Nevertheless, the Mooi-Mpofana municipality has turned to the development of its tourism sector. This economic turn around strategy that has seen the regeneration of many small towns such as Alicedale (Gibb and Nel, 2007).

Similarly, the small town of Alicedale had also experienced the detrimental effects of deindustrialization and wide-spread economic stagnation over a significant period. The local stakeholders in the Eastern Cape then proposed strategies focusing on tourism based development to boost the economic activities in the town. This led to the successful initiation of the Qhorha project which involved active the participation of key stakeholders i.e. provincial politicians, private sector and local community. An important lesson from the case study is that public-private partnerships are essential to boost economic activities of small towns or any other localities. These cohesive actions not only assist the private sector achieve their growth prospects but also assists the local poor people in pursuit of better livelihood strategies e.g. jobs, SMMEs. The recent conflicts between local municipality and the businesses community can hinder the successful application of the tourism base development strategy (or any LED strategy for that matter) for the Mooi River town.

5.6) Summary of Main Points

In this globalisation era, small towns around South Africa are experiencing declining economies so regeneration strategies are essential. Small towns are significant economies in institutional efforts (particularly by government) to close economic gaps. The focus of this paper is on regeneration strategies for small town economies in South Africa using the case study of Mooi River in the Mooi-Mpofana municipality. To achieve the desired growth prospects for the local

municipality there are three areas of intervention that needs significant attention: 1) promoting public-private partnerships in the localities, 2) extensively engaging in enterprise development services; 3) investigating development strategies to enhance the capabilities of localities.

CHAPTER 6: CONCLUSION AND POLICY RECOMMENDATIONS

This chapter provides a conclusion and policy recommendations. It summarises aspects of the paper. The paper has argued that for future growth prospects in local regions there is a serious need to engage in local economic development processes to enhance the capabilities of small towns such as Mooi River to enable them to become more competitive in the regional economic environment.

For this paper, the focus has been on smaller urban centres located outside major urban nodes and on how they can best promote regional/local economic growth. The small town of Mooi River in the Mpofana municipality (KZN province) was used as a case study. Hence the main research question is what scope is there for effective local action to improve economic circumstances in small towns outside major urban core areas. To respond to this question the dissertation has provided an examination of the relationship between the economic trends and dynamics of the selected small town and the performance of private enterprises targeted for inclusion in local development programmes/initiatives in the Mpofana Municipality. There have been three key lessons that have come out from the case study of Mooi River. First, it is important to build private-public partnerships to facilitate local economic development in small towns. Second, there is a need to promote enterprise development initiatives. Third, promoting enterprise development strategies to be complemented by initiatives aimed at locality development.

One of the significant programmes that have been developed by the Department of trade and Industry from the national industrial policy is the Regional Industrial Development Strategy (RIDS). In brief, this is a “strategic programme of the newly released national industrial policy framework” (DTI, 2006). The strategy is based on meso-level interventions for the economic development of provincial regions in the country. The strategy recognises the spatial inequalities caused by the apartheid government and aims to promote regional growth and development. The most fundamental approach of the RIDS, relevant to small town regeneration, is that of “building partnerships,” “addressing economic decline” and “financing regional development.” (DTI, 2006). This policy strategy is ideal in responding to the situation faced by Mooi River. Most of

the local government officials argue that there is a lack of human and financial resources to undertake development initiatives.

A lack of human resources may be questionable, however, there are a number of funding options for LED initiatives in the country such as “donor funding, the DBSA LED Fund, national sector support from various government departments, the Municipal Infrastructure Grant, the Neighbourhood Development Partnership Grant, and local government’s own revenue and equitable share funds” (Rogerson, 2009:66). Furthermore, funds can be accessed through the programme initiated by the National Treasury called the Neighborhood Development Partnership Grant (NDPG). According to the National Treasury (2008:3), this grant “primary focus is to stimulate and accelerate investment in poor, underserved residential neighbourhoods by providing technical assistance and capital grant financing for municipal projects that have either a distinct private sector element or an intention to achieve this.”(National Treasury, 2008:3) Interventions supported by the programme include: 1) townships areas 2) strategic economic development projects, 3) land use restructuring, 4) stimulating property markets, 5) purchasing power retention, 6) public sector investment as catalysts, 7) leveraging non government investment, 8) ensuring municipal support, and 9) kick-starting township regeneration. Mooi River has nearby townships such as Bruntville and Phumula that can be strengthened through these funds i.e. SMME development. Firms located in Mooi River could acquire some of the locally based products and services from these SMMEs. This could assist in reducing the outsourcing of some of the inputs required by the firms. Other funding for small town development includes the Local Economic Development Fund from the Development Bank of South Africa (DBSA).

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www.routes.co.za/kzn/moorriver/index.html

APPENDIX 1

Survey Questionnaire:

RESPONDENT ID	
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BUSINESS NAME:

PHYSICAL ADDRESS:

POSTAL ADDRESS:

POST CODE

TELEPHONE

FAX

CELLPHONE

EMAIL

PERSON INTERVIEWED

POSITION

INTERVIEWER (1)

INTERVIEW DATE

Confidentiality: All your answers to this survey will be kept confidential. The information you provide will be combined with that from other businesses and presented as percentages or averages and you will not be quoted directly.

Respondent ID	Survey Date:	Input Date:
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“Skip it” Rule: If you do not wish to answer a particular question, please just say so. No explanation is required.

SECTION A: BUSINESS PROFILE

1. Describe the main activities of your business?

2. Is your business locally owned?

Yes No If not locally owned is your business?

Provincial company branch National company branch

International company branch other (please explain)

3. How long has your business been operating in this community?

Less than a year 2-5 years

6-10 years longer than 10 years

4. Where are most of your customers?

Local Provincial

Regional International

5. What is unique or special about your product services?

6. Describe the level of skills that your organizational staff has? (from shop floor to management)
 Highly skilled Medium skilled low skilled

7. Over the next two years, do you expect any change in the number of people you employ?
 Increase Decrease No Change

Please give reasons: _____

SECTION B: BUSINESS CLIMATE

8. The main advantages of running a business in this specific community/area are? (rate: 1-5)

8.1) Local customers' loyalty

1.Strongly disagree	2. Disagree	3. Neither agree nor disagree	4. Agree	5.Strongly Agree
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8.2) Close to key suppliers

1.Strongly disagree	2. Disagree	3. Neither agree nor disagree	4. Agree	5.Strongly Agree
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8.3) Quality and supply of local labor

1.Strongly disagree	2. Disagree	3. Neither agree nor disagree	4. Agree	5.Strongly Agree
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8.4) Reliable transport and freight

1.Strongly disagree	2. Disagree	3. Neither agree nor disagree	4. Agree	5.Strongly Agree
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8.5) Employee housing available

1.Strongly disagree	2. Disagree	3. Neither agree nor disagree	4. Agree	5.Strongly Agree
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8.6) Close to Markets

1.Strongly disagree	2. Disagree	3. Neither agree nor disagree	4. Agree	5.Strongly Agree
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8.7) Positive local image

1.Strongly disagree	2. Disagree	3. Neither agree nor disagree	4. Agree	5.Strongly Agree
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8.8) Quality of life locally

1.Strongly disagree	2. Disagree	3. Neither agree nor disagree	4. Agree	5.Strongly Agree
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8.9) Communication network

1.Strongly disagree	2. Disagree	3. Neither agree nor disagree	4. Agree	5.Strongly Agree
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8.10) Low crime rate

1.Strongly disagree	2. Disagree	3. Neither agree nor disagree	4. Agree	5.Strongly Agree
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8.11) Reliable local support/services

1.Strongly disagree	2. Disagree	3. Neither agree nor disagree	4. Agree	5.Strongly Agree
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Other advantages (please specify):

9. The main disadvantages of being located a business in this specific community area are? (rate 1-5)

9.1) Time/distance from markets

1.Strongly disagree	2. Disagree	3. Neither agree nor disagree	4. Agree	5.Strongly Agree
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9.2) Time/distance from suppliers

1.Strongly disagree	2. Disagree	3. Neither agree nor disagree	4. Agree	5.Strongly Agree
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9.3) Transport costs

1.Strongly disagree	2. Disagree	3. Neither agree nor disagree	4. Agree	5.Strongly Agree
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9.4) Quality of infrastructure

1.Strongly disagree	2. Disagree	3. Neither agree nor disagree	4. Agree	5.Strongly Agree
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9.5) Shortage of skilled labour

1.Strongly disagree	2. Disagree	3. Neither agree nor disagree	4. Agree	5.Strongly Agree
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9.6) Road networks

1.Strongly disagree	2. Disagree	3. Neither agree nor disagree	4. Agree	5.Strongly Agree
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9.7) Small size of local market

1.Strongly disagree	2. Disagree	3. Neither agree nor disagree	4. Agree	5.Strongly Agree
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9.8) Lack of support by municipality

1.Strongly disagree	2. Disagree	3. Neither agree nor disagree	4. Agree	5.Strongly Agree
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9.9) Cost of rates & services

1.Strongly disagree	2. Disagree	3. Neither agree nor disagree	4. Agree	5.Strongly Agree
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Other(s) please specify:

10. How would you rate business outlook and sales over the *next 3 years*?

Increase:

Stay the same:

Decrease:

Please explain your choice: _____

11. What are the major constraints to expanding your business?

11.1) Availability of finance

1.Strongly disagree	2. Disagree	3. Neither agree nor disagree	4. Agree	5.Strongly Agree
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11.2) Small size of local market

1.Strongly disagree	2. Disagree	3. Neither agree nor disagree	4. Agree	5.Strongly Agree
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11.3) Limited product range

1.Strongly disagree	2. Disagree	3. Neither agree nor disagree	4. Agree	5.Strongly Agree
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11.4) Lack of space

1.Strongly disagree	2. Disagree	3. Neither agree nor disagree	4. Agree	5.Strongly Agree
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11.5) Market share is too small

1.Strongly disagree	2. Disagree	3. Neither agree nor disagree	4. Agree	5.Strongly Agree
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11.6) Too much competition

1.Strongly disagree	2. Disagree	3. Neither agree nor disagree	4. Agree	5.Strongly Agree
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11.7) Franchise restrictions

1.Strongly disagree	2. Disagree	3. Neither agree nor disagree	4. Agree	5.Strongly Agree
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11.8) Too few customers

1.Strongly disagree	2. Disagree	3. Neither agree nor disagree	4. Agree	5.Strongly Agree
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11.9) Lack of skilled employees'

1.Strongly disagree	2. Disagree	3. Neither agree nor disagree	4. Agree	5.Strongly Agree
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11.10) National government

1.Strongly disagree	2. Disagree	3. Neither agree nor disagree	4. Agree	5.Strongly Agree
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11.11) Provincial government

1.Strongly disagree	2. Disagree	3. Neither agree nor disagree	4. Agree	5.Strongly Agree
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11.12) Local government

1.Strongly disagree	2. Disagree	3. Neither agree nor disagree	4. Agree	5.Strongly Agree
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11.13) Achieving quality standards

1.Strongly disagree	2. Disagree	3. Neither agree nor disagree	4. Agree	5.Strongly Agree
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11.14) Uncertain of customer loyalty

1.Strongly disagree	2. Disagree	3. Neither agree nor disagree	4. Agree	5.Strongly Agree
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11.15) Commodity prices

1.Strongly disagree	2. Disagree	3. Neither agree nor disagree	4. Agree	5.Strongly Agree
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Other constraints (*please specify*) _____

12. What do you think would help to improve the performance of your business over the next 12 months?

12.1) Improved management skills

1.Strongly disagree	2. Disagree	3. Neither agree nor disagree	4. Agree	5.Strongly Agree
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12.2) Better industry information

1.Strongly disagree	2. Disagree	3. Neither agree nor disagree	4. Agree	5.Strongly Agree
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12.3) Improved staff skills

1.Strongly disagree	2. Disagree	3. Neither agree nor disagree	4. Agree	5.Strongly Agree
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12.4) New products

1.Strongly disagree	2. Disagree	3. Neither agree nor disagree	4. Agree	5.Strongly Agree
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12.5) More staff

1.Strongly disagree	2. Disagree	3. Neither agree nor disagree	4. Agree	5.Strongly Agree
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12.6) New machinery/equipment

1.Strongly disagree	2. Disagree	3. Neither agree nor disagree	4. Agree	5.Strongly Agree
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12.7) Reduced staff

1.Strongly disagree	2. Disagree	3. Neither agree nor disagree	4. Agree	5.Strongly Agree
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12.8) Local and regional information

1.Strongly disagree	2. Disagree	3. Neither agree nor disagree	4. Agree	5.Strongly Agree
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12.9) Information on staff incentives

1.Strongly disagree	2. Disagree	3. Neither agree nor disagree	4. Agree	5.Strongly Agree
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12.10) Trade/export information

1.Strongly disagree	2. Disagree	3. Neither agree nor disagree	4. Agree	5.Strongly Agree
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12.11) Improved labour relations

1.Strongly disagree	2. Disagree	3. Neither agree nor disagree	4. Agree	5.Strongly Agree
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Other (please specify below):

SECTION C: COMPANY INFORMATION

13. Please list the main products or services your business purchases from outside the community?

14. Are there any product/services that you find difficult to obtain locally?

Yes No If yes, please specify:

15. Is there any business/industry that you think could be located successfully in this area?

16. If you were to take on any new staff in the future, what skills would you be looking for?

(Choose five)

Clerical skills

Research skills

Word processing skills

Spreadsheet skills

Strategic skills

Data entry skills

Engineering skills

Business management skills

Financial management skills

Marketing skills

Negotiation skills

Customer service skills

Public relations skills

Technical skills (*describe*) _____

Trade skills (*describe*) _____

Others (*describe*) _____

17. Do you have difficulty when looking for people with these skills in your community?

Yes No If yes, please specify

18. Have you considered:

Moving,

Selling or

Closing

If yes, are you willing to share reasons?

19. Do you have plans to change, modernize or expand your operation?

Expand

No change

Modernize facilities

Change mix of goods/services

Add product line

Change production technology

Add services

Are you willing to provide details?

20. Is your business experiencing any problems with any section or department of local, provincial or national government?

Yes

No

If yes, what problems:

21. Do you feel your business receives any direct or indirect benefit from the existence of the local business association(s)?

Yes

No if yes, please specify:

SECTION D: CLOSING QUESTIONS

22. Do you have any other ideas or suggestions about making the Mooi-Mpofana community a better place to operate a business?

22. Finally, have you found this questionnaire helpful in expressing your views about business in our community?

APPENDIX 2

Government/Non Government List of Questions

SECTION A: AREA PROFILE

1. Describe your organization and its main role in economic development with its area?
2. What is the nature of the economic development challenges that such towns faces and how might these be different from major urban nodes?
3. How would you understand the economic relationship between Mooi-Mpofana and the surrounding towns and rural areas? Has this changed over time? If so what has influenced this change?
4. What scope is there for effective local action to improve economic circumstances in towns outside the major urban core areas?
5. What have local actors done in response to such challenges and what level of success has there been?

SECTION B: PROGRAMME(S) BIOGRAPHIC INFORMATION

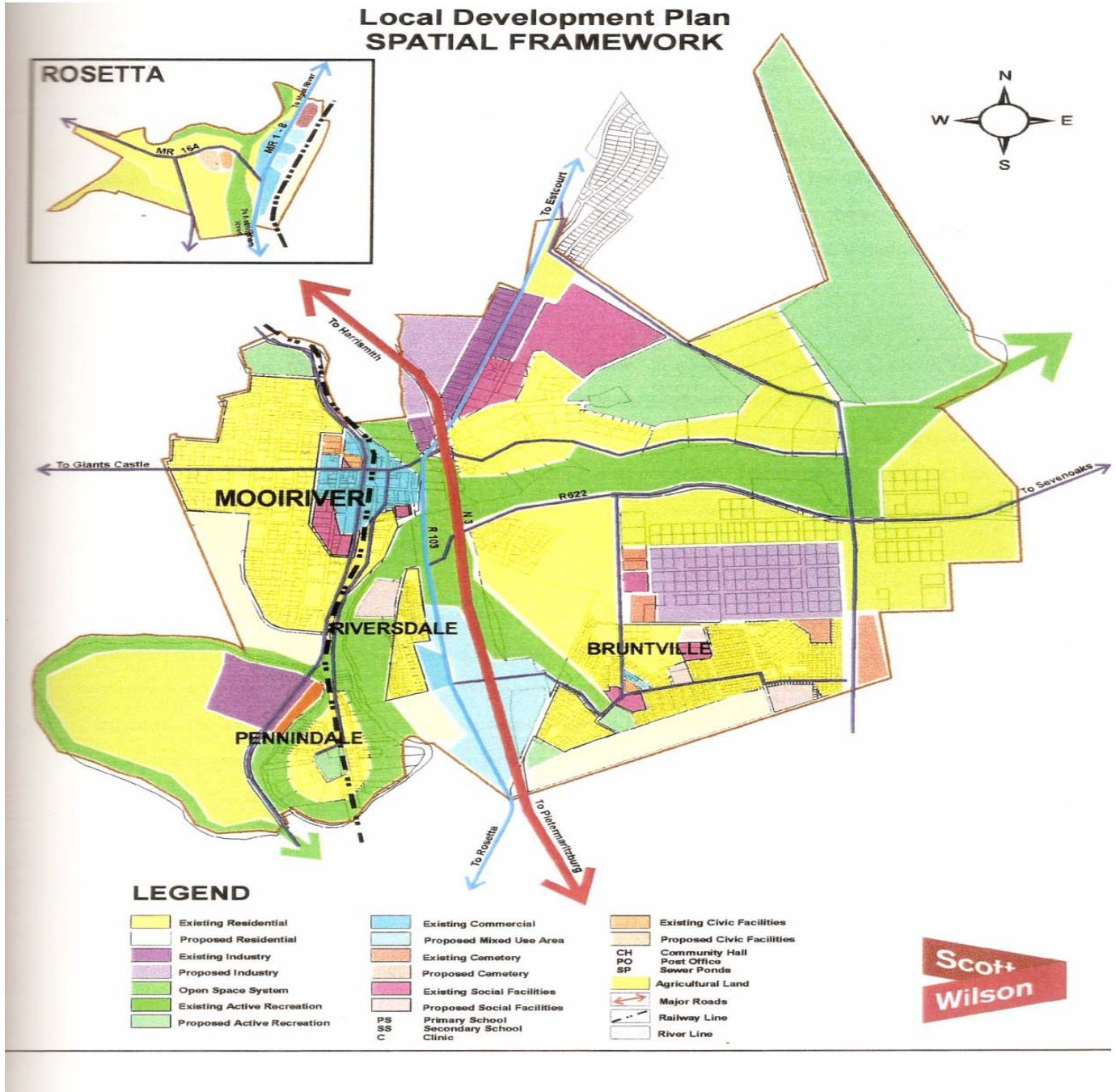
6. What have been the most successful local economic development initiatives and why?
7. What have been the weakest local economic development initiatives and why?
8. What has been the trend in human and financial resources allocated to these LED activities in the past few years? What has impacted on the changes?
9. Can you tell me more about the manufacturing initiatives (intended, actual impacts)?
10. What forms of support have been received from elsewhere and with what effect?
11. Who has participated in developing local programmes?
12. What has been prioritized and why?
13. What are the perspectives of key non-government stakeholders on what has transpired?
14. How might new approaches be introduced to improve the prospects on programmes?

SECTION C: CLOSING QUESTIONS

15. Do you have any other ideas or suggestions about making the uMgungundlovu district/Mooi-Mpofana municipality a better place to operate a business?
16. Finally, have you found this questionnaire helpful in expressing your views about businesses/economic activity in our community?

APPENDIX 3

MOOI RIVER TRANSITIONAL LOCAL COUNCIL



APPENDIX 4:
FIELD PICTURES



Picture: 4A



Picture 4B



Picture 4C



Picture 4D