

**TOWARDS AN ALTERNATIVE PLANNING STRATEGY  
FOR SMALL TOWN DEVELOPMENT: THE CASE OF  
PONGOLA IN NORTHERN KWAZULU-NATAL**

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## **CHAPTER ONE: The Objectives and scope of the study**

### **1.1 OBJECTIVES**

The study is concerned with economic restructuring and its effects on small towns. A small town, Pongola, has been chosen to illustrate how economic change affects small agriculturally based settlements. Local economic development (LED) is then suggested as one approach to address some of the problems that exist in places like Pongola.

What motivated me to undertake this study is that many of the problems that exist in South Africa's big cities and large towns emanated from the fact that small towns and rural areas are generally neglected by national government. One problem that needs to be mentioned here is that of hyperurbanisation. This problem has been caused by the neglect of rural areas leading to overly rapid rural-urban migration. Whilst urbanisation per se is not a problem, urbanisation in excess of the absorption capacity of cities.

Rural areas account for 40% of the total population of South Africa yet the pattern of rural settlement, for a variety of historical reasons, has been distorted. There is massive rural overcrowding in some areas, to the point where ecological collapse is imminent (Dewar 1994). In other areas, the essential social and service infrastructure necessary to support a vibrant local agrarian economy is declining steadily. The result is an ongoing contribution to hyperurbanisation: people who are involuntarily displaced from the countryside move to towns and cities that are growing at rates that outstrip the ability of the urban systems to deliver jobs and services. A main challenge in the new political and social dispensation is to target these areas that have been disadvantaged in the past and which are now the source of major problems for the country as a whole.

As many urban areas are experiencing major plant closings and more retrenchments in the context of global economic competition, it becomes imperative to consider developing small towns and their rural hinterlands.

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Planning analysts like Dewar, McCarthy, Rogerson and Nel, have all commented that rural areas have a potential, that of available land, which could be used to address some of the problems. They also call for the social, economic and urban reconstruction of small towns.

This study does not intend seeking a solution to all agricultural and rural problems. However, after looking at the strengths, weaknesses, opportunities and threats of this particular case study, I will suggest that local economic development (LED) is an alternative planning strategy that could be used to address some of the problems of small town development. Although LED has its own short-comings, it has the advantage of using local comparative advantage of a particular locality to create jobs and achieve economic growth. It therefore avoids trying to resolve problems of small towns by diverting growth from other areas as it happened for example, with the old Regional Industrial Development Programme.

This dissertation will look first at global economic restructuring and its effects on localities. Secondly this study will discuss the restructuring of commercial agricultural production, looking specifically at the implications of this restructuring process for workers in agriculture, and will also look at some processes that have brought about this transformation and the phenomenon of declining small towns.

Thirdly, this study seeks to explore in the literature that is available what other South African small towns, have done to address problems that exist in their localities. Stutterheim will be used as an example of a local development initiative with apparent considerate success, although a recent study disputes this. Finally, this study seeks to use alternative interpretations of local economic development (both locally and internationally) as a bases for drawing policy recommendations for Pongola. Another general concern is to explore how Pongola is responding to problems of decline.

## **1.2 RESEARCH PROBLEM**

Small towns in rural economies are undergoing change, many are under threat and some are declining even to the extent of collapse. Pongola is one of South Africa's small towns that is faced with high levels of unemployment and is far from other towns and cities, but has a strong agricultural base. The problem is how a town of this nature can secure its economic vitality into the future and even experience more rapid growth.

## **1.3 RESEARCH QUESTIONS**

### **1.3.1 MAIN QUESTION**

- Does local economic development, as an alternative planning strategy, offer a feasible solution to South Africa' small town economic restructuring or reconstruction?

### **1.3.2 SUBSIDIARY QUESTIONS**

- The towns historical background, how the town came about, what is its location and size?
- What is the economic base of the town?
- What are the major companies in the area, their location and size, their aspirations and future plans for the town, and how locally embedded are these companies?
- What is the town's relationship to the rural/ regional economy?
- What processes of change are underway?
- How is the town responding?
- What support is the town getting from national/ provincial government?
- Which of the problems could be addressed at local level?
- What prospect does local economic development offer?

## **1.4 HYPOTHESIS**

Many of the problems facing small towns relate to broad processes, for example, agricultural restructuring, that are outside the influence of local councils. There are, however, some areas in which local economic development might make a difference.

## **1.5 RESEARCH METHODOLOGY**

In answering the research question both secondary and primary data sources have been used. Secondary data sources that have included books, journal articles and internet material. The various bodies of literature consulted relate to global change, local economic development and small towns development and agricultural restructuring

Primary data that was used included: reports from planning consultants, government reports and interviews, and statistics from Central Statistics Service. Information deduced from these reports helped to show the town's geographic location, its historical background and socio-economic and demographic characteristics. Structured and unstructured were utilised to acquire more reliable information to address the research question and the subsidiary questions outlined earlier. This compliments information that could be gained through government statistics.

Key role players were interviewed using a wide range of informative guiding questions. These included the following people: chief executive officer of Pongola, managers/ manageress of different businesses, and managers of the two main companies (Illovo Sugar Mill & Vunisa Cotton Company). Structured interviews were conducted in the streets of Pongola in the form of a questionnaire to get information as to where shoppers come from, how often they shop in Pongola, and other related information. This gave more information on the opportunities and threats to development in Pongola. Other information that was also deduced from the survey included social services lacking in the Pongola, Illovo and Ncotshane.

No special sampling technique was used as the intention was not to generate statistically accurate figures. The intention was rather to produce figures that give an indication of the situation. About twenty interviews were conducted in this category.

The study used a combination of qualitative and quantitative methods, the features of which are illustrated in the table below.

**Table 1.1 Qualitative and quantitative methods compared**

Qualitative Methods	Quantitative Methods
⇒ Emphasis on understanding	⇒ Emphasis on testing and verification
⇒ Focus on understanding from respondents' point of view	⇒ Focus on facts and reasons of social events
⇒ Interpretation and rational approach	⇒ Logical and critical approach
⇒ Observations and measurements in natural settings	⇒ Controlled measurement
⇒ Subjective inside view & closeness to data	⇒ Objective outside view distant from data
⇒ Explorative orientation	⇒ Hypothetical-deductive, focus on hypothesis testing
⇒ Process oriented	⇒ Result oriented
⇒ Holistic perspective	⇒ Particularistic and analytical
⇒ Techniques used are conversation, unstructured and semi-structured interviews.	⇒ Techniques used are structured observation, structured surveys and attitude scaling.

Source: Ghauri, Gronhaug and Kristianslund ( 1995 ).

## 1.6 NATURE, LIMITATIONS AND SCOPE OF THE STUDY

The nature and scope of the dissertation is explorative and descriptive and makes use of both qualitative and quantitative research methods. This dissertation will include a few sections that will attempt to link theory and the particular case of Pongola. Theory will mainly be used as a guide towards

formulating development strategies that might address the unemployment levels in Pongola. Transferability, transposition and importation of strategies that were used by other small towns to Pongola is not simple. Pongola is a different location with a different socio-economical, political and institutional structure that requires locally formulated development strategies that take into account the local resources and opportunities. Nevertheless, general theory about LED and other case studies provide important clues as to what might work in Pongola.

Small towns as mentioned earlier should be researched so as to move away from the existing trends in research work in which there is always a focus on the urban areas that already have the capacity and the resources to undertake the research themselves. Contemporary planning intervention should also focus on rural areas and small towns which often have greater developmental challenges than urban areas. What was limiting in this study was the time factor. Most of the information that is required to address the research problem properly, needs a well conducted survey which requires more time and also money which I did not have.

Other constraints that will prevent more students from undertaking such a research is that small towns are located in remote rural areas and accessing them is not easy, unless one has been in that area for some time or owns a private car. The other constraint is the lack of adequate statistical data. The 1996 census material had not been released at the time of the study and all I had was the very outdated 1991 census data.

## **1.7 CHAPTER OUTLINE**

**CHAPTER ONE** consists of: an outline of the objectives, motivation and scope of the study; the research problem; research question and subsidiary questions; the hypothesis; research methodology, and limitations of the study.

**CHAPTER TWO** discusses: the processes and issues surrounding globalisation; the characteristics of contemporary capitalist society; local economic development as one of the ways cities around the globe have responded to economic decline within their localities; the historical background of LED and different approaches to LED; a critique of local economic development; and the role of state/ national government in promoting LED.

**CHAPTER THREE** deals with: agricultural restructuring with specific reference to South Africa; small towns and the role they can play in rural development; case studies of small towns that have responded to problems using local economic development initiatives; lessons learnt from these small towns' experience for example Stutterheim, Vryheid, Piet Retief, Paulpietersburg and Bergville.

**CHAPTER FOUR** introduces the case study Pongola; Its geographical location; historical background; the 1991 census and a socio-economic analysis provided by Metroplan (1997) has been used to show the population size, age structure, gender, unemployment rates, and income levels per household; an outline of responses from interviews with role players and the questionnaire survey is also presented in this chapter. This information will also help to address the research question and subsidiary questions outlined in chapter one.

**CHAPTER FIVE** attempts to link the themes in the theoretical framework to that of small town development; some government documents have been used to analyse what is happening in Pongola and these include the Green Paper on South African Land Policy, White Paper on Local Government, the Reconstruction and Development Programme, TASKGRO, and White Paper on Development and Promotion of Tourism in South Africa.

**CHAPTER SIX** is a concluding chapter that aims at bringing together the different themes and sections of this reader together. It consists of the summary and policy recommendations.

## **CHAPTER TWO: GLOBALISATION, ECONOMIC RESTRUCTURING AND LOCAL ECONOMIC DEVELOPMENT**

### **2.1 INTRODUCTION**

This chapter has three main sections. The first section deals with globalisation and the processes that surround it. The second section deals with economic restructuring. The third section deals with local economic development. More focus has been put on this section because of its relevance for the case study. Issues discussed in this section include: historical developments of LED, approaches to LED, the role of the national governments in promoting LED and the critique of LED.

### **2.2 GLOBALISATION**

Globalisation refers to the municipality of linkages and interconnections that transcend the nation-state which make up the modern world system (Pieterse, 1997). It defines a process through which events, decisions, and activities in one part of the world can come to have significant consequences for individuals and communities in quite distant parts of the globe. It is now almost impossible to discuss the development of any locality without reference to globalisation. Globalisation has two interrelated dimensions: scope and intensity. On the one hand, it defines a set of processes which embrace most of the globe or which operate world-wide and so the concept therefore has a spatial connotation. On the other hand, globalisation also implies an intensification in the levels of interaction, interconnectedness, or interdependence between the states and societies which constitute the modern world economy. Accordingly, alongside this stretching goes a deepening of global processes (Pieterse, 1997).

The phenomenon of globalisation has many processes which include:

- Profound developments in telecommunications technology which has served to shrink 'space' and 'time' to allow for much greater flows of information, goods, services, knowledges, cultures, ideas etc.;

- The ascendancy of information industry propelled by the dramatic increase in the speed of technological innovation;
- Flexible production systems capable of continuously innovating and geared towards the global markets;
- The opening of national markets and the spectacular increase in volumes of trade over the last 40 years feed into the globalisation economies;
- Increasing regionalisation of economies, manifested in free trade area as one of the most striking consequences of the bipolarisation of trading patterns;
- Globalisation of particularisms in terms of identity based politics, manifested in long distance nationalisms and intensification of wars and skirmishes;
- The shrinking influence and power of the nation state in practical, imaginary and symbolic terms as trade barriers come down and technological capacity makes borders porous in terms of external political and cultural influences through media flows; and
- The ascendancy of notions of global governance to address the numerous social, political and environmental problems of global proportions (Pieterse, 1997).

These elements effectively reconfigure the economy, the politics and cultural sensibilities of urban areas and are therefore important for locating actions to address the problems created by such processes. These trends also point to the significance of the new context which third world countries in general and local governments in particular, have to define their strategic political and economic choices.

Pieterse (1997) argues that globalisation is theoretically and analytically important for cities not because of the potential homogenisation in relation to other places, but because of potential for increased differentiation. This is instructive in terms of the need to rethink and analyse local power and social relations. Massey (1993) proposes that much of the globalisation literature

glosses over the heightened significance of place and its internal dynamics and how these, in turn, are reconfigured in relation to places and processes outside the locality.

At the macro level, the increasing interdependent nature of the global economy is resulting in profound spatial restructuring with deepened concentration of economic activity and growth in some places and decline in others, and the accelerated migration of people to certain concentration points. This is also causing dislocations and peripheralisation in numerous Third World countries, with an exception of few regions (Sassen, 1994). This intensified pressure towards marginalisation or irrelevance of many places is acting as a significant threat to the locale, which spurs an acknowledgement amongst various local actors to accept a degree of commonalities of interests in order to attract productive investments, boost local industrial capacities, improve the image of the region, develop appropriate human resources, and invest in local cultural capital (Pieterse, 1997).

This pressure on the locality is increasingly framed by a discourse of good governance and compact based economic development and management at all tiers of the state. This contemporary discourse is becoming the focus of ongoing contestation between various civil society formations and the local state. As a result the advantages for local economic development strategies become more appealing and this strategy often serves as framework within which indigenous and exogenous demands and opportunities can be coherently assimilated and acted upon. The pressures of globalisation and the discourse of local economic development crystallises as a window of opportunity for the given locale to be a proactive participant in globalisation processes (Pieterse, 1997).

The mid-1970s were characterised by a sea of change occurring in the nature and the form of capitalist development resulting in new form of uneven development. Todes (1997) emphasises the point that the fates of both

national and local economies are increasingly shaped by processes and decisions outside their boundaries. Places cannot be understood in an internalised way but must be seen in terms of links and influences over space, both national and global, and embedded within social relations stretched over space. Trajectories of development will therefore vary between places and similar strategies may have different effects across places (Todes, 1997).

In order to understand what is happening in small towns is imperative to relate it to broader processes. First, that of globalisation which in itself embodies economic restructuring. Agricultural restructuring is intrinsically linked and intertwined with globalisation and broader economic restructuring. Such an understanding will help in developing strategies that are well informed to address challenges that are facing these small towns. Although South Africa for quite sometime has been prevented from trading with international markets, now cities and towns have to face the harsh realities of the competition which is internationally driven. What is now happening to small towns is a mirror of international trends.

## **2.3 ECONOMIC RESTRUCTURING**

There is a large and expanding literature on economic restructuring. Beauregard (1989) argues that economic restructuring is a complex term whose meaning is not always clearly articulated. Specification requires that it be positioned along three dimensions, one functional, a second temporal, and a third structural. Economic restructuring is associated with two processes industrial restructuring and economic restructuring and structural change. Industrial restructuring refers to the transformations in the mix of goods and services being produced within an economy and is frequently measured by the relative shares of employment across industrial sectors. Economic restructuring refers to long term shifts in the composition of demand, production and occupational patterns; new technology; a changing

international division of labour; shifts in relative prices; and evolving location both migration and industrial spatial restructuring (Beauregard, 1989).

Some theorists note that restructuring is also a spatial phenomenon. Bradburry (1985) views the restructuring of the industrial economy as a geographic event. The workings of the space economy involve linkages across places and its consequences reverberate throughout those places, raising certain regions along the growth curve and relegating other regions to the path of decline. The key issue in this study is the link between a particular locality, Pongola, and these broader forces. A major issue is what is the spatial outcome of globalisation for this particular locality (Giloith and Mier, 1989).

### **2.3.1 RESTRUCTURING AND LABOUR**

Although restructuring has been discussed broadly, this section explores the effects of restructuring on labour. As a result of the recent economic restructuring, the position of labour has been eroded at the workplace, in the sphere of consumption and in its relation to the state. At the workplace, labour, has lost influence as the more heavily unionised industries, for example, steel, automobiles, have responded to foreign competition and internal forces by closing plants and shifting operations outside of unionised areas or to offshore facilities. With the shift of employment away from manufacturing and into a range of services, the relatively high-paying jobs of unionised machine operators and assembly-line workers have been replaced by non-unionised, low-wage jobs for restaurant helpers, hospital attendants, and word processors. This basically occurred because there were machines that could function as operators and perform the work of multiple workers. Harvey (1989) notes that job growth in the 1980's has been concentrated at the low-wage end of the occupational scale. The percentage of full-time jobs in the economy has been decreasing as the percentage of involuntary part-time employment has gone up with every business cycle (Beauregard 1989).

The end result of this economic restructuring of the labour market has been an erosion of employment opportunities for male household heads and the further polarisation of the income distribution. The expansion of service sector and of part-time jobs has benefited mainly those groups with the least social power and the least political power at the work place - women and minorities (Beauregard, 1989). Labour has lost influence over the state and in the political sphere where it might have established leverage that protected and enhanced its position at the workplace. Certainly, unions have come under attack as national, state and local governments have touted good 'business climates' as the key to attract investment and to promote economic growth. The impact of economic restructuring on the labour market is important to this case study as unemployment is a major concern for Pongola.

## **2.4 LOCAL ECONOMIC DEVELOPMENT AS A RESPONSE**

### **2.4.1 DEFINITION**

Local Economic Development is a process in which local government and / or community-based groups manage their existing resources and enter into new partnership arrangements with the private sector or with each other, to create new jobs and stimulate economic activity (Maharaj & Rambali, 1996).

Locally based economic development represents not merely new rhetoric but a fundamental shift in the actors as well as the activities associated with economic development. Blakely (1994) defines local economic development as a new process by which local governments, along with local corporate firms, join forces and resources to enter into new partnership arrangements with the private sector or each other, in order to create new jobs and stimulate economic activity in a well-defined economic zone. The central feature in locally based economic development is in the emphasis on "endogenous development" policies using the potential of local human, institutional, and physical resources.

Blakely (1994) notes that local economic development has one primary goal, to increase the number and variety of job opportunities available to local people. Local economic development is a process with a product. LED is a long-term approach to community capacity-building, and helps local institutions reorient themselves and improve the economic potential of an area. It involves more than asserting when, where, and how new employment may be stimulated in a given community (Blakely, 1994).

A general definition of local economic development, according to Maharaj and Rambali (1996), would incorporate the following elements:

- (a) Identifiable economic goals, usually including job creation, wealth creation and poverty reduction.
- (b) An attempt to change and influence investment patterns on an international, national and or internal level.
- (c) The driving by a group within the locality who identify a need to focus specifically on the economic position of the locality.
- (d) An origin within the locality which includes various actors from the public, private and community-based sectors.
- (e) An identifiable administrative vehicle that carries it forward
- (f) A pro-growth group within the locality which conceptualises the locality as part of a competitive space economy and identifies a need to influence that position (Maharaj & Rambali, 1996).

#### **2.4.2 HISTORICAL DEVELOPMENTS**

Several international researchers argue that the activity of local economic development is not a new phenomenon. Many of the features associated with contemporary strategies for local economic development can be detected in the policies of public authorities well before the second world war and even stretching back into the nineteenth century (Rogerson and Nel; 1996).

From the historical record in Britain, the United States and Canada, there is evidence for a long tradition of local economic development policies. In the United Kingdom, local economic policies have a considerable history and were conceived as essentially pragmatic regenerative responses to structural economic changes that were becoming apparent from the end of the nineteenth century. In Canada the late nineteenth century witnessed a so-called 'bonusing craze' as municipalities, particularly across Ontario and Quebec, sought to provide large amounts of material assistance, including monetary payments, to railways and factories to locate in their areas (Rogerson and Nel, 1996).

In the United States efforts to shape the evolution of local economies are not new (Maharaj and Rambali, 1996). Civic boosterism and entrepreneurialism have long been a feature of urban systems (Harvey, 1989). United States' cities have had what amounts to a tradition of city boosterism almost since their establishment as competing pioneer settlements. From as far back as the eighteenth century many of the nation's cities exhibited an active tradition of local boosterism which included subsidies to manufacturers who would locate new facilities, exhortations and advertisements directed toward potential migrants, and lobbying to the point of bribery of State legislators, who could influence such infrastructure decisions as the location canals and railroads (Rogerson and Nel, 1996:71). The competitive tradition of American cities derives from a view of the city as a growth machine or an organism whose survival depends upon continuous expansion, most usually at the expense of other cities in a competitive system.

In Britain local economic development initiatives and policies are not a new thing. Ward (1990) tracks the expansion of a range of local economic policy initiatives in Britain between 1899 and 1940. The first initiatives were motivated by perceptions of a crisis, actual or potential, in local economies. These initiatives were solely concerned with local economic regeneration against a wider backcloth of a changing manufacturing economy. During the

inter-war years, most local authorities in Britain were actively engaged in promotion and development work. According to Rogerson and Nel (1996: 80) their policy actions were broad and included:

- (i) "place marketing through the medium of town brochure, select use of newspaper advertising and of the role of local information bureau.
- (ii) the offering of concessions to attract new industrial investors in the form of preferential rating on public utility services, particularly electricity.
- (iii) direct provision, such as land, buildings or finance on terms that offered some advantage to investors" (Rogerson and Nel, 1996).

Other researchers like Harvey (1989) note that this new version of local economic development has gained more attention since the traditional industrial policy discussed earlier, failed to address/ alleviate economic decline of many local communities. There has also been an increasing awareness that local authorities and agencies have a significant role to play in the restructuring of their local economies. Harvey (1989) stresses the point that state centred policies have failed to address the economic problems and now more emphasis is placed upon locally-based policies, which are orientated towards the encouragement of indigenous development and encompass social as well as economic objectives (Harvey, 1989).

In its traditional form, economic development activity was largely undertaken outside political control and with little interest from politicians. The new policies were developed from the political side of local government, rather than the officer side, which had previously dominated policy-making in this field. The traditional approach focused more on metropolitan areas. Local development policies have been characterised by a shift in emphasis away from the provision of social services and public goods towards accelerated growth in order to create job and increase the tax base of cities (Maharaj and Rambali, 1996).

### **2.4.3 APPROACHES TO LOCAL ECONOMIC DEVELOPMENT**

Blakely (1994) summarises the two approaches that Robinson (1989) has discussed. These are the corporate-centre approach, which places the emphasis of economic development on urban real estate development and industrial attraction. The alternative approach attempts to use economic development activities to support local disadvantaged residents. These approaches are summarised in table 2.1.

## 2.1 The Corporate-centre and Alternative Approaches

Dimension	Corporate-centre approach	Alternative Approach
Public and private sector	<p>Primacy of private sector market decisions: private sector lead</p> <p>Public sector responsible for creating an economic and social climate conducive to private investment</p>	<p>Private sector market decisions influenced by public sector interventions: public sector</p> <p>Public sector responsible for guiding private investment decisions so they generate desired economic development outcomes</p>
Public sector planning	<p>Objectives favouring growth and tax base expansion</p> <p>Planning processes that are relatively inaccessible to low income and ethnic minority groups</p>	<p>Objectives favouring the creation of direct benefits for low income and minority residents</p> <p>Planning processes that are relatively accessible to low income and ethnic minority groups</p>
Public sector interventions	<p>Public resources provided as a means of accommodating needs of private industry</p> <p>Intervention in areas likely to generate growth( e.g., attraction of businesses from outside the city )</p> <p>Targeting of growth sectors ( e.g. advanced services, high tech, tourism )</p> <p>Targeting of headquarters and branch plants</p> <p>Concentration of projects in central business districts and surrounding areas</p> <p>Emphasis on the creation of jobs for white-collar and highly skilled workers</p>	<p>Public resources provided conditionally as a means of ensuring specific economic development alternatives.</p> <p>Intervention in areas likely to produce direct benefits for low income and ethnic minority residents ( e.g., retraining of displaced workers)</p> <p>Targeting of growth sectors and sectors able to meet important economic needs</p> <p>Targeting of locally owned establishments</p> <p>Decentralisation of project locations</p> <p>Emphasis on the range of local labour needs, including those of underemployed, unskilled, and blue collar workers</p>

Source: Blakely, 1994: 275

The second approach is advocated by Elsenchitz and Gough (1993) who suggest that LED can be approached using three positions, on the political right, left and centre. The right stresses the limited role of the state in economic affairs and more emphasis is placed on the individual enterprise. LED at the local scale promotes decentralised capitalism and it does this by freeing factor markets through decreased control by government over these markets. Furthermore, this approach is characterised by the decentralisation of wage bargaining, encouraging the expansion of the voluntary sector, and stimulating a range of business dominated institutions.

The left is characterised by greater state intervention and regulation. This approach to LED developed in the UK in response to the recession in the 1970's and early 1980's and also as the local response by the Labour Party to the Centralist Thatcherite government that had captured control of the national state. The role of governments at a local level was to assist in the restructuring of economies. The left, however, was not united in its approach to LED. Eisenchitz and Gough (1993) labelled two dominant left approaches namely, the traditional confrontational and the modernisation project. The traditional confrontational and the modernisation project stresses the notion of flexible specialisation that benefits workers and capital. The theme of this approach is that there have been shifts in the global economy since the 1970's and the state should assist industry in adapting to the new style of capitalism. The left incorporates the following strategies: the promotion of interfirm co-ordination, the adoption of social responsibility programmes, and the establishment of local enterprise boards [Harrison, 1994:8 lecture notes].

The centre approach stresses that the state should intervene selectively and pragmatically to correct market failures, and this could involve providing infrastructure, welfare services and regulate working conditions. The centre approach stresses strong partnerships between the private, public and voluntary sectors and programmes, including local training, small firm support,

and the development of infrastructure (Eisenchitz and Gough, 1993: Harrison 1994; 9 lecture notes).

Tomlinson (1995) advocates five approaches to LED which fall within the two broad approaches which Blakely (1994) has discussed in table 2.1. The first approach that Tomlinson discusses is the traditional approach, which puts more emphasis on place marketing. Growth is stimulated through retention of capital, and competition for mobile private investment consists of providing incentives for businesses to locate in certain areas. The traditional approach has failed due to the fact that many localities are competing for investment by offering location concessions, which blur the advantages of alternative locations (Tomlinson, 1995:60). Even when concessions have been used it is usually not sufficient to encourage businesses to stay and promote successful LED. Moreover, not many cities and towns have good infrastructure, local government with sufficient capacity, a strategic location, good human resources and a large enough population.

The second strategy is the urban efficiency approach that arises from the notion that even if localities have few benefits to offer outside investors they could still improve and utilise the uniqueness of the area and the efficient way in which it is managed. This approach is associated with neo-liberalism promoted by the World Bank. Intervention to improve efficiency within the urban environment includes, investment in maintenance and improving the spatial organisation of economic activity within the city, improving urban infrastructure, strengthening the institutional framework through improving financial and technical capacity and strengthening the financial agencies for urban development. It also utilises economic and social processes to act as a safety net for relieving urban poverty. These include, encouraging labour intensive production, supporting community and governmental initiatives and providing food assistance and health care. The urban efficiency approach represents a move away from community-based interventions and is based on a pessimistic assessment of the management of localities by local

governments and communities (Tomlinson, 1994:64; Harrison 1994 lecture notes).

The third strategy is the entrepreneurial approach. This approach allows local government to facilitate business formation in order to provide indigenous economic development. It assumes that growth can be provided by developing or creating new markets for local goods and services. Tomlinson (1994: 62). Urban entrepreneurialism utilises the strategies of place marketing to directly foster indigenous economic activities. Place marketing involves making the city attractive for the location firms or investors. Local governments are also able to identify and support growth industries and they measure success not only by business expansion as the traditional approach does, but also through calculating additional jobs created (Tomlinson, 1994; Harrison, 1994).

The fourth strategy is the Human Resource Development approach which falls within those approaches led by the public sector and enables the poor and structurally unemployed to become productive participants within the capitalist economy (Tomlinson, 1994).

The fifth and final strategy is the progressive approach. This approach stresses creating employment for specific groups and involves strategies such as public finance for indigenous business development, local enterprise controlled by workers, and participatory decision making. The progressive approach also advocates the redistribution of investment away from capital intensive towards labour intensive enterprises. Progressive policies may also include linkages between community and CBD development which encourages the creation of benefits for poor neighbourhoods, and exerts a bias towards the development of low-income areas and small enterprises. The main problem with this approach is that it further accentuates spatial disparities between localities (Tomlinson, 1994; Harrison, 1995 lecture notes).

#### **2.4.4 THE ROLE OF THE STATE OR CENTRAL GOVERNMENT**

The new focus on the role of local government and local coalitions in promoting local economic development, does not mean that the national state has been thrown out of the equation altogether. Instead the role of national government has changed so that it now facilitates and supports local initiative rather than attempting to promote spatial development itself. National government should provide an appropriate regulatory framework, and devolve decision-making powers on issues of locality development, to the third tier of government; thereby increasing government pliability to local needs and priorities (Aniruth, 1997).

National governments should focus on providing social priorities, like general education and training that is better suited to the requirements of local industry, and the supply of information on technology, organisational strategies and market trends to local actors (Nel, 1994). These functions can be devolved to local government if the appropriate capacity exists. Sometimes local governments and local agents are faced with capacity problems, and it becomes the responsibility of national government to create the appropriate capacity through the provision of training for local bureaucrats, entrepreneurs and civic leaders. Some areas are in extreme poverty and lack basic infrastructure and services. This is also another responsibility of the national government to provide these facilities (Aniruth 1997).

#### **2.4.5 CRITIQUE OF LOCAL ECONOMIC DEVELOPMENT**

Despite LED's theorised focus on promoting local entrepreneurship, in practice, much of the effort from public-private partnerships is directed toward competing for external investment. Competition for investment between localities can itself have deleterious effects on the standards of living within a locality even while, or perhaps, especially if the locality is a successful competitor for international monetary flows and investment. The subsidies used to attract investment often amount to a redistribution of wealth from the

poor and the working class to affluent corporations, as in the cases when minimum wage levels have been suspended. Harvey (1989) has argued that inter-regional competition between localities has increased disparities in wealth and income and has increasingly disempowered and impoverished certain sections of the local population, leading to the creation of a distinctive underclass in large North American cities.

It is asserted that the regulation of the function of accumulation is shifting down from the national to the local level. This creates a new local convergence of interests between capital, labour and other local constituencies. Lovering (1995) argues that there is nothing new about the emergence of new growth sectors in new places, accompanied by local institutional development. These features have characterised uneven development since the beginning of industrialisation.

The proliferation of new economic and labour market actors in cities is sometimes seen as indicating a shift from a managerial to a more entrepreneurial policy stance. According to Lovering (1995) this labelling is more than a shade euphemistic. Entrepreneurship implies a putting together of various productive activities to bring about a technological innovation, creating something new. Recent developments in many cities would be more described as commodification attempting to package and sell what is already there. The reconstruction of local governance in practice has little to do with the emergence of new regional or local economies, new industrial districts, or entrepreneurial cities anticipated by the new localism. It has much to do with the deliberate construction of new local political actors and discourses from above. Lovering (1995) notes that real world localisation is primarily a matter of modifying the mode of social regulation rather than localising the regime of accumulation.

Maharaj and Rambali (1996) note that LED projects have not created enough jobs for the low-income groups, nor have they stabilised tax revenues. They

have created numerous social costs and inequalities. This is true for the tourism or convention-centre trade. This industry creates unstable and poor quality jobs for the indigent, while the suburban residents get the professional posts. On the same point Harvey (1989) notes that the jobs that are created by the new entrepreneurship are low paying jobs at the bottom and high paying jobs at the managerial level. It also relies on the trickle down of benefits to the poor (Maharaj and Rambali, 1996).

The tourist industries lead to a shaping of an “hourglass economy” one that creates a few technically demanding, highly paid jobs at top and managerial level and many unskilled, low paying jobs at the bottom, while squeezing the middle class downwards. Maharaj and Rambali (1996) argue that the income distribution in these economies becomes two-tiered, with few middle-income jobs bridging the tiers.

Another failure of LED has been in the unequal relationship in public-private partnerships. Policies promoted by public-private partnership have favoured developers and the wealthy at the expense of the majority of city residents. Public planning agencies merely identify investment opportunities for private developers or work out details on projects initiated by developers. Therefore corporations dominate municipal policy, resulting in uneven growth from unequal partnerships and closed decision-making processes (Maharaj and Rambali, 1996).

Given the emphasis of LED on local resources, both physical and human, it is the richer, more developed areas with educated and skilled local inhabitants that will benefit most from LED strategies. It is unlikely that the approach can be taken up successfully by the peripheral areas that have long been marginalised without some sort of external support and capacity building within the locality. Nel (1994) notes that where LED initiatives are successfully implemented by areas facing decline or by peripheral and marginalised

communities, the benefits will be limited and will serve a 'shoring-up' function, rather than propel communities into economic prosperity.

LED has been suggested by many researchers to empower the marginalised (women, children) but the main motive behind this approach is that central government is now shifting the responsibility of delivering services to the people. Instead of central government delivering services, the emphasis has now shifted to local government.

## **2.5 CONCLUSION**

This section basically discusses broader processes (globalisation and economic restructuring) with an aim of assessing their impact on small town decline. Both processes are equally important for the topic in that it is impossible to discuss development of any locality without reference to these processes. What is happening in small towns is a mirror of what is happening globally. Local economic development has been discussed as an alternative planning strategy to address local problems with locally developed solutions or bottom-up strategies. This planning strategy has gained popularity as past industrial policy has failed to address problems that exist in most localities. A critique of local economic development has also been outlined to avoid blanket application of this planning strategy.

## **CHAPTER THREE: AGRICULTURAL RESTRUCTURING AND SMALL TOWN DEVELOPMENT**

### **3.1 INTRODUCTION**

This chapter deals with agricultural restructuring with specific reference to South Africa. The second section of the chapter deals with small town development in South Africa. The main focus is to relate what is happening within the agricultural sector nationally and provincially to Pongola, since it is believed that small towns' problems are a mirror of what is happening within the wider context for example globally, nationally and provincially.

### **3.2 AGRICULTURAL RESTRUCTURING IN SOUTH AFRICA**

In South Africa the economic crisis of the late 70's and 1980's has played itself out in a variety of ways and caused different levels of restructuring, in the face of a failing racial Fordist model to cope with, and respond to, these dynamics (Gelb, 1991:3). This restructuring has taken the form of changing government policies and a changing set of relations between the state, labour and capital. Marcus (1989) defines the concept 'economic restructuring as:

'a process of reorganisation of relations of production and distribution by the ruling or dominant classes in an attempt to make the existing social system more functional and more efficient' (Marcus, 1989: 1).

According to Marcus (1989) the process of economic restructuring has three associated characteristics. The first characteristic is that it does not alter the essential relations of the existing social system but reorganises them. The second, is that it is a process which occurs at many levels and at each level, the restructuring process has both general and specific features which influence, and are influenced by, changes at the same or other levels. The third feature is that restructuring is not just about technology, the process is much more complex and extensive and each of these aspects of the process occurs with active state intervention (Marcus, 1989:1).

There is an emphasis on economic restructuring as related to spatial restructuring and restructuring at a regional level where economic processes occur and develop within a space-economy and impact directly on the space-economy. South Africa's economic restructuring has meant a lot of changes in the individual economic sectors. Responses to restructuring within individual economic sectors have been different and have resulted in diverse changes to the space-economies within which they are located. Tomlinson (1990) stresses the point that South Africa's space-economy is sectorally differentiated. In the region of KwaZulu-Natal the agricultural sector accounts for a fairly large contribution to the region's economy. In terms of Gross Geographic Product, (GGP) for example, it comprised 7.5% of the GGP of KwaZulu-Natal in 1990. The agricultural sector also employs a large number of workers in general, the average annual growth rate in agricultural production remained over 4.5% between 1980-1990, and in addition, the relative importance of agriculture has increased over the past decades (Erasmus, 1990: 81). Erasmus (1990) further notes that the true role of agriculture is not accurately reflected by its growing importance in GGP alone. As agriculture is a labour intensive sector, it has a potential for employment creation. However, in 1990, the agricultural sector employed 125 people for every one million rands of GGP, down from 224 in 1980 (Erasmus, 1990:81)

KwaZulu-Natal is one of the more vulnerable regions in South Africa. It is characterised by a large population (1996 Census) and a comparatively weak level of economic development. It is also argued that the region has got high unemployment rates and the contribution to the Gross Domestic Product (GDP) is relatively low. It is a region regarded as having a high level of poverty. As such restructuring within the agricultural sector is likely to have far reaching effects on the people and the economic development of the region, and also on the space-economy within which this sector is broadly located.

Agriculture in South Africa is the second employer of black labour, the source of the most essential of wage goods that provides the backbone of rural economy. Agriculture for the greater part of the 1980's has been in decline and currently it is still under financial pressure. According to De Klerk (1991) this pressure is manifested in low levels of return on investment or low profitability, low levels of liquidity and a steady build-up of debt. The most important impact of these trends has been on the agricultural capital stock. Despite the many forms of state support in agriculture, the real capital stock in commercial farming appears to have risen little over the past two decades, and the proportion of this stock owned by farmers has tended to decline. There has been a decline in the level of investment in agriculture (De Klerk, 1991).

The roots of the crisis in agriculture can be traced, firstly, to factors which have induced uneconomically high levels of investment in the past such as state agricultural policy, negative real interest rates over extended periods and bank lending policies. Secondly, a distinct but not unrelated group of factors, include drought, high nominal interest rates, and the prolonged adverse trend in agriculture's terms of trade. What this has done is to make further investment more difficult by distending the burden of debt carried by farmers (De Klerk ,1991).

Commercial agriculture will remain comparatively an unrewarding area of investment. In net terms, capital is unlikely to accumulate in agriculture in significant quantities for some years, though there will be sectoral exceptions. For the rural economy, the most important projected trends are a slower rate of growth of farm output, the further consolidation of large farming units and the transfer of marginal arable land to pastoral production. What these will do is reduce employment and keep real wages from rising on farms and in small towns. On smaller farms the increase in the number of part time farm operators can be expected to continue (De Klerk, 1991).

There is likely to be a continued decline in the relative contribution of agriculture to the gross domestic product, lower foreign exchange earnings on agricultural exports and an unstemmed flow of rural work-seekers and their families to urban areas (De Klerk, 1991).

According to Marcus (1989) the restructuring of commercial agricultural production has been characterised by mechanisation. But mechanisation alone is insufficient to account for the transformation process. Mechanisation is one of at least four primary and interrelated processes that brought about this restructuring. The other processes are the concentration of land, the concentration of capital, mechanisation and technological innovation and lastly, the promotion and subsidising of these processes by the state (Marcus, 1989).

### **3.2.1 LAND CONCENTRATION**

Land, central and indispensable necessity in agricultural production in South Africa, is concentrated in the hands of the white minority. The concentration of land is an historical process deeply embedded in apartheid legislation such as the Land Act of 1913 where 87% of the land was appropriated by a white minority for its exclusive exploitation and occupation. The amount of land available to white farmers increased with the dispossession and removal of black South Africans from land that constituted black spots in particular (Marcus, 1989).

The state policy has also allowed whites to have access to land in homelands. Hence, there was more land surface area available to white commercial agricultural exploitation. Restructuring has entailed a relative increase in the land area devoted to commercial agricultural production. It has also entailed an absolute decline in the number of farm units, accompanied by an increase in the average physical size per unit (Marcus, 1989).

### **3.2.2 THE CONCENTRATION OF CAPITAL**

It is apparent that there is a fusing of capital within the agricultural sector and that the production of diverse agricultural products is controlled by a number of agricultural producers, which are controlled by non-agricultural producers through corporate and company interests. There has thus been an inter-sectoral fusing of capital, producing intensified degrees of ownership concentration. Commercial agricultural production has been transformed by capital concentration and centralisation. Looking at the agricultural sector as a whole, and for the interrelation of the sector with mining, industrial and finance capital, it is clear that a small group of organisations represented by a handful of men, own and control a substantial part of agricultural production directly, and indirectly determine most if not all production within the sector. The shift towards greater capital intensity in agricultural production via mechanisation has both reflected and reinforced this trend (Marcus, 1989).

### **3.2.3 MECHANISATION AND TECHNOLOGICAL INNOVATION**

Mechanisation is the application of mechanical power in general, encompassing tractive power including tractors as well as machine-based technology such as milking machines, sprinkler irrigation, micro and macro-jet spray technology. Technological developments refer to both developments in machinery, developments in the production and use of chemical compounds, and developments in the field of biotechnology and related research. This has had a profound impact on both capital and labour within the sector. The increases in the volumes of production and of capital intensity in production relations have reinforced capital concentration and centralisation, which in turn has intensified producer indebtedness as capital dependency has grown. Mechanisation has also spurred the process of reorganisation and rationalisation of production such that the increasing division of labour between producers has led to mono-production and specialisation. The possibilities which these technological innovations open up in conditions where exploitation dominates all social relations of production have meant a greater tendency to over-exploit resources (Marcus, 1989).

### **3.2.4 THE PROMOTION AND SUBSIDISING OF THESE PROCESSES BY THE STATE**

In South Africa, the role of the state in promoting the restructuring of commercial agricultural production can only be understood in the context of its historical relation to the land question. Legislative measures such as the 1913 Land Act dispossessed African's land and concentrated it in the hands of a white minority. This laid the base for state promotion of whites on the land as farmers and landowners, and was the forerunner to a range of legislative supports for white farming, including direct and indirect financial assistance, production and marketing services and research support, and compensation in times of disaster and adversity. According to Marcus (1989) there are three phases in state ideology and practice towards commercial agriculture that are worthy to note. The first phase is from 1948 to the early 1960's, when the state aimed at increasing capitalisation by intensifying the control on African labour. The state acted against squatting and limited the practice of labour tenancy. The second phase was from the early 1960's to the late 1970's, when the state sought to raise productivity and reduce dependence on African labour. This objective was achieved through the encouragement of mechanisation, which was facilitated by the subsidisation of fuel and fertiliser through rebates, production loan schemes and allowance for the deduction of investments in agricultural implements from taxable income. The third and final phase is the present which dates back from the 1970's and is inseparable from the onset of a deep political and economic crisis in the social formation as a whole. The state, in response to the crisis, embarked upon several policy approaches. These range from attempts to reduce state commitment to the subsidisation of agriculture, the encouragement of agriculture to invest in development projects in reserve areas, and to come to terms with economic and land concentration in the name of security (Marcus, 1989).

The above discussion has identified some of the more important forces involved since 1945 in the process of restructuring commercial agriculture.

What is evident is that this transformation has not resolved the many basic problems of agricultural production in South Africa and that even those problems that have been resolved have in turn, generated new contradictions.

### **3.3 SOUTH AFRICAN LITERATURE ON SMALL TOWN DEVELOPMENT**

#### **3.3.1 THE PROBLEM OF SMALL TOWN GROWTH**

Dewar (1994) argues that it is estimated that some 40% of the population of South Africa are rural dwellers. Yet the pattern of rural settlement for a variety of historical reasons, has been distorted. Rural poverty is endemic. There is massive rural overcrowding in some areas, to the point where ecological collapse is imminent. In others, the essential social and service infrastructure necessary to support a vibrant local agrarian economy is declining steadily. The result is an ongoing contribution to hyperurbanisation; people who are involuntarily displaced from the countryside drift to towns and cities which are growing at rates that outstrip, by a considerable margin, the ability of the urban systems to deliver jobs and services. A particular dimension of the challenge of rural development is the problem of small rural towns. According to Dewar (1994) the significance of small towns in rural development has long been recognised. However, in South Africa these towns face a unique set of issues. Some of the small towns are growing and some are declining. Some of these towns are seeking to take their destinies into their own hands. They are meeting the development challenge with local initiatives for example, Stutterheim.

#### **3.3.2 THE ROLE OF SMALL TOWNS IN RURAL DEVELOPMENT**

Clearly, the issue of rural towns needs to be placed within a context of the broader issue of rural reconstruction. To understand the nature of small town problem in rural South Africa, it is useful to review the development paths of regional agrarian economies internationally. International evidence suggests that there is a commonly identifiable process of agricultural development over a long period of time. Initially, agricultural homesteads are relatively self-

sufficient in both agricultural production and support processes. Over time, fuelled by population growth and thus market creation and opportunities for trade technology transfer, the introduction of new crops and different skill and resource endowments, specialisation begins to occur. Specialisation, in turn, results in increased productivity and higher incomes, which lead to a diversification of consumer demand into non-farm goods and services. Initially, this demand is met by the farm-based homesteads, but over time, non-farm settlements arise to provide these functions, and certain previously farm-related activities and services are centralised in these settlements. As the settlements grow, additional functions and services arise to meet the needs of the population, and this in turn, both increases level of convenience in the rural areas and provides an additional market, thereby rural food processing and packaging may take root. Evidence from Africa and Asia suggests that regional farm to non-farm multipliers achieved in this way via increases in agricultural productivity, although variable, are on average 1:05 in Africa and 1:08 in Asia (Dewar, 1994).

There is thus a close symbiotic relationship between the towns and their agricultural hinterlands. The towns become the locus of small industries processing agricultural products or manufacturing essential items and equipment for agricultural activities of economic services supported by, the town's population as well as by the population of the hinterland; and of social services which require the support of large numbers of people, for example, religion, health and education. The towns, in turn provide the market for, and are supported by the products of the agricultural hinterland. In many cases based on comparative advantage and serving much larger markets, occurs. This has two results. It affects the economic base of towns by causing degrees of specialisation in processing and manufacturing. The relative fortunes of towns shift and a functional hierarchy of towns emerges, as factors such as location, changing transport technologies and changes in transport pricing policies differently impinge on material-orientated, market-orientated and more footloose industries. And this specialisation promotes

agricultural diversification, frequently with smaller units of production focusing on meeting the needs of the local market (Dewar, 1994).

The situation, therefore, is by no means uniform. Some towns grow faster than others; some may even decline. Nevertheless, there is a dynamic balance, underpinned primarily by the interconnection between agricultural activity and its needs and the needs of the local market. When such a balance is achieved, the system is remarkably resilient, and allows the export of products, both agricultural and manufactured, to a larger market, but it is not totally dependent on these exports. Similarly, while never being self-sufficient, it is less dependent on imports and therefore on the economic circumstances of other places. The development challenge in systems of this kind is to increase rural productivity in order to generate non-farm multipliers (Dewar, 1994).

When South Africa is analysed against this model, it is apparent that there are major divergencies. Two different types of small rural towns can be identified. The first is the largely artificial type found mainly in the subsistence resettlement rural areas-the former homelands. Here a 'non-farm' settlement system has been imposed upon an agricultural base of minimal productivity. The settlements themselves have little economic rationality. In a sense the development challenge posed by this system is the reverse of that posed by the international model cited above. Whereas increases in agricultural production normally lead to no-farm settlement formation, in this case the existence of the fairly concentrated settlements, supported mainly by migrant remittances and state pensions must be used to stimulate diversification and increases in agricultural productivity which over time, may lead to a strengthening urban-rural linkages. Obviously, this will not happen automatically. There are substantial structural obstacles to increased rural productivity in many peripheral areas in South Africa and these need to be overcome.

The second type of rural town is found in commercial agricultural areas. Originally, the development paths of these small towns approximated the international model. More recently, the pattern has been distorted and connections between the towns and their hinterlands have weakened. There has been a declining farm to non-farm multiplier. The towns still provide some social and commercial services to their hinterlands. However, the manufacturing function has been diverted to larger towns and cities. The needs of inhabitants of these towns are not served by local agricultural production. Almost all products, including food stuffs, come from outside over long distances. There are two points about this process that require emphasis. The first is that the change has not occurred by chance. It has been consciously manipulated and can therefore be corrected. The second is that the change has had profoundly negative implications both for the towns and for their agricultural hinterlands (Dewar, 1994).

In South Africa the relative economic decline of many small towns has not been accompanied by a population decline. On the contrary, political uncertainties and, more particularly, a loss of jobs on the farms has led to a rapid growth of population in these towns, supplemented by people who cannot stay on the land, but who wish to remain in the local region. Inevitably, this growth has been accompanied by increasing levels of poverty, unemployment and inequality. Physically the pattern of urban growth has been characterised by sprawl and fragmentation. This has resulted in highly inefficient urban systems which are inconvenient and expensive for inhabitants, and too expensive for local authorities to finance on a sustainable basis (Dewar, 1994).

Dewar (1994) calls for the reconstruction of towns in three respects. Firstly, the economic reconstruction of towns renders several opportunities for consideration. These are: encourage the more intensive use of agricultural land so as to support people; encourage local manufacturing to meet the local and hinterland's needs; mobilise and utilise natural resources; and use the development process to generate employment (Dewar, 1994: 354).

Secondly, the social reconstruction of towns requires the strengthening of human resources to the greatest degree possible (Dewar, 1994:356). This involves investment in education and skills development in a qualitative manner and providing for basic needs such as water, electricity, housing and sewerage reticulation (Dewar, 1994:356).

The third and final form of reconstruction is urban reconstruction. The central challenge here is to use new growth to compact the sprawling, fragmented and costly form of the towns into more integrated, efficient urban systems which make maximum use of historical and future investments in services and social facilities. The critical investment actions are those communal investments which serve the town at large, and these need to be located in the most accessible places and consciously used as urban structuring elements (Dewar, 1994).

In addition to what Dewar (1994) has noted in the discussion above, Rodinelli (1988) raises one important point that the literature dealing with small towns development seems to be sidelining the role of women. This issue needs attention according to Rodinelli (1988), since women play an important role in agricultural production and market place trade. It is estimated that 85% of rural women in Africa work in agriculture and that 80% of food consumed in rural areas is produced, processed and stored by women. Their needs as participants in distribution, marketing and processing must be considered. The facilities provided in small towns should be designed to meet their particular needs and should facilitate their activities. Women's participation in programme planning and implementation can strongly influence the success of investments for strengthening the economic functions of these towns (Rodinelli, 1988 ).

Rodinelli (1988) argues that if agricultural development and employment expansion are to be fruitful, national policies must contribute to creating five conditions. Firstly, there must be an acceleration in growth rate in agricultural production through changes in technology and pricing. Secondly, there must

be widespread access to land ownership and secure tenure rights for small scale farmers. Thirdly, expenditure from increased income derived from accelerated agricultural production must create demand for a wide range of goods and services produced by enterprises in towns. Fourthly, there must be an effective marketing system to lower food prices and to encourage employment in non-agricultural sectors by making labour less expensive than the goods and services it produces. Lastly, a well integrated system of market towns and cities with appropriate infrastructure and services must be available to provide agricultural inputs and technology, to provide consumer goods and services to support small and medium scale enterprises that generate off-farm employment, and to provide market outlets for agricultural surpluses (Rodinelli, 1988).

McCarthy and Nel (1995) outline a variety of rural development strategies which conform with the broad principles of LED that could be used in rural areas. These include things like community training, water supply and agricultural support. There are advantages attached to this approach but issues of cost, the shortage of facilitators and limited inter-sectoral support, all limit the overall applicability of this strategy. mini-farming, community gardens which relies on the support of small scale production usually by family units on communal gardens to supplement family income and food supply. The acceptability of this strategy to local communities and its reliance on appropriate technology and local skills makes it important to rural development). Other strategies include agricultural co-operatives, rural development through agricultural development, farmer support programmes, Rural development through infrastructural development, rural enterprises and periodic markets (McCarthy and Nel, 1995).

### **3.3.3 LOCAL ECONOMIC DEVELOPMENT IN SOUTH AFRICA**

South African cities had little experience in planning for local economic development because regional development policies were controlled by the

central government and were intended to implement apartheid (Maharaj and Rambali, 1996). At that time what happened was that certain localities were offered incentives by central government level in a politically motivated programme. Consequently, a major problem is that there is neither a tradition of local responsibility for development nor an awareness of how to promote such development (Tomlinson, 1994).

In recent years, since 1990, there has been an increased attention on local and regional economic strategies as South African cities try to uproot poverty and the rising levels of unemployment (Rogerson, 1995). The transformation phase to a democratic society has been characterised by top-down regional development planning and an increased focus on local economic development initiatives. According to Maharaj and Rambali (1996) central government control over local economic development planning has been reduced, with localities taking greater control over such initiatives. The rationale behind this motive is that the central state's inability to contribute towards the social support and welfare services which were essential to address the inequalities of apartheid and it transferred more of its obligation on to local government and the private sector (Maharaj and Rambali, 1996).

The development of regional and local growth strategies has been associated with a shift in emphasis from dismantling of apartheid structures and policies to post-apartheid reconstruction. The goal here is to reverse the urban inequalities and inefficiencies associated with apartheid and to empower cities to promote their growth (Tomlinson, 1994).

Rogerson and Nel (1997) argue that even in the South African context the surge in policy and academic interest in local economic development is not new. There is an increasing amount of evidence pointing an extended history of local economic development initiatives. The historical record on the Witwatersrand, Port Elizabeth and other smaller Eastern Cape urban centres suggests the existence of a tradition of local economic development which

pre-dates the introduction of apartheid. Evidence from Port Elizabeth, Johannesburg and small provincial towns such as King William's town, Uitenhage and Graaff Reinet shows that strategies such as place promotion or the activities of urban entrepreneurialism are not new notions in modern South Africa (Rogerson and Nel, 1997).

In general local economic development has been practised by a variety of urban centres which include Johannesburg, Cape Town, Stutterheim, Durban and Atlantis (Rogerson and Nel, 1997). Some KwaZulu-Natal examples include Vryheid, Paulpietersburg and Piet Retief (McCarthy and Nel, 1995). This list is not exhaustive. Rogerson (1995) notes that the Durban example offers one excellent illustration of such a growing involvement by a local authority intervention in local economic development activity. In 1990 the Operation Jump-start was launched in the DFR consisting of different stakeholders to tackle problems that the area was experiencing. Although this initiative did not materialise but laid the foundation for future development in the DFR (Robinson and Boldough, 1995).

In Johannesburg, the influence of shifting international context for development is evident in local authority initiatives to strategically market the city as a world city. Through a variety of initiatives the local authority is engaged in a series of activities, taking advantage of new opportunities in order to market post-apartheid Johannesburg as the potential regional headquarters of international companies and of international agencies, such as those of the United Nations. In Cape Town during the 1980s the local authority commissioned a series of research reports on the international experience of local economic development in order to inform the local authority of opportunities and means for further boosting local possibilities. Moreover, in the Cape Town case there is clear evidence of a recognition on the part of the local authority of the increasingly competitive environment for investment and of the need for certain initiatives to capture economic opportunities for Cape Town that might be lost to other cities, for example, Durban (Rogerson, 1995).

Local economic development initiatives in small towns have received considerable attention by contemporary theorists in South Africa (McCarthy, Nel and Rogerson 1995). Although problems experienced in each town are unique and need a well informed set of responses that are sensitive to that particular locale, it is worth noting how some of these towns have responded to economic problems and high levels of poverty inherent in their localities. What one must acknowledge in which case is the use of bottom up approaches at a local authority level to achieve growth.

Stutterheim has followed local development initiative type strategies, which are now examined for lessons that they can offer to the country small towns as Stutterheim is now regarded as something of a model. The town of Stutterheim in the Border Corridor was transformed from one of South Africa's most troubled settlements in 1989 to a settlement of hope in 1990. In 1989 political conflict was ripe in Stutterheim. National changes, regional economic collapse, a consumer boycott, strike action, clashes with the police and worker retrenchments combined to form an explosive situation. The seriousness of the conflict, the economic ruin it brought to all communities and the desperate need to diffuse the tension led to leaders of the black and white communities to resolve their differences and agree to face the future together. The presence of talented leaders both sides, who in spite of opposition from members of their constituencies were prepared to look beyond past grievances to a common future was the key to defusing the crisis (McCarthy and Nel, 1995).

In May 1990 the Stutterheim Forum was established and community leaders and the municipality agreed that all people of Stutterheim must come together to plan for the future. The forum resolved various local disputes over rents and social services and tried to redress some of the more pressing grievances. Importance of the success of this meeting was the resignation of the unpopular black community and could bargain effectively on its behalf. What probably also counted was that the reconciliation in Stutterheim

occurred before recently unbanned political parties could institute national level control of local leaders (Nel, 1994).

The Development Bank of Southern Africa (DBSA) helped to identify the town's strengths and weaknesses and advanced appropriate development strategies. It involved itself actively with the forum, gave expert advice and secretarial support, and commissioned a consultant to formulate policy. Credit for the forum's initiation and success lies with local actors. The forum undertook to deal with immediate needs, including housing and unemployment and to work for a single, non-racial municipality. In 1992 the forum established the Stutterheim Development Foundation as a Section 21 company to oversee the development process. A business information centre was established to assist local entrepreneurs and provide business training. An urban development plan for the town was also drawn up and money was loaned from DBSA. Local employment was generated by awarding building and site provisioning and servicing contract to local black contracts who used labour intensive practices. Using funds secured from the Independent Development Trust, a site and service scheme of 900 sites was initiated and a school built, using local skills and workers. Assistance was given to numerous emerging entrepreneurs. The town's annual economic growth rate reached 15,5 percent. Various other committees were established to plan for constitutional matters, agriculture, education, health and recreation (McCarthy and Nel, 1995).

Stutterheim has emerged as the best example of a small town that has undertaken local economic development initiatives with great success and failure. Although unemployment and poverty may never be totally eradicated there, Stutterheim is a town with a unified community which has confronted its problems in an active and realistic manner. Tangible success, however, has depended on externally drawn funds obtained from DBSA, the Regional Services Council and IDT. Several hundreds of people were trained in building and other skills, which might enable them to acquire future employment or even to set up their own business. The training and support

given to emerging entrepreneurs as brick makers, wood workers has led to the establishment of numerous enterprises. The main problem with Stutterheim's initiative is that it depended heavily on external grants and the goodwill of external agencies. The employment that was created tended to be short term in nature (McCarthy and Nel, 1995).

A recent study on Stutterheim shows that there was failure to redistribute income through tariff reform whether water or electricity, which cost Stutterheim dearly, not only in socio-economic terms, but also because the use of cost-recovery methods made it impossible to balance the books. This shows a maldistribution of basic infrastructural resources in a context of generalised poverty and the potential solution, which is to view the provision of a lifetime service of water and electricity to all Stutterheim's residents- followed by a steep rising block tariff to pay for consumption as integral to a bottom-up LED strategy (Dept of Cons. Development, 1998).

Leaky pipes and faulty infrastructure were the main problems residents experienced in addition to the already existing cut-offs in electricity. Another problem that was noted in the case of Stutterheim was 'cherry picking' the tendency of firms to avoid doing business in low-income areas. WSSA only provided services to Stutterheim and Amatolaville. WSSA did make the proposals to serve Mlungisi, but these were considered financially disadvantageous, according to councillors (Dept of Cons. Development, 1998)

The pride of Stutterheim's LED efforts is entrepreneurial training and small business promotion. Yet, in the most important respects retention of trained people in the community through local job creation and enterprise sustainability, the Stutterheim Development Forum (SDF) and its two main educational training of and advice centre offshoots are not succeeding (Dept of Cons. Development, 1998 ).

Bank credit for small entrepreneurs is unavailable in Stutterheim. There is allegedly no local decision-making power on the part of the town's bank branch managers. Thus, without credit, the Stutterheim entrepreneurial projects most often celebrated have a built-in ceiling on growth, leaving most beneficiaries of programmes stuck in the cul-de-sacs of hawking and sewing. Although pottery and shoe-making enterprises are still in business, the growth required to generate employment on anything more than a token scale does not exist. After the projects had been implemented people could not pay for the services provided in which case the municipality had to force people to pay for these since the bill had risen to something like R40 000. Although water supplies had reportedly not been cut at the time of writing, other Stutterheim services remained out of reach. Access to the library was effectively denied ( Dept of Cons. Development, 1998).

Stutterheim local economic development crisis has the potential to be resolved only if enormous changes to power relations, institutional forms, planning and consultation processes, municipal budgeting and ideological vision are all transformed (Dept of Constitutional Development, 1998). The recent critique of Stutterheim- the model for LED- in a 1998 publication of the Department of Constitutional Development suggest that we should be careful of too much optimism. Even the best case example of LED in South Africa has many problems (Dept of Cons. Development, 1998).

Other case studies of local economic development that are worthy to note are Kei Road and Paulpietersburg and Vryheid and Piet Retief.

Let us consider the case of Kei Road. The LED initiative in Kei Road was launched in response to a grave social and economic crisis which occurred in this settlement of less than 2500 persons. The crisis was precipitated by the eviction of a large number of farm workers from white commercial farms in the district in 1990 who were then forced to squat in Kei Road. Unemployment levels in the formal sector which appear to exceed 85% of the black population, have been noted. Despite opposition, in particular from the white

community, the Anglican church launched a support programme for the farm workers through the provision of accommodation and food packages. In 1993, in response to the need to promote job creation and local development in the broader community, the Anglican Church, through its department of social responsibility established the Eyethu Rural Development Mission in Kei Road. This was done in order to assist with spiritual, material, developmental and legal needs of the displaced and the resident communities (McCarthy and Nel, 1995)

Eyethu provides the following services to the community:

- Para-legal support to displaced farm-workers;
- Support with community bulk-buying endeavour; and
- A women's economic development awareness project and gender support programme has been launched.

Specific LED related endeavours have been launched as essentially joint ventures between Eyethu and the community. According to McCarthy and Nel (1995) Eyethu has played a critical role in the initiation and support for LED in the town. Although Eyethu has taken the lead in the endeavours, they have acted more as passive facilitators who have no political motive. Although not strictly being an exclusively community established a development agency in the case of Stutterheim, Eyethu does not act unless it has full support, and in addition, it provides the leadership capacity which appears to be lacking in the community. What the actions of Eyethu clearly show are the importance of a community response NGO in assisting communities suffering from high levels of unemployment and a lack of skills and capacity. In addition, as the experience of securing the Transnet and RDP housing contracts shows, the private sector respect the business-like approach and skills which Eyethu can offer and are unlikely to invest in deprived communities lacking organisations with which they can identify, co-operate and trust (McCarthy and Nel, 1995).

The main problems experienced include the following: the existence of tensions within the community which partly relates to the impartial church-based focus of Eyethu and its inability to totally represent community aspirations. This has led to rival endeavours and tensions over the launching of certain projects, for example, over the school uniforms which the sewing co-operative manufactured; tension between the white and black communities until very recently, has weakened the effectiveness of the endeavour in the town and lastly a shortage of funds and poor skills in the community are serious impediments (McCarthy and Nel, 1995).

### **3.3.4 SOME KWAZULU-NATAL EXAMPLES OF SMALL TOWN LED**

Vryheid and Paulpietersburg in Northern KwaZulu-Natal and Piet Retief in Eastern Transvaal provide interesting cases of how there might be differential responses to fairly similar resource base and agricultural contexts in South Africa. All three are located within a regional agricultural context in which forestry plays a major role, although in the Vryheid context there is more emphasis upon mixed farming. Also, in the case of Vryheid a subregional resource factor which has played a role is the coal mining industry.

Paulpietersburg, with a population of about 10 000, has been the town which has tended to become a repository for displaced farm workers on the one hand, and mostly ineffective efforts at stimulating tourism - derived local economic growth on the other (McCarthy and Nel, 1995).

Piet Retief, about 100 km to the north of Paulpietersburg, is a larger town with a much more buoyant recent growth history, based partly upon its ability to access and service the adjacent markets in Swaziland. Like Paulpietersburg, Piet Retief is surrounded by commercial forestry areas, but its geographical location in relation to road networks accessing other markets has been critical to its fairly successful regional servicing role. Timber-related industry is also more prevalent in Piet Retief, and this has allowed the town to develop a second source of employment and revenue which has compensated for the

otherwise possible loss of demand for local goods and services due to agriculture capital-intensification (McCarthy and Nel, 1995).

Vryheid, about 100km to the south of Paulpietersburg provides a similar, and many respects more interesting, counterpart to Piet Retief. Vryheid, with a population about 40 000, used in addition to its reliance upon a rural service centre role, to be significantly dependent upon an adjacent coal mining industry. The coal industry, however, recently experienced economic difficulties resulting in the closure of several nearby mines. Despite this adversity and a potentially hostile political environment between IFP and ANC supporters, Vryheid has emerged as the most dynamic town in north western KwaZulu-Natal. It is also the only town of the three under discussion here which has consciously embraced LED thinking and practice (McCarthy and Nel, 1995).

According to McCarthy and Nel (1995) LED thinking and practice emerged mainly within the offices of the town clerk who, together with local business leaders, managed to conceptualise the town in flexible and multi-sectoral terms, and promoted local growth policies accordingly. Hence, there has been a balance and realistic emphasis upon promoting tourism, service industries related to changes in the agricultural hinterland, the towns abattoir and related functions, financial and technical services related to agribusiness, and education. Whilst some secondary industry focused on national markets has located in the town mainly textiles, the town's leadership are realistic about the extent to which they might expect further developments of this kind. Their understanding is that the development of the town's comparative advantages in tourism and modern agricultural servicing is likely to provide the best returns on investments (McCarthy and Nel, 1995).

Funding of work on development strategy for all three towns has come from local sources, the local authorities and the Regional Services Council/ Joint Service Boards. This work has, however, been the product of planning consultants based either in Pretoria or Durban (Piet Retief and Vryheid

Cases) or locally in Paulpietersburg and Vryheid and it has seldom taken into account the perspectives of the broader local population. In this sense local development planning has been popularly based although, in the Vryheid case, it could be said that more effort has been devoted towards building a local growth coalition. Some consultation with local business leadership was also more involved in Vryheid in the conceptualisation and implementation of development strategy (McCarthy and Nel , 1995).

McCarthy and Nel (1995) note that in general small towns lack the local resources and skills necessary to formulate growth strategies based upon local comparative and competitive advantages. Whilst there is a variable pattern of ability to think and act in LED terms in such towns, local leadership has proven surprisingly creative in the face of adversity of the provincial government.

### **3.3.5 ANOTHER KZN EXAMPLE IS THAT OF BERGVILLE**

Bergville is a very small town and houses 3% of the sub-region's population. Bergville TLC has 700 people, 102 blacks, 152 Indians and 268 white residents. Africans live in densely populated rural areas and as workers on white farms. The district has very little formal employment. Educated people work in Ladysmith and Estcourt. Migration and long-distance commuting are an important feature of the area, with people travelling up to 50KM to work daily.

In the uThukela Region the economies of small towns, including Bergville have been declining. Ladysmith has been growing in importance. The Okhahlamba district (Amangwane and Amazizi tribal areas within the wider Bergville sub-region) is heavily dependent on the output of the three economic sectors, mainly agriculture, manufacturing and government. The economic base of this area is undiversified and its population is vulnerable to both short-term changes (weather and interest). The strengths of the economy lie in tourism and agriculture sectors. Recently 50 new shops have opened in the last year in Bergville TLC and sell food, furniture and clothing

for the low income market, and there are some money lenders. The district's residents no longer shop in Ladysmith but now shop locally and this allows the town's economy to grow. There are some sites still available for available for business development within the Bergville TLC (Dept of Constitutional Development, 1998).

The Bergville TLC has limited capacity, there are only three members of staff based in the office, a clerk, a secretary and the town clerk. The rest of the staff of about 40 are front-line workers. The Bergville TLC has a very small budget per annum. The TLC has accessed RDP funds for water projects to Bethany, Woodford and Rockdale. The councillors and the mayor do not receive allowances due to budget constraints (Dept of Constitutional Development, 1998).

In terms of the LED pilot project, the Bergville sub-regional committee has formed partnership with the Bergville District Development Forum (BDDF) to promote and support the project, within their capacities. The BDDF was formed through the Tugela Joint Services Board (TJSB) process of regional development in 1992. The regional development forum which was set up to get community input in identifying needs and priorities does not exist any more because the uThukela RC area differs from the old JSB area. However, the local development committees which formed part of the Regional Development Forum still remain. These committees from the Bergville sub-region now form part of the BDDF. The BDDF presently operates on what remains of the Tugela JSB funding, but this will not be possible for much longer (Dept of Constitutional Development, 1998).

LED pilot projects are being managed by the economic task team of the BDDF. It is hoped the local business service centre (LBSC), which is being set up, will assist managing and supporting the pilot projects and that the task team would oversee the process.

The BDDF sees itself as a broad-based representative structure. There are no competing district development forums and are all members of the forum

as are small women's groups and sectoral associations. In terms of the LED pilot project, the BDDF is the main community-based partner that has to be included in the prioritisation and implementation.

The department sees its role as that of facilitator. It is the provincial government's responsibility to create an enabling environment for local authorities and other actors to generate economic growth in their areas. The department has adopted a phased approach in developing its LED policy framework. This entails funding and analysing LED pilot projects in rural and urban areas, and in cities and small towns from the pilot projects, lessons could be discerned as to what could be incorporated into a provincial LED programme. The BDDF and integrated planning service (IPS) have submitted a draft proposal to the KZN REF and the Department. The final version is due at the end of March. The department will use these and other pilot studies from KZN to develop its LED strategies and inform its activities (Dept of Cons. Development, 1998).

The pilots will be assessed by consultants. For example, Bergville will be assessed by CCLS. A consultative forum of all stakeholders in LED will be convened in early 1998 to develop an LED framework based on the findings of the pilots.

The LED pilot initiative has highlighted some weaknesses in the local government system and in the national and provincial LED policy and programmes. Local government, especially small TLCs such as Bergville and regional councils such as uThukela, do not have the capacity in terms of finances or staff to drive the process of developing and implementing LED projects and programmes. Capacity is concentrated in the delivery of services and other aspects of LED are left unaddressed (Dept of Constitutional Development, 1998).

The KZN Department of Economic Affairs and Tourism mentions the following role for local government in LED, based on national Policy. Local government should be drivers in LED strategies. The Bergville case shows the opposite

due to the fact that legislation does not state clearly who should be doing what to address LED aspects beyond service delivery. LED is not a budget item on the budgets of the uThukela RC or the Bergville TLC, but it should be. The IDP process is left to consultants for example, Urban-Econ is doing the uThukela RC plan and no evaluation measures regarding process and due consideration of LED is incorporated into the provincial evaluation of the processes. KZN does not have legislation in place to deal with integrated development planning (Dept of Cons. Development, 1998).

LED requires a shift in focus from delivery of services to constituencies, to developing integrated strategies for the economic upliftment of constituencies. This shift will not happen by itself. Facilitation of these organisational cultural changes within local government is required. Provincial funding for LED should be channelled through local government, accompanied by appropriate capacity building. Provincial funding for Bergville LED pilot initiative bypassed local government (uThukela RC and Bergville TLC).

Local government should co-ordinate LED by working in partnership with the private sector, NGOs and CBOs. This pilot study points to the fact that partnerships need skilled facilitation. Facilitation skills do not exist within local government and some thought should be given how local government (RC and TLC) could access or develop the skills (Dept of Constitutional Development, 1998).

Local government should take cognisance of horizontal and vertical linkages by networking with other local authorities in matters of common interest or by twinning arrangements with international local authorities. KWANALOGA is one structure where networking regarding LED programmes could take place. Another is the Midlands Municipal Forum.

Local government should establish partnerships or linkages with the private sector. Linkages with emerging or previously disadvantaged business are non-existent and should be addressed.

The LED process in Bergville is being driven by the BDDF. This has meant that LED initiatives have been brought to the attention of provincial government which has assisted in funding for, for example, the LBSC. The KZN Department of Economics Affairs and Tourism will also try to raise funding for the pilot projects. Thus, despite local government incapacity, certain LED projects which would benefit disadvantaged communities other than service delivery have gained momentum due to the motivation of the BDDF. Community participation is certainly necessary element in any LED project. The CBOs are involved and own the project. The information is community-based, not removed from how the locals perceive their area. Costly consultant studies are avoided and some money is channelled into CBO structures instead (Dept of Constitutional Development, 1998).

### **3.3.6 CONCLUSION**

These case studies are important in addressing the research problem in that they bring lessons on how to tackle problems of unemployment and poverty that exist in small towns at the scale of my case study, Pongola. They have shown that small towns' problems need well informed bottom-up approaches that must be formulated after a careful assessment of the opportunities and threats of that particular locality. Success has been evident in towns where there has been a good leadership at a local authority level and an active community. What this reader rejects is a blanket application of LED strategies that were used by a particular case study. Other issues that have been deduced from the case study concerns funding, staffing and partnerships that need to be taken into account when intervening in small towns' problems. Pongola is one of South Africa's small towns that also needs more intervention, especially focusing on job creation and institutional system.

## **CHAPTER FOUR: CASE STUDY AREA (PONGOLA)**

### **4.1 Introduction to Pongola**

The case study, Pongola, is located in the northern part of the Zululand Regional Council Area, to the south of Swaziland. The population of Pongola as a whole is about 19500 (Metroplan, 1997). Pongola is located in the Simdlangentsha Magisterial district where only 8.8% of the population was estimated in 1991 to be living in urban areas. The case study area, referred to in this dissertation as Pongola, comprises three sections: the previous white town of Pongola, the previous township of Ncotshane and the company town of Illovo. These three areas now form part of the greater Pongola Transitional Local Council (TLC) area.

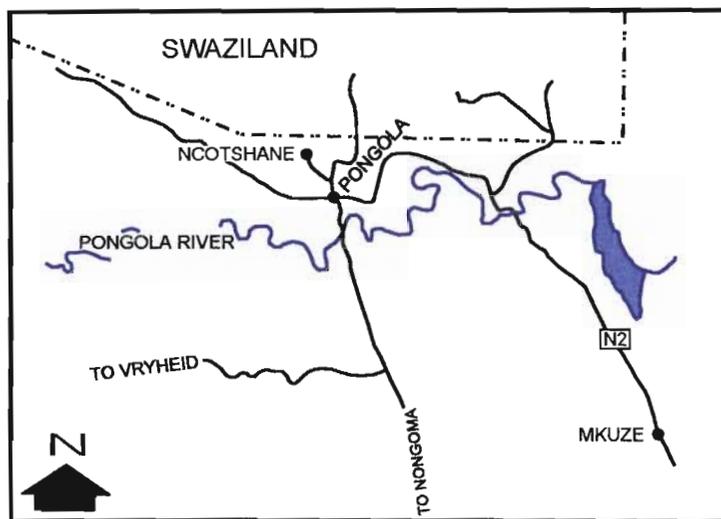
The Agricultural and Service sectors form the base of the economy in the Simdlangentsha Magisterial District. Both these sectors contributed approximately a quarter of the GGP of the area as a whole, but showed a slight decline for the period 1980 to 1991. The mining sector showed an increase in terms of its contribution to the economy over the same period (MetroPlan, 1996).

Pongola is well located on an alternative route (N2) between Durban and Gauteng and more importantly between the fast growing Richards Bay and Gauteng (Refer to figure 1). It is anticipated that this location as well as the fact that Pongola serves as a regional service centre, will provide for possible future economic development (MetroPlan, 1996).

### **4.2 SOCIO-ECONOMIC AND DEMOGRAPHICAL ANALYSIS**

A socio-economic profile report was prepared by Metroplan for their draft report on low cost housing and an executive summary of the results of the survey and the conclusions drawn therefrom are contained in this section.

Figure 1: Location of Pongola in a Regional Context



GIS Laboratory, University of Natal

**Table 4. 1: Population to district**

District	Population
Ncotshane	18 000
Pongola	800
Illovo	700
Total estimated population	19500 ( 20 000)

Source : MetroPlan (1996)

As can be seen in table 4.1 the overwhelming proportion of the population is African and reside in Ncotshane. It is also in Ncotshane that socio-economic problems are concentrated.

The general average household size was determined to be 6,7 persons per household for the whole study area. The breakdown per district is indicated in table 4.2.

**Table 4. 2: Household size**

Location	Household size
Ncotshane	7 persons per household
Pongola	4 persons per household
Illovo Residential Area	4 persons per household

Source : MetroPlan ( 1996)

A household survey undertaken by the Central Statistics Service in October 1996 determined the national average household size to be 4,3 persons per household. The above-mentioned survey further estimated the household size in KwaZulu-Natal to be 5.0 persons per household. It is clear from the above that the household size in the study area is larger than national and provincial averages. In this regard, it may be noted that a larger household size was determined in rural areas, which explains the discrepancy between national and provincial averages and the household size in the study area.

In Ncotshane the number of females per household outnumbers the number of males per household by 4 to 3, whilst this ratio is evenly split in both Pongola and Illovo on a 50:50 basis. It is significant that 55% of the male inhabitants of the Greater Pongola TLC area are under the age of 20, whilst 50% of the female inhabitants are under the age of 20. This compares favourably with national (48% male and 45.5% female) and provincial (52.8% and 47.2% female) averages which were obtained in the household survey undertaken by the Central Statistic Service in 1995.

Fourty two percent of the male inhabitants in the study area fall within the economically active age group between 21 and 60 years. The national and provincial averages in this regard are 46% and 42% respectively, which correlates with the results obtained from the household survey undertaken in the study area which indicated that 47% and 45% of females fall within the above mentioned bracket at national and provincial levels, respectively. The percentage of economically active females in the study area is 48% (MetroPlan, 1996).

The relatively large component of young people below the age of 20 seems to indicate that leaving school many inhabitants of the Pongola TLC area migrate elsewhere, possibly as a result of a fairly low job opportunity horizon within the immediate vicinity. In general one can conclude that in Pongola there are few job opportunities although farms do absorb large numbers of black labour but cannot absorb all the economically active people in this area.

The following is a breakdown of economically active persons per household.

**Table 4. 3: Economically active persons per household**

Ncotshane	1,3 persons per household of 7,007. This indicates an economical active component of approximately 18%(3240) of Ncotshane population
Pongola	1,64 persons per household of 3,156. This indicates that approximately 52% (416) of the population of Pongola is economically active
Illovo	1,45 persons per household of 3,75. This indicates that approximately 39% (273) of the population of Illovo is economically active

Source:MetroPlan, (1996)

The total number of economically active persons in the study area numbered approximately 4 000, as on the effective date of the survey undertaken by Metroplan . The national economically active component of the population is estimated at 26%. In KwaZulu-Natal, Approximately 23% of the population are economically active whereas in Ncotshane the figure is only 18%. The above figures suggest that the unemployment rate in Ncotshane is higher than provincial and national averages. The following income profiles were derived from the survey results:

**Table 4. 4: Income profiles**

Ncotshane	approximately R1300.00 per household. 43% of the economically active persons in Ncotshane earn less than R500.00 per month
Pongola	approximately R6 000.00 per household.
Illovo	approximately R5 500.00 per household.

Source: Metroplan, (1996)

**Table 4. 5: Gross monthly household income versus total income per geographic area**

Component	Income per household	Total income per area	% per area
Ncotshane	1 300	3 311 100	93%
Pongola	6 000	1 200 000	4%
Illovo	5 500	9 35 000	3%

Source: Metroplan, (1996).

From the above, it is evident that Ncotshane represents 93% of the total population of the study area and generates 60% of the total monthly household income. Pongola represents 4% of the total monthly household income and generates R1200 000 total income. Illovo represents 3% of the total population and generates approximately 17% of the total household income. There is therefore considerable inequality within the Pongola TLC..

The average number of pensioners per household is indicated below:

**TABLE 4. 6: No. of pensioners**

• Ncotshane:	0.4 pensioners per household Average monthly income of pensioners per household: R140-00 The majority of pensioners in Ncotshane earn between R400-00 and R450.00 per month
• Pongola:	0.1 pensioners per household It appears that approximately 10% of the households in Pongola are inhabited by pensioners.
• Illovo:	0.05 pensioners per household

Source: Metroplan 1996

The mean average number of pensioners per household within the larger Pongola TLC area is 0.6 per household. This translates to approximately

1770 pensioners in the TLC area representing approximately 9% of the total population. The proportion of pensioners in Ncotshane is higher than the average and here they make an important contribution to household livelihoods.

This section has shown that Pongola, particularly Ncotshane, is an area of relative poverty, within low incomes and high unemployment. The subsequent sections will explore three economic sectors (i.e. agriculture, manufacturing, commerce and services and small enterprise) that are key to the further growth of the economy and thus to the resolution of the problems highlighted above.

#### **4.3 AGRICULTURAL ACTIVITY**

Pongola is an agricultural service town which has the potential of expanding in this area even further. The other economic base of the town is its function as a service sector which will be discussed later.

As an agricultural town Pongola is the centre of a major sugar-cane growing area and is the site of a Sugar Mill. In total, there are 150 farmers in the Pongola area, almost all of them grow sugar cane. All farmers interviewed say it is a low risk crop when compared to growing vegetables, fruits and raising cattle. The area, however, only receives 400mm of rainfall per annum whereas the cane crop needs 1000mm of water. The 600mm shortfall is supplied by irrigation through a canal system. The main source of water for irrigation is the Pongola river (Rorbert, key informant). The total amount farmers produce a year is 1,45 million tons. All this was supplied to the sugar mill by road transport. This supply was said to be good. However, since the area is affected by droughts the Pongola river gets affected too. Farmers have responded by building the Paris dam, which is still under construction and will be used as another source of water for irrigation. Each farmer contributes an amount of R30 000.00 towards the construction costs. When asked about the Jozini dam on the south of the town, all farmers commented

that it was built in the wrong place. It only serves the farmers in the Makhathini areas. To pump water back to Pongola from Jozini would be too expensive.

There are also crops like oranges, mangoes, grape fruits, and cattle farming. All these products listed above, according to almost all the farmers interviewed, are high risk. They get affected by pests, storms and the very hot weather conditions that is usually experienced in Pongola. The result is that only a few farmers grow these.

One farmer who was interviewed, Mr Rouillard, grows fruits like citrus, mangoes, oranges and owns a company called Mvutshini Estates which was established in 1956. This farmer said he is producing for the international market. Almost 60% of his yield goes overseas, to countries like Canada, Hong kong, Indonesia, Singapore, Russia, Poland, Finland and Croatia. A small portion goes to African countries like Nigeria. The local market is also catered for and here he targets big metropolitan areas of Durban, Cape Town and Johannesburg.

This company has got 230 employees, although this number changes seasonally, for example, in the citrus season, 30 or more temporary employees are hired for harvesting. The main problem farmers face, in general, is that labour is no longer productive as it used to be in the past. Mr Rouillard said that mechanical harvesting is sometimes considered but he complained that it is very expensive. Hence they rely upon is African labour. He complains that, after pay day workers do not show up on the next day/ week. This makes the company less productive and goals become very difficult to achieve.

The other problem that this manager noted was that of unaccessible local markets. This, according to Mr Rouillard, affects every industry that is located in Pongola. Big metropolitan areas are far from the town, even by road

transport. The other issue is that the area is not linked to any rail transport. This makes transport costs very high for farmers in Pongola. But, generally, the manager said that his company has been doing well in terms of achieving its goals.

With regard to farming, the Government of National Unity has earmarked large portions of land as part of the Land Reform Programme for African farmers. This land was not used by white farmers in Pongola. All farmers interviewed were happy about such a move. The government has hired a company to do the piping for these farmers and this land will be subdivided and each farmer will get 10 hectares of land. The government will plant the cane crop for them; this will help them to get the first harvest, and then they will continue from there.

All farmers that were interviewed were happy to be located in Pongola and were succeeding in terms of achieving their goals. All of the farmers said they would not leave the town. All farmers also felt that the town is growing. Mr Rouillard the manager of the Mvutshini Estates (key informant) said that a total of 3 million rands is paid to workers in Pongola farms by all farmers. He said that this is a large sum of money to be used in a small town like Pongola, since all the workers use the town for such things as clothes, groceries and banking.

In summary, Pongola is a productive agricultural area with an agricultural sector that is doing relatively well. At the moment it is overly dependent on one crop, sugar cane. However, the success of Mr Rouillard with other crops targetted for export market suggests that diversification and expansion is possible. The other area of growth relates to Land Reform. This programme is bringing unutilised land into production.

#### **4.4 MANUFACTURING IN PONGOLA**

There are two main industries in Pongola, Illovo Sugar Mill and the Vunisa Cotton Company. Although these companies employ a number of people, they do not absorb as many workers as the farms . The Cotton Company was established in 1974 and employs 95 workers. It supplies cotton to textiles industries in Durban, Pinetown and overseas countries. This company is also doing well in terms of growth (Thabede, personal communication). The company is happy to be located in such a town and indicated that it would not move out of Pongola.

The Cotton Company finances those farmers who supply them with cotton and thus supports small farmer development. Those farmers who supply more cotton to the company get more assistance. In total there are 60-80 white farmers and 100-300 African/ black farmers who grow cotton. Most of these farmers are located in the Makhathini area (Thabede, personal communication). The main problem for the company is drought which periodically reduces cotton supply for the company and this hinders productivity.

The other major problem with Pongola as a location is accessing machinery to be used in the factory. This was said to create problems since after ordering these take much time to reach the company. Although the company does not need much skilled labour, the company's human resource personnel, Mr Thabede, said that the level skilled of people in Pongola was very low. This he said would work against job creation in the area.

Illovo Sugar Mill in Pongola was one of those few Illovo plants that was not closing in KwaZulu-Natal (Henri Robert, personal communication). This is due to the fact that this plant gets a continually good supply of quality sugar-cane from farmers. In Pongola there are roughly 150 farmers/ cane growers. Illovo makes an estimate of crop yield per farm and then allocates the quota that each farmer should supply to the Mill per day. If it happens that the Mill needs

more sugar cane, they call farmers that are not on duty that day to supply sugar cane to the mill. This makes the company productive. The Pongola region is said to compete with the Mpumalanga region in terms of sugar-cane produced each year. There is also good communication between the mill and cane growers in this area.

There is a committee of farmers with Mr Charl Senekal as chairman. This committee acts as a liaison body between farmers and the mill. It meets once a month with the Mill management to discuss the problems that farmers experience in the area. Most problems that the company experiences do not relate to this locality. This company is also doing well as suggested earlier on in this reader. They feel that a few companies might be attracted to the area but suggest that unemployment problems cannot be solved in the short term.

In summary, the manufacturing sector in Pongola is entirely related to agriculture (i.e. cotton and sugar). At present, there are no apparent threats to this sector although there are also no evident signs of growth or growth prospects. Although business in Pongola is affected by global forces (i.e. global competition in the sugar market and declining demand for South African textiles), Pongola is a reliable supplier of quality cotton and sugar and is therefore under less threat than other localities.

#### **4.5 COMMERCE IN PONGOLA**

Pongola services people from the following places: Pongola, Illovo area next to the Sugar Mill, farmers who are scattered around the rural hinterland, Ncotshane township, residents from the villages of Magudu and rural dwellers in Simdlangentsha.

With respect to commercial properties located in Pongola, the following points must be noted:

\* Businesses in Pongola are doing well (interviews with business people)

\* All businesses that were interviewed, service customers from Jozini, Magudu, Ncotshane, Illovo, Nongoma, Trust land areas and even Swaziland.

\* Almost all business managers interviewed are also cane growers and have an understanding of what is happening in the town.

\* Small business and the tourism sector is dominated by white female farmers.

\* All businesses in this small town are experiencing growth and the few that are not making it were those who were very marginal to begin with.

\* All businesses are happy to be located in this area and those with branches elsewhere said that the Pongola branch is doing well.

These conclusions are based on the interviews undertaken on the 6th -10th of October 1998 with managers of different businesses in the Pongola.

Businesses interviewed included the following: the Junk shop Shopping Centre, Boxer Supermarket, Lewis Furnishers, Pongola Hotel, Thuthuka Supermarket, Thekwini Wholesalers, Metro Wholesalers, Fruit and Vegetables Supermarket, Pages, Pep store, Bergers, Smart Centre and Ackermanns.

The first business to be interviewed in the area was the Junk Shopping Centre. The Junk shop has been in the area for sixteen years and has got twenty departments. This supermarket has 100 employees and is showing growth since it located in the area. Mrs Erank, the manageress of Junk Shop, said that when people need items which cannot be found in any of the other shops, the Junk Shop finds the product for the consumer. This avoids more customers leaving the town to spend money in the nearby towns, for example, Vryheid or Piet Retief.

Although all departments are doing well, those that are doing very well, according to the manageress, include shops selling groceries, bakery & milk and building materials. Customers for this shopping centre come from the

surrounding areas. Pongola also acts as a major taxi rank which receives people from all the country and even from Swaziland.

Other businesses interviewed that recorded growth patterns are Boxer Supermarket, Spar Supermarket, Score Supermarket, Lewis Furnishers, Pongola Hotel, Thuthuka Supermarket, Thekwini Wholesalers, Metro Wholesalers, Fruit & Vegetables Supermarket, Bergers, Smart Centre, Pages, Ackermans. All those that are selling food stuff are doing very well compared to those that are selling clothes and other materials.

The Hotel manager, Mr Mienie, also said that his business was doing well. This hotel was established in 1964 and has 32 employees, all of them are from Illovo and Ncotshane. Customers that this facility accommodates are from all over the country but, especially, truck drivers from Gauteng, Mpumalanga, Piet Retief, Empangeni, Durban, and tourists from overseas. Mr Mienie has got another hotel in Magudu; both hotels are doing well but the one in Pongola was doing far better. He said he is happy to locate here in Pongola and would not want to move. He is also a farmer in the Pongola area. According to him the main problem in the area is power failures which scares customers but this was said to happen mostly in the summer season. The crime rate in the area was low although some of the farmers are now being attacked.

In general, commerce in Pongola is doing well. The town is taking advantage of passing traffic and the growing rural population. An interesting observation is that most shops in Pongola are owned by farmers. There is thus a very close linkage between the farming section and the commercial business sector in Pongola.

#### **4.6 SMALL AND INFORMAL ENTREPRENEURS**

There are small entrepreneurs in Pongola and these are located along the N2 opposite the new shopping centres. Activities that are done here include sewing, craft work, radio and shoe repairs. Although this has employed about

30 workers, there is potential that it could be developed further to include other things like a big vegetable and fruit market that would sell locally grown produce.

#### **4.7 Tourism**

Tourist information is also found in the large market for small and medium entrepreneurs where they give information to tourist that visit Pongola. Pongola does not have much to attract tourist but the area has an accommodation potential since it offers tourists a sense of security in that there is a police station in the town to ensure safety. Limited tourist activities that are available in the area is game hunting which according to Mr Mienie (Key informant), attracts more tourists to the area. As big cities are engulfed by violence what is happening in rural areas then become targeted by tourist. Such a potential needs to be assessed and the necessary intervention be taken to harness such an opportunity. Pongola is also located closer to the proposed Maputo corridor. The town is likely to get some spill-offs from such a national development project

#### **4.8 SOCIO-ECONOMIC AND SERVICING ISSUES**

Apart from the development of a particular section, there are other factors that influence economic development prospect including, for example, services and infrastructure.

After the survey the following problems and needs were identified in the study area with the help of the Ncotshane Development Forum members;

- \* Shortage of church sites in Ncotshane
- \* Unsatisfactory medical facilities
- \* Shortage of crèches and day-care facilities
- \* No local SA police station in Ncotshane
- \* No community gardens for growing vegetables and fruits

- \* No community or project centre
- \* No entertainment centre
- \* Inadequate sport fields in need of upgrading
- \* No sport complex
- \* Poor quality of educational facilities and buildings at local schools, especially at Dwaleni and Sinothando and
- \* No technical college or adult education facilities

The above mentioned issues relate to socio-economic problems within the area, with specific reference to the Ncotshane township. Other infrastructural problems and needs are: inadequate sewage services in Ncotshane township; no information boards and signs, including street name signs; no local post office; inadequate provision of telephone services and street lighting is inadequate.

In the Pongola section, the following needs and problems were identified: the provision of trauma facility, including a ventilator and monitor to be accommodated at Pongola hospital; the identification of new dumping sites since the existing sites have reached capacity; upgrading sewage services and insufficient supply of electricity, with specific reference to the new residential extensions in Pongola (Metroplan, 1996).

#### **4.9 ECONOMIC TRENDS**

As indicated, the small town of Pongola, is doing relatively well. Local companies are doing well in this agricultural town with both the Cotton Company and the Illovo company dependant on locally produced raw material (cotton and sugar-cane). In terms of sugar-cane in Pongola, the good supply can be attributed to many factors which include the good relationship that exist between the farmers and the Illovo management, good agricultural soils in the area, the irrigation potential of the area, available cheap labour and a

good local climate. The cotton mill also maintains good relationship with farmers so that the supply of cotton is at the required level. In addition, the cotton mill provides support to farmers which support small produce development and also contributes to the high level of competition amongst farmers themselves which increases productivity.

Businesses in Pongola are also doing well. A large number of people shop in Pongola for both their groceries and clothes, since the town has a variety of shops for example Ackermaans, Pages, Pep, Smart Centre, Bergers and Bee Gees as well as supermarkets and wholesalers.

The table below shows shopping patterns in Pongola. This data was derived from my survey. Note that this data is indicative rather than representative

**TABLE 4.7: Analysis of the questionnaire**

Goods	Pongola	Elsewhere
Monthly Groceries	100%	-
Clothes, Linen and Material	85%	15%
General Household and Electrical	90%	10%
Furniture	90%	10%

The table shows that all respondents in the survey shop for their monthly groceries in Pongola which is unusual for such a small town. Shopping patterns for clothes, linen and material reflect that 85 % (17 of the respondents in the questionnaire survey) do their shopping in Pongola. The 15% (3 of the respondents in the questionnaire) were those who prefer to buy elsewhere, in places such as Piet Retief, Vryheid, Richards Bay, Empangeni, Durban and even Johannesburg. These were mainly teachers and other professionals who did not regard the fashion offered in the town as matching the standard they want to buy. General household and electrical and furniture products show a similar pattern with 90% purchasing locally. Ten percent of

the respondents did not prefer Pongola. Such people include professionals and other highly paid workers employed by the Pongola Sugar Mill.

New shops were also considering locating in Pongola in the next two years (Wally Plank, personal communication). This will also discourage people from going to other towns for example Piet Retief, Vryheid and Mkhuze to spend their money. It will reduce transport costs. Although many of the people interviewed do not work in Pongola, they do come and spend their money in the town. The town is surrounded by highly populated trustland which provides the threshold to support a higher order of service than would normally be found in a small town such as Pongola. Another group of shoppers comes from Swaziland. The ability of Pongola to attract shoppers from a wide catchment provides an opportunity for the TLC to attract investors to concentrate development in the area to utilise these thresholds.

The town of Pongola has 3 banks which are all busy. This has also attracted more people to the town. The more people visit the town the more the businesses grow, and a positive cycle of development is set in motion. This town is preferred by shoppers from Nongoma, Mkhuze, Jozini and Swaziland. All these people say that Pongola has got a variety of supermarkets and wholesalers which make comparative shopping easier. When asked about the prices they said that prices are lower than where they come. Retired workers and retrenched workers also come back to Pongola to spend their pension here. All this increases the buying power of the town.

#### **4.10 CONCLUSION**

What has been noted in this case study is a variety of issues that will need to be addressed in the development of the Pongola. Pongola is a spatially fragmented area with different components (Pongola, Illovo and Ncotshane) far away from each other. This creates a problem for the TLC to finance on a

sustainable basis. Social services are also lacking in Ncotshane and in Pongola and needs to be addressed to create liveable environments. There is also a high unemployment level in the area and the agricultural potential of the land in Pongola must address this problem.

The key informants mentioned earlier on suggested that the case study area had the following opportunities, regional positioning and provincial road through Pongola, recreation, eco-tourism / afro-tourism potential; strategic location with specific reference to access to KwaZulu-Natal north coast and tourism destinations such as Sodwana Bay, Kosi Bay, Madmno reserve and Mozambique; afro-tourism related arts and crafts industries to be developed in conjunction with the accommodation potential of the area; favourable climate and potential conversion of proclaimed residential land to unlock tourism industry.

Despite the relative health of the local economy it is vulnerable (e.g. drought would increase sugar price). Also the economy is far too small to support the number of people in the district and unemployment is very high. The town's economy has got the following characteristics:

- \* A small economy embedded within a rural economy.
- \* Productive agricultural sector but mainly a single crop, sugar has growth potential around Land Reform.
- \* A small manufacturing sector closely tied to agricultural production.
- \* A growing commercial sector linked to agriculture in two ways: it services the rural community and most shops are owned by farmers. The area has got some potential for tourism that needs to be developed.

## **CHAPTER FIVE: AN ASSESSMENT OF THE CASE STUDY**

### **5.1 INTRODUCTION**

This chapter is concerned with linking the theoretical framework contained in chapter two and chapter three to the case study issues raised in chapter four. What must be noted here is that the linkages between the theory and the case study are not obvious because local specificities associated with Pongola. This dissertation has included what policy documents are saying with respect to rural development and land issues in South Africa with an aim of coming up with informative suggestions and recommendations responding to Pongola's problems.

It is worthwhile to consider the hypothesis of this dissertation once more:

“Many of the problems facing small towns relate to broad processes, for example, agricultural restructuring, that are outside the influence of local councils. There are, however, some areas in which local economic development might make a difference.”

The hypothesis has been proven as Pongola has been shown to be almost completely embedded in the agricultural economy. However, Pongola was not shown to have many problems. The town in general is not declining but the main problem with the town is to translate this growth into jobs since there is massive unemployment. The main focus of this section is therefore on job creation.

The key issues that are considered to have an impact on job creation in Pongola include: Public works programme, redressing developmental backlogs, agricultural development and agro-industry, tourism, SMMEs, Land Reform (a major developmental opportunity). In addition other interventions include spatial integration and the institutional aspects of local economic development. These themes relate to the theoretical concerns of the chapter which deals with agricultural restructuring, small town development and LED. The globalisation theme in chapter two is not

addressed directly below. The reason is that Pongola seems to be fairly well sheltered from global economic competition. The effects of globalisation relates mainly to prices of sugar and cotton and other agricultural produce and at the moment these are not proving to be a major problem. The issue of developmental backlogs is included because it is so important to the community of Ncotshane. The remainder of this chapter deals with areas that could support job creation.

## **5.2 LAND REFORM PROGRAMME**

It imperative to look at the land issue as lack of access to land is a major cause of poverty in rural areas. Marcus (1989) has noted that land is a central and indispensable necessity in agricultural production. In South Africa, land was appropriated (about 87%) from blacks, using apartheid legislation, such as the Land Act of 1913. As a result land was concentrated in the hands of a white minority.

Looking at the land question one is reminded of what the Reconstruction and Development Programme says with regards to the land reform issues. The initial policy document of the Reconstruction and Development Programme has the following contents:

Land is the most basic need for rural dwellers. Apartheid policies pushed millions of black South Africans into overcrowded and impoverished reserves, homelands and townships. In addition, capital intensive agricultural policies led to the large scale eviction of farm dwellers from their lands and homes. The abolition of the Land Acts cannot redress inequalities in land distribution. Only a tiny minority of black people can afford land on the free market. A national land reform programme is the central and driving force of a programme of rural development. Such a programme aims to redress effectively the injustices of forced removals and the historical denial of access to land. It aims to ensure security of tenure for rural dwellers. And implementing the national land reform programme, and through the provision of support services, the democratic government will build the economy by generating large-scale employment increasing rural incomes and eliminating overcrowding.

The RDP must implement a fundamental land reform programme. This programme must be demand-driven and must aim to supply residential and productive land to the poorest section of the rural population and aspirant farmers. As part of a comprehensive rural development policy, it must raise rural incomes and productivity and must encourage the use of land for agricultural, other productive or residential purposes. The land policy must ensure security of tenure for all South Africans, regardless of their system of land-holding. It must remove all forms of discrimination in women's access to land.

( Source: RDP; a policy framework, ANC, 1994, pages 19-20)

The government of National Unity stresses in its Green Paper on Land Policy that land does not only form the basis of our wealth, but also our security, pride and history. According to the RDP (1994) land reform aims to contribute to economic development, both by giving households the opportunity to engage in productive land use and by increasing employment opportunities through encouraging greater investment. Out of the three elements of the Land Reform Programme, attention will be given to Land Redistribution. The Green Paper on Land Policy (1996) outlines the purpose of Land Redistribution Programme as the following;

To provide the poor with access to land for residential and productive uses, in order to improve their livelihoods. The programme aims to assist the poor, labour tenants, farm workers, women, as well as emergent farmers. Redistributive land reform will be largely based on willing-buyer-willing-seller arrangements. Government will assist in the purchase of land, but will not be the buyer or owner. Rather it will make available land acquisition grants and will support planning. In many cases, communities are expected to pool their resources to negotiate, buy and

jointly hold land under a formal title deed.

Opportunities are also offered for individuals to access the grant for land acquisition

( Green Paper on South African Land Policy, 1996,25).

The study area has also benefited from such a programme. As mentioned earlier, the Government of the National Unity has earmarked land around Pongola and subdivided it into equal plots of ten hectares. This programme will also contribute to economic development in the area in different ways. One can consider that it will improve agricultural production in the area. Such an increase will hopefully counter the deteriorating job opportunities in other sections. The land in Pongola, where the land reform programme has been undertaken, is suitable for agriculture and shares all the characteristics of that owned by white farmers. Pongola Land reform programme as it stands, will be faced with a few of those constraints that are outlined in the Green Paper (1996). There is, in Pongola, the real prospect of a successful programme.

The white Paper on South African Land Policy on Land Redistribution notes the following:

**“Land Redistribution Strategy**

**PURPOSE:** The purpose of the programme is the redistribution of land to the landless poor, labour tenants, farm workers and emerging farmers for residential and productive uses, to improve their livelihoods and quality of life. Special attention will be given to the needs of women.

**OUTPUTS:** Access to land will be achieved for a significant number of eligible people, assisted by grants and services provided by government. Although the scale of the proposed redistribution is not yet quantifiable, it must achieve the following outputs:

- a more equitable distribution of land and therefore contribute to national reconciliation and stability;
- substantially reduce land-related conflict in areas where land disputes are endemic;
- help solve the problem of landlessness and pave the way for an improvement in settlement conditions in urban and rural areas;
- enhance household income security, employment and economic growth throughout the country.

**Activities:** Programme activities fall under two main headings:

- **Land acquisition, transfer, assistance with basic needs provision, land development:**

- ⇒ removal of impediments to the efficient operation of the land market;
- ⇒ identification and allocation of state land for redistribution;
- ⇒ establish financial mechanisms to provide grants and loans for land acquisition and development;
- ⇒ provision of assistance to groups to establish legal entities to purchase and lease land;
- ⇒ provision of dispute resolution services to seek local solutions;
- ⇒ assistance to enable beneficiaries to meet basic needs and utilise the land in a sustainable manner;

- **the delivery system (see Section 6 of the White Paper)**

- ⇒ establish statutory and non-statutory land reform institutions with community facilitation, planning and implementation skills, managed by people well informed about the opportunities that land reform provides for economic advancement;
- ⇒ provide monitoring and evaluation which will give accurate information on what has been achieved;
- ⇒ establish mechanisms for co-ordination, planning, implementation and financial management;
- ⇒ establish a national data base with the Department of Housing to assure the orderly administration and disbursement of settlement/ Land Acquisition Grant;
- ⇒ establishment of partnerships between tiers and across sectors of government;
- ⇒ establishment of partnerships with NGO, CBO and private sector service providers;
- ⇒ training of governmental and NGO staff.”

Source: White Paper on South African Land Policy, April, 1997

The above mentioned Land Reform programme has coincided with the construction of a new dam (Paris) near Paulpietersburg. Pongola farmers have been relying too much on the Pongola river as their only source of water for irrigation and domestic purposes. This was giving them many problems, particularly when the area encountered droughts. The new dam will also improve the agricultural activity in the area. Farmers may also open up new cane fields in the land where there is pastoral farming to maximise the productivity of the area and to use the dam to its fullest potential, especially since most of them suggest that sugar cane is a low risk crop. New cane farmers will also benefit from this new dam although they are not required to contribute anything towards its construction. Employment opportunities are

likely to increase substantially in Pongola in the next five years in the agricultural sector

### **5.3 AGRICULTURAL DEVELOPMENT AND AGRO-INDUSTRY**

The study suggests that there is no major restructuring within the agricultural sector. However some trends may be underway. These include:

- an increase in small scale production promoted by a sub-contracting relationship with the cotton and sugar mills;
- land reform which increases small scale production and also brings vacant land into production;
- limited diversification with a few farmers producing non-sugar related crops for mainly export; and
- possible capital intensification with replacement of labour which is perceived to be unreliable with machine

Overall, agriculture may be increasing in output but shedding jobs.

The main concern here is to utilise the production potential of the area to achieve more growth. The new dam must be utilised to its fullest potential by bringing vacant land in to production. The area has a potential in fruit production as can be seen in Mvutshini Estate which grows oranges, mangoes and grape fruits for export. These needs to be expanded further to diversify the production potential of the area. Farmers should be encouraged to grow these although they consider it as a high risk. The area has got fertile soils and a high irrigation potential. There is also cheap African labour in the rural hinterlands which must be used to supplement the agricultural potential of this town to achieve growth.

Although at this point in time there are two industries in Pongola that are employing quite a number of people. However, there is potential to develop an agro-industry that will deal with fruit canning.

#### **5.4 SMMEs**

The existing small businesses in Pongola are owned by white farmers. The main challenge is to encourage African SMMEs, especially for people in Ncotshane who are living in extreme poverty. According to TASKGRO (1993) one of the preconditions for an environment conducive to the development of micro, small and medium business is that there is economic growth. In the South African context, however, it is essential that the patterns of growth engendered in the post-Apartheid period contribute to both regenerating the economy in general, as well as restructuring industry and distribution of wealth and assets. One of the devastating effects of Apartheid town planning has been the creation of townships which are virtual wastelands. The physical environment of these townships in which most Black entrepreneurs are forced to operate constitutes a serious impediment to the growth of small Black businesses. This must be addressed through a comprehensive programme of upgrading township infrastructure (TASKGRO, 1993). Ncotshane township needs infrastructural upgrading which is essential for the development of SMMEs. The reason will be to create employment, alleviate poverty and democratising Pongola's economy.

According to TASKGRO (1993) research recently conducted on micro-enterprises found that access to premises, especially manufacturing, whose operations require relatively developed infrastructure, such as telephone, electricity and storage facilities is crucial. What this means for Pongola TLC is to provide such infrastructure so that SMME development is enhanced in Ncotshane.

It must also be noted that the development of infrastructure to meet the needs of business does not end with the provision of business premises. Since the main problem with SMMEs is accessing credit, training, marketing assistance and access to suppliers (TASKGRO, 1993), the main breakthrough would be to build a local service centre or one-stop centres to provide multiple services to SMMEs, especially with regard to finance, training, marketing assistance

and access to suppliers. This should be done in Pongola where infrastructure is sufficient for SMMEs to operate. Such training will enable skills development so that entrepreneurs are able to perform different functions in their businesses for example to be managers, production workers, quality controllers, marketing agents and all the other responsible positions entailed in running a business.

Budgetary support must be made available by the Pongola TLC and RDP funds must be mobilised for such development

## **5.5 TOURISM DEVELOPMENT**

Pongola as a small town basically does not have anything that can attract an influx of tourists to the town. The few tourists that this town gets are only attracted by game hunting. The regional positioning of Pongola and the provincial road through the town, however, gives the area a tourism potential in relation to passing traffic on the route to other tourist destinations such as Sodwana bay, Ithala game reserve, Kosi bay, Madmo game reserve and Mozambique. The area has an accommodation potential which should also be exploited to develop tourism in Pongola.

According to the White Paper on Development & Promotion of Tourism in South Africa (1996), tourism development in South Africa has been a missed opportunity. The potential of the tourism industry to spawn entrepreneurship, to create new services (i.e. local entertainment, handicrafts), to drive other sectors of the economy, to strengthen rural communities, to generate foreign exchange and create employment has not been realised.

Tourism as a sector has the potential to achieve the objectives of the Reconstruction and Development Programme (RDP) of the Government of National Unity. Tourism creates opportunities for small entrepreneurs; promotes awareness and understanding among different cultures; breeds a

unique informal sector; helps to save the environment; creates economic linkages with agriculture, light manufacturing and curios (art, craft, souvenirs); creates linkages with services sectors (health and beauty, entertainment, banking and insurance); and provides dignified employment opportunities. Tourism can also play a role in dynamising other sectors of the economy, for example, the agricultural sector that benefits from the tourism industry (increased demand for new agricultural products and services such as organic agriculture, farm tourism); manufacturing sector (the supply of furniture and fittings, construction, linens, pots, pans) as well as crafts (wood working, curios, fine art) (White Paper on Development & Promotion of Tourism in South Africa, 1996).

Although South Africa in general has got many opportunities with respect to tourism development, however, many factors limit the meaningful involvement of local communities in the tourism industry. These include:

- lack of information and awareness;
- lack of know-how and training;
- lack of finance;
- lack of interest on the part of existing establishments to build partnerships with local communities and suppliers; and
- lack of incentives to reward private enterprise that build or develop local capacity and create job opportunities (White Paper on Development & Promotion of Tourism in South Africa, 1996).

The White Paper on Development & Promotion of Tourism in South Africa (1996) links tourism and the RDP and the main focus here is on specific programmes of the RDP. These are:

- Meeting of basic need from job creation, land and agrarian reform to housing, water and sanitation, energy supplies, transport, nutrition, health care, the environment, social welfare and security.

- Developing human resource integrating the energies of all education and training institutions, abolish discrimination and focus on life-long learning, arts and culture, sport, youth and particularly training of young women
- Building the economy reversing distortions, removing barriers, securing worker rights, regional co-operation.
- Democratising state and society building democratic institutions and practices (White paper on Development & promotion of Tourism in South Africa, 1996).

The main focus for a TLC like the one in Pongola should be more on the implementation and application of national principles, objectives and policy guidelines as appropriate to local conditions. Local government is closer to the product than the national or provincial governments. The function of local government mirror those of the provincial government, but with added emphasis on the planning, development, maintenance of many specific aspects of the tourism product.

The White paper on Development & Promotion of Tourism in South Africa (1996), outlines the following roles of local government with respect to tourism development:

- responsible land-use planning, urban and rural development;
- control over land-use and land allocation;
- provision and maintenance of tourist services, sites and attractions, for example, camping and caravan sites, recreational facilities (parks, historical buildings, sports facilities, theatres, museums) and public services;
- provision of road signs in accordance with nationally established guidelines;
- market and promote specific local attractions and disseminate information in this regard;
- control public health and safety;
- facilitate the participation of local communities in the tourism industry;

- own and maintain certain plant, e.g. ports and airports;
- provide adequate parking, also for coaches;
- facilitate the establishments of appropriate public transportation services; e.g. taxi services
- license establishments in accordance with national framework; and
- promote and financially support the establishment of local publicity associations/ community tourism and marketing organisations to facilitate, market, co-ordinate and administer tourism initiatives (White Paper on Development & Promotion of Tourism in South Africa, 1996; 51-52)

The other point that is emphasised with respect to the above roles of local government is that local government should not provide services that can be provided by the private sector. The exact role of the local authorities in each province will be determined by local conditions as well as skills and financial resources (White paper on Development & Promotion of Tourism in South Africa, 1996).

## **5.6 REDRESSING THE IMBALANCES OF THE PAST AND PUBLIC WORKS PROGRAMME**

Todes (1993) argues that even if artificially created centres do not decline, regional planning needs to respond to the negative spatial effects of past political and economic restructuring. As is widely noted, conditions in and around most small towns and old decentralisation points are poor; wages are low, and social infrastructure is lacking. Spatial engineering associated with apartheid and with attempts to bolster and restructure it, has created a divided and fragmented spatial and institutional landscape (Todes, 1993). Policies that have been developed to address these inefficiencies or spatial mismatch caused by apartheid planning mainly focused on metropolitan areas. Smaller towns need to get the priority now that the country is celebrating a new democratic order which stresses the provision of basic needs to the people (RDP).

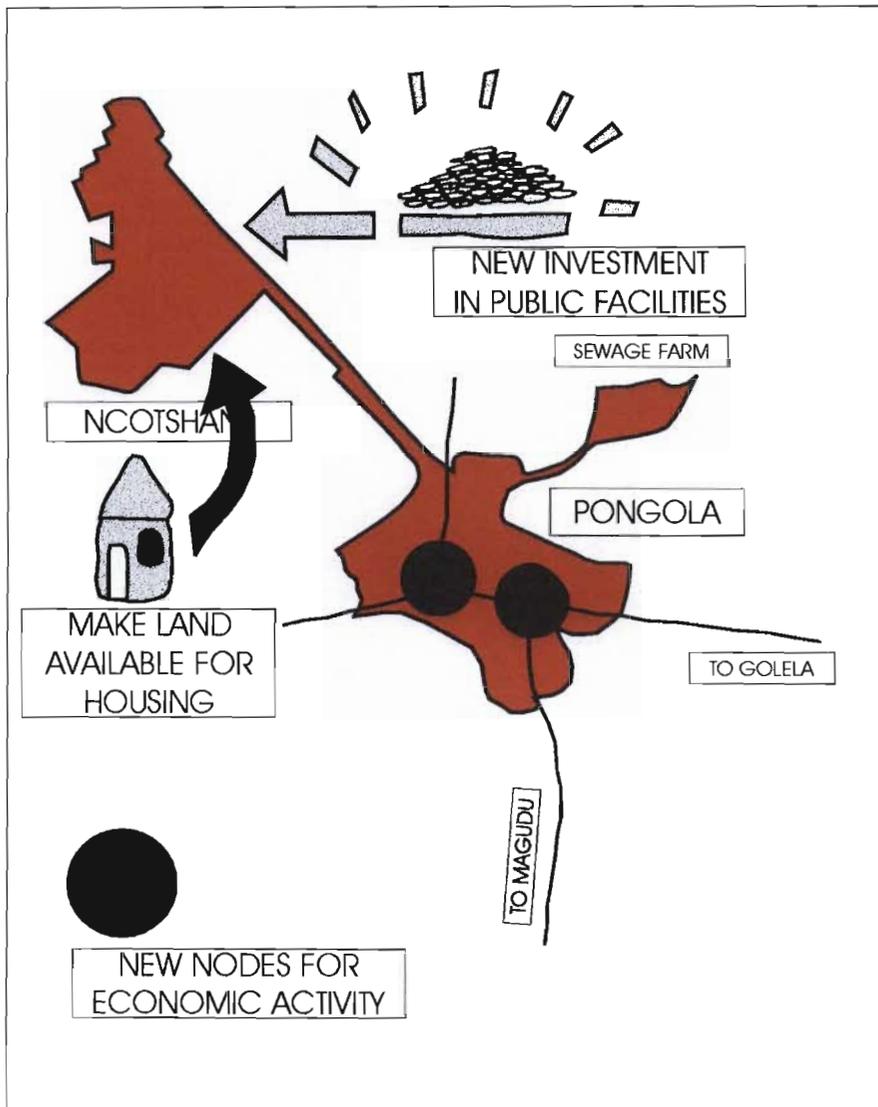
In the previous chapter it has been noted within the study area that infrastructure and other social services were lacking, especially in Ncotshane. LED stresses the provision of infrastructure to make people productive. Infrastructure should be seen as the systematic framework which underpins a community's ability to fulfil its mission of providing a base for its citizens to be productive and to nurture social equity. The TLC must prioritise these in order to create enabling environments for the community to exploit whatever they can to make a living.

As noted by McCarthy and Nel (1995), engineering services should be provided and upgraded to ensure that the quality of existing areas may be upgraded, creating better living areas with higher quality neighbourhoods. Engineering services need to be planned and upgraded so that the quality of the existing residential areas also benefit extensively especially in Ncotshane. Things like stormwater, additional water supply, sewage services, existing schools in Ncotshane especially to Edwaleni high school, medical clinics need to be upgraded, and where they do not exist, be provided. This is one way of unlocking the productive potential of the residents of this area (Refer to figure: Redressing Imbalances).

Dewar (1994) stresses the same point when he calls for social reconstruction of small towns which should be the constant, ongoing improvement of skills-enhancing programmes through the provision of adequate water and sewage reticulation, housing, electricity, play schools, pre-primary school and secondary schools, satisfactory health services, adult education, skills and entrepreneurial training programmes and teacher enhancement programmes. This will be one way of integrating skills transmission with the needs of local economy.

A number of development needs raised by residents may be combined with provision of the community centre, as explained in the previous section of this reader. Since high levels of poverty and unemployment, mainly in Ncotshane,

Figure 2: Redressing imbalances



and large migration of labour and expertise from the study area are the main problems that need strategic intervention, skills development should be promoted. Women should be involved in the planning of this area since the population statistics show that the female figures outnumber those of males. Rodinelli (1988) argues that 85 % of rural women in Africa work in agricultural sector and that 80% of food consumed in rural areas is processed and stored by women, and yet women often play a very limited role in strategising for economic development. The facilities and infrastructure provided in each case should be designed to meet their particular needs and should facilitate their activities. This can only happen if women are involved in the planning process so that their needs are catered for within the study area and in other small towns that want to adopt LED as a planning strategy.

The skills shortage in Pongola is another issue that needs attention to address unemployment problems in the area. A community centre and a project centre, which includes technical education, manufacturing skills and marketing and sales should be provided so as to improve the skills base of people.

It is imperative to consider what the Reconstruction and Development Programme says with regard to programmes that must be undertaken to address inefficiencies of the past. These programmes are:

- meeting basic needs
- developing human resources
- building the economy
- democratising the state and society and
- implementing the RDP

(Reconstruction and Development Programme, 1994)

Although the RDP identifies these programmes as essential it again stresses the point that development is not about the delivery of goods to a passive

citizenry. It is about active involvement and growing empowerment. The RDP is also focused on our people's most immediate needs, and it relies, in turn, on their energies to drive the process of meeting these needs. Regardless of race or sex, or whether they are rural or urban, rich or poor, the people of South Africa must together shape their own future (RDP).

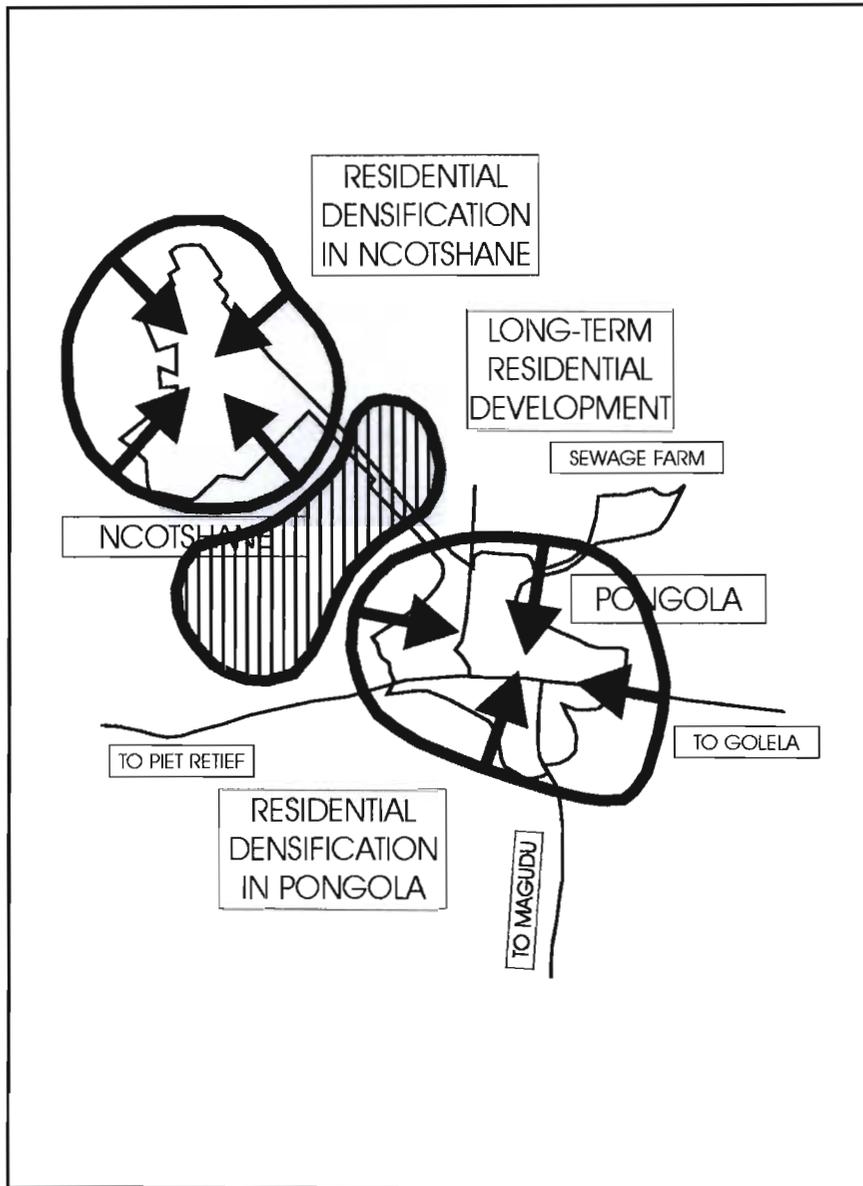
Public works programme is one way of providing infrastructural services in rural and peri-urban areas as well as urban informal settlements. Technical training and contractor development in public works programme should use labour intensive techniques. It is recommended that beneficiary communities participate at all levels of the planning and implementation of public works programmes (TASKGRO, 1993). This will ensure the maximum development gains for the community as members will receive technical, administrative and management training, and local contractors will be developed over the duration of the contract. As these civil construction contracts usually span up to five years or longer, there will be enormous potential for people to acquire and refine their skills. Thus the capacity of local people to administer services in their own areas and for contractors to operate as independent house-builders and maintenance contractors will be enhanced (TASKGRO, 1993).

The primary intention of such an approach is to ensure that development projects assist people to take greater control of their lives in the process of providing essential services to communities (TASKGRO, 1993).

## **5.7 SPATIAL INTEGRATION**

Dewar (1994) stresses that South African cities and towns are characterised by spatial fragmentation in racial terms, and also urban sprawl. What this does is to create environments that are difficult for local authorities to finance on a sustainable basis. The study area is spatially fragmented, with each of the three component areas far from each other. Since the study area consists of three geographical entities, planning and development should seek to integrate these areas. This reader will only focus on two components,

Figure 3: Spatial integration



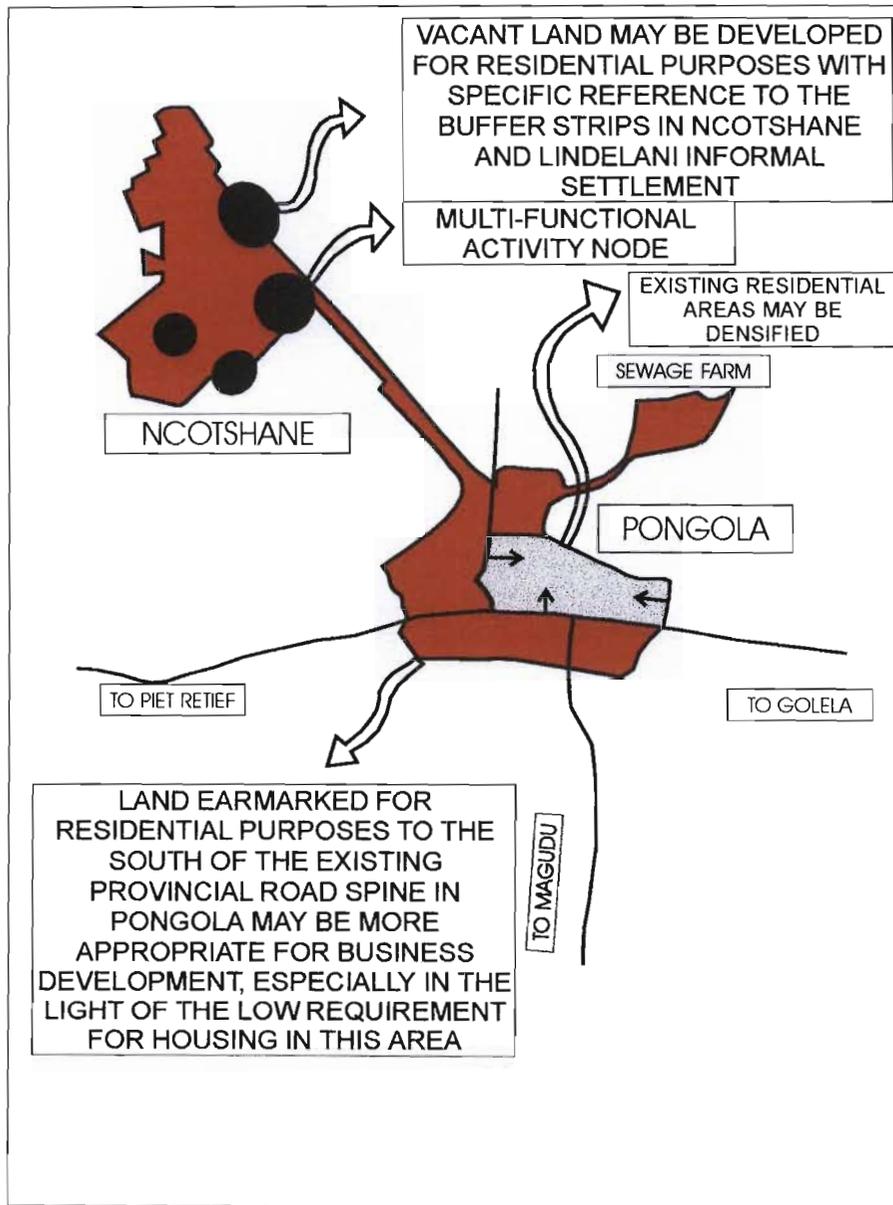
namely, Pongola and Ncotshane. The two components were planned in the same way as all apartheid cities were planned. In comparison, Pongola is more developed than Ncotshane, in terms of services although there are services that were identified as lacking in Pongola. All the weaknesses noted earlier on were identified in Ncotshane and addressing this problem will mean more money must be set aside for capital development.

The second main problem is with regard to linking the two separate components together as a step towards addressing this spatial mismatch created by apartheid planning. This is a problem in that it needs more money to be invested in development and it can take a very long time. In a small town like Pongola there is often not enough new development happening to make much progress in linking spatially separate areas. However, this does not mean that spatial fragmentation should not be addressed at all. Since the area is flat, more development investment wanting to locate in the town should be channelled along the road to Ncotshane and new housing in Ncotshane should be developed towards the town. This should be accompanied by densification in Ncotshane and in Pongola (Refer to figure 3: Spatial integration).

New shopping centres that want to locate in the town should also be channelled along the road to Ncotshane as opposed to locating along the N2 as is happening now, although this would not be appropriate for shops that tap the passing market. This will, in a way, help to address spatial fragmentation of these two separate component areas. The last problem that can prevent the spatial integration of Ncotshane and Pongola are the sugar cane fields, between the two residential areas, which are productive. Giving them up for urban development will not be easy as it will mean the loss of agricultural production.

Development should also aim to optimise the use of land in the study area, not only in respect of density but also with regard to the use of land for other

Figure 4: Optimal use of land



purposes than originally envisaged in terms of previous policies (Refer to figure 4: Optimal use of land). In this regard the following aspects are specifically relevant to the study area:

- land earmarked for residential purposes to the south of the existing provincial road spine in Pongola (N2) may be more appropriate for business development, especially in the light of the low demand for housing in this area (specifically Pongola Component).
- a multi-functional activity node may be developed in Ncotshane which implies that a single community centre facility may be used for a multiplicity of related purposes, optimising its use and eliminating unnecessary duplication and reducing unnecessary cost on the side of the TLC.
- Vacant land may be developed for residential purposes, with specific reference to the buffer strips in Ncotshane.

Existing residential areas may be densified through the provision of housing, with specific reference to Ncotshane and Pongola. This densification will promote improved utilisation of existing infrastructure without the requirement to duplicate facilities (Metroplan, 1997). Spatial integration should be considered a long term goal but, where possible, short term actions should be targeted to fulfil this goal.

Furthermore, planning and development requires more than a narrow focus on physical or spatial planning. Holistic, integrated and strategic planning ensures the co-ordinated provision and management of services, facilities and infrastructure. The spatial planning within the study area should be linked to the accommodation and tourism potential. Also, the need for social facilities in Ncotshane such as an integrated community centre, sport complex and post office must be linked to the spatial planning.

## **5.8 INSTITUTIONAL SYSTEM**

There needs to be a considerable change in the way South Africans have gone about their way of doing things. Local government is the key delivery

and co-ordinating agent for implementation of programmes that are targeted at meeting the basic needs advocated by the RDP. Currently, local authorities have many problems which include fragmentation, inefficiency and lack of citizen participation. New local government will have to strive to improve administrative, planning and implementation functions through the more efficient utilisation of resources. Local government should therefore be consolidated and strengthened as a crucial tier of government responsible for urban development (White Paper on Local Government, 1998).

Local authorities will need to become more responsive to the needs of all the communities they serve. To do this effectively, they need to establish user-friendly communication channels. In the past few years a fairly robust tradition of citizen participation was developed with civic associations, ratepayers and non-governmental organisations (NGOs) being the key role players. A healthy and co-operative style of participation needs to be developed where citizens can easily make their needs known, participate in planning and implementation and voice their concerns about service delivery. Local governments, in turn, will have to create clear channels of communication and respond to citizens in an efficient, open and transparent way.

The local authority has the primary responsibility of ensuring the delivery of services at community level within an agreed planning framework. In support of this, local authorities will be responsible for development and physical planning as well as the preparation of 5 year infrastructure investment programmes. The choice of service is a local decision subject to local affordability and national and provincial guidelines (White paper on Local Government, 1998).

In terms of the institutional system (TLC) in Pongola, one can say that it is still co-ordinated with the representatives of different components of the case study area (Pongola, Ncotshane and Illovo estate) working in the same office and the area is politically stable, unlike the case of Stutterheim where political

leaders were not working together prior the introduction of local development initiative through Stutterheim Development Forum (Nel, 1994). In Pongola such a politically stable atmosphere needs to be exploited to deliver services in an integrated fashion to improve the lives of people and thereby creating an enabling environment for all South Africans. The White Paper on Local Government notes that municipal councils have the following constitutional obligations;

- To encourage responsive and participatory democracy.
- To deliver its municipal responsibilities in the most effective and efficient manner.
- To redistribute financial and administrative resources.
- To attain financial and administrative viability.
- To promote social and economic development
- To create a safe and healthy environment.

(White Paper on Local Government, 1998, 79).

The main problem with the Pongola TLC is that it is understaffed, most people in the offices do not have the capacity and the knowledge of dealing with issues of poverty that exist in the area. It can be said that most municipalities at the scale of Pongola can only deal with the provision of infrastructural services. The TLC also needs to be transformed because it consists of the old staff members who might be unable to deal with the challenges that are brought by economic restructuring.

The White Paper on Local Government (1998) also helps municipalities by providing options that might be used to enhance service provision. But before choosing any delivery options for their areas, municipalities should be guided by the following principles: accessibility of services, affordability of services, quality of products and services, accountability for services, integrated development and services, sustainability of services, value-for-money, ensuring and promoting competitiveness of local commerce and industry and

promoting democracy. Delivery mechanisms that municipalities can consider include the following options:

- Building on existing capacity.
- Corporatisation.
- Public-public partnerships.
- Partnerships with CBOs and NGOs.
- Contracting out.
- Leases and concessions (public-private partnerships)
- Transfers of ownership (Privatisation) (White Paper on Local Government, 1998).

The Pongola TLC will have to be selective of what to use in which case in order to deliver the basic needs to the people in an integrated fashion.

**Table 8.1: Alternative Models for LED structures**

LED models	possible functions	Strength	Weakness
In planning and devt. Dept.	<ul style="list-style-type: none"> <li>• Economic devt. policy and projects</li> <li>• Reorientation of LA devt. programmes</li> </ul>	<ul style="list-style-type: none"> <li>• Integrates spatial and eco. planning. does both projects and devt. policy</li> </ul>	<ul style="list-style-type: none"> <li>• Looses focus on holistic picture of local economy</li> </ul>
In Economics Dept.	<ul style="list-style-type: none"> <li>• SMME and industrial devt.</li> <li>• Economic policy and projects</li> </ul>	<ul style="list-style-type: none"> <li>• Clearly defined function expedites action</li> </ul>	<ul style="list-style-type: none"> <li>• Clearly defined function inhibits broad devt. role in LA</li> </ul>
LED Unit as Strategic Centre	<ul style="list-style-type: none"> <li>• Broad strategic support on development to leadership of LA</li> </ul>	<ul style="list-style-type: none"> <li>• LED is driven as a cross cutting developmental philosophy</li> </ul>	<ul style="list-style-type: none"> <li>• LED unit and LED is marginalised by line departments</li> </ul>
No LED Unit	<ul style="list-style-type: none"> <li>• Leadership sets LA agenda without LED Unit</li> </ul>	<ul style="list-style-type: none"> <li>• LED is a cross cutting developmental Philosophy</li> </ul>	<ul style="list-style-type: none"> <li>• LED is not driven</li> </ul>
Government Supported Agony	<ul style="list-style-type: none"> <li>• SMME, project facilitation and/or investment promotion</li> </ul>	<ul style="list-style-type: none"> <li>• Focused and outside the bureaucracy-gets things done</li> <li>• Focus on implementation</li> </ul>	<ul style="list-style-type: none"> <li>• Has no impact on policy direction and work of the LA</li> </ul>

Source: Friedrich Ebert Stiftung, (1998).

The table above demonstrates an alternative models for LED structures within local government. But within Pongola capacity problems are such that it is impossible to form a separate unit for LED. What needs to happen is that the LED function should be incorporated within a line function department (e.g. Physical planning).

## **5.9 CONCLUSION**

This chapter has made an attempt to assess what is happening in Pongola in terms of the principles of Local Economic Development. The main development concerns that have been raised in the above discussion include provision of social services and infrastructural services to the people to release their productive potential. Spatial integration has been proposed as a long term development proposal that must be undertaken to link Ncotshane and Pongola. This development proposal is aimed at redressing spatial fragmentation which was inherited from the apartheid planning process. The Land Policy document has been used as a measure to guide and explain what the Land Reform Programme means to the people that were previously disadvantaged in terms of accessing land. As this Land Reform Programme in Pongola means new farmers in the growing of sugar-cane, this has been seen as an opportunity that will increase sugar-cane productivity in the area. The White Paper on Local Government has been used to explain and guide the procedure that the Pongola TLC has to follow when delivering services to the people.

Pongola has been shown to be a small town almost entirely linked to the agricultural sector. On its own the Local Council will be able to do little to create jobs and develop the economy but some processes that are underway like the introduction of new African farmers in the production of sugar-cane, the construction of the new dam, good relationship with farmers and available labour is more likely to contribute to economic growth.

## **CHAPTER SIX; CONCLUSION AND POLICY RECOMMENDATIONS**

### **6.1 SUMMARY**

This chapter aims at bringing the different parts of this reader together in a form of a summary and thereafter provide policy recommendations. This reader has been concerned with mainly rural development which needs to address problems that small towns are facing in South Africa. These problems that exist in small towns relate to broader processes, for example, globalisation, economic restructuring and agricultural restructuring. Small towns in South Africa have responded to these processes in different ways have used local economic development. These towns include Bergville, Stutterheim, Kei Road, Paulpietersburg and Vryheid.

Globalisation has created uneven development whereby some regions/ towns have more economic growth while others are faced with great economic decline. This has forced regions and cities to respond with bottom-up strategies to develop their localities and create new employment opportunities. The globalisation process has been associated with the declining power of national government to control multinational money flows. This has seen the emergence of the locality as a contemporary phenomenon to address problems that exist in each region or city.

Economic restructuring as one of the processes of globalisation has also been discussed. Restructuring has allowed capitalist firm to become footloose and locating to those areas which offer sites at cheaper rates and where there is ununionised labour. This process, as suggested by Fainstein and Fainstein (1989), is not a new process at all. According to Fainstein and Fainstein (1989) this tendency of the capitalist firm to seek new locations with lower production cost has characterised society since the beginning of the 17th century. This tendency is the main cause of uneven development within regions and cities. Smaller towns are also affected in the same manner as regions and cities. Pongola does not exist in isolation as economic restructuring is affecting the bigger cities, for example, Durban, Johannesburg

and Cape town and other towns. Job losses as a result of retrenchment in metropolitan areas mentioned above means that more people are dumped in Pongola and other towns and this increases the number of people that are unemployed.

Agricultural restructuring has also been discussed as a major cause of unemployment. Generally, in the rural areas of KwaZulu-Natal, this sector is the largest employer of black labour and as restructuring affects agriculture more unemployed people will be found in rural areas. In Pongola, sugar-cane is doing well and issues of agricultural restructuring are not of immediate importance. It is not really possible to analyse what Marcus and De Klerk (1989) are arguing in terms of land concentration and concentration of capital since data that is crucial in the analysis is not available.

## **6.2 POLICY RECOMMENDATIONS**

Development in the new political order must concentrate on small towns since these are serving larger populations, and lack infrastructure. The development of small towns can play an important role in managing urbanisation and in servicing rural areas. Dewar (1994) has emphasised that small towns' development challenges are three fold; economic, social and urban reconstruction. Spatial fragmentation is the main challenge that needs to be addressed in the spatial arena.

The case study area, Pongola, is spatially fragmented with the three components (Ncotshane, Illovo and Pongola) far apart from each other, and causing the TLC problems in terms of financing these on a sustainable basis. This spatial mismatch needs to be addressed especially between Pongola and Ncotshane. Since the area is flat such development is physically possible. However, it is unlikely that there will be sufficient development to achieve meaningful integration in the foreseeable future. Short term interventions should focus primarily around provision of services and infrastructure in Ncotshane. Ncotshane is faced with massive backlog in

terms of infrastructure and services and even housing. Gravel roads exist in this township, and there is no post office and no police station. Local economic development stresses the provision of infrastructure as one of the ways of unlocking the productive potential of people.

It has been alluded to in earlier sections of this reader that most rural areas have high levels of unemployment, far in excess of those in urban areas. Given a lack of capacity and resources in such areas, the scope for self-initiated development is limited. Where development has occurred it has been as a result of either the presence of unusual talented and resourceful local leaders like in the case of Stutterheim, where it was the communities that realised the need to call the support and advice of an external agency. In some of the other case studies of local economic development that have been outlined earlier noted success where resourceful, acceptable NGOs played a critical role in promoting LED (e.g. Eyethu in Kei Road)

In order for LED to be successful in rural areas, especially in those areas characterised by previously disempowered communities, issues of access to land and land tenure systems should be considered as serious impediments to development which should be addressed by the affected communities. Low skill levels, shortage of funds for development and resources are also issues that were noted by most respondents in most of the case studies of LED. Appropriate rural and agricultural development strategies like community gardens, agricultural co-operatives, farmer support programmes and periodic markets must be considered since they all rely on using local resources.

All the successful case studies, like Stutterheim, noted that the community was active and took the lead in the planning process. What this means to other small towns that want to adopt this planning strategy is to involve the host community in the control, planning and implementation of development strategies. Such strategies must have a practical orientation and address community needs in a practical, feasible and realistic manner. Women's

needs should also be prioritised and they should also be involved in the planning process, since most of these development facilities are used by them in most rural towns. A clear need exists to assist destitute communities in a variety of key LED related areas and these should include:

- exposure to key features and potential of LED;
- support for NGOs which have the capacity to work with and empower communities;
- training of community leaders in community leadership, LED and financial management;
- encouraging rural-urban linkages and agricultural capacity through links with the agricultural advisors and support for agro-industry; and
- financial support for small business through the provision of advice and assistance, loans, grants and loan guarantees.

Some case studies also show us that local government institutions (TLCs) have only been involved with one aspect of LED that of providing infrastructure for example the case of Bergville. Though this suggest a way forward, there is a need for local authorities to develop strategies with the community that are locally adaptive to the economic situation in their localities.

LED stresses the need for local government to intervene in improving the local environment for people to be productive. The case studies, as noted earlier on, show that local government do not have the capacity, resources and the personnel to develop and implement LED strategies for the benefit of their localities. This then needs a revised role of national government in the country. The role of the state as noted earlier on should include the following roles: as a source of funding for leverage of private sector contributions, bulk provision of services and infrastructure, co-ordinating and integrating planning on a district and on a regional level and identifying and ameliorating the negative impacts of this type of development.

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## **APPENDICES**

### **APPENDIX 1: MAPS USED**

Figure 1. Pongola in the Regional context

Figure 2. Redressing imbalances

Figure 3. Spatial integration

Figure 4. Optimal use of land

## **APPENDIX 2: KEY INFORMANTS GUIDING QUESTION**

### **THE TOWN CLERK OF PONGOLA**

1. Name of the interviewee
2. Duration in the position
3. What is the economic base of the town and do you think this might change over time?
4. What could be done to enhance this economic base?
5. What problems do you think are affect the economic base?
6. Do you consider government intervention as fruitful in this context?
7. How are employment opportunities in the town, what could be done to improve the situation?
8. How is the level of skilled people in this area, what do you think must be done to improve the level of skills of the local population to make them productive?
9. What is the relation of the town to the rural/ regional economy?
10. Is the town's location in relation to other big cities and towns in the country a major problem or an advantage that could be used and why?
11. What are your perceptions of local economic development approach?
12. What do you think would help local economic development? (what resources does the area have)
13. How do you think those problems could be addressed?
14. What local development initiatives are there in the area?
15. What is your vision for Pongola?
16. What role can community play in development in the area?
17. What restricts community's contribution to the development process?
18. What are the key environmental problems in the area?
19. How do you think these problems should be tackled?
20. What services are available in the area? health facilities, schools, water, sanitation, electricity.
21. What services do you think need to be improved and why?

**Those asked of the two companies (sugar mill and cotton company)**

1. Name of the interviewee
2. Name of company
3. What attracted you to locate in this area?
4. How long have you been in this area?
5. Where are your customers both existing and potential?
6. Is your company succeeding in terms of achieving your goals?
7. What problems do you experience when running your company? which ones can be solved locally?
8. What would be your comment on the level of skills in the area? How can it be solved?
9. What are the strengths and weaknesses of Pongola?
10. Is trading with markets in Swaziland an option that can open up your opportunities?
11. What relationship exists between you and your suppliers ( farmers )?
12. What contribution does your company put in terms of developing the town?
13. What would you say about the future of the town?

**Those asked of a representative of farmers**

1. Name of interviewee
2. Sugar-cane seems to be the main crop grown by almost all the farmers here in Pongola, would you agree to this statement? Which other things are grown here in Pongola which could be competing at the same level as sugar-cane?
3. How many sugar-cane growers/ farmers are found in Pongola and their farm sizes generally?
4. How many farmers have migrated from this area to other areas and vice versa? What reason could be given for this trend?
5. If there were opportunities elsewhere would you leave your farm and settle elsewhere? Why?

6. How does Pongola's output from sugar-cane growing rate with that in other districts? what factors could be attributed to this?

7. Do you receive any subsidy from government?

8. Generally in terms of productivity on everything that is grown in this area how would you rate it?

Crop type	Rating		
sugar-cane	High	Average	Low
fruits	High	Average	Low
Vegetables	High	Average	Low

9. What major problems do you experience as cane growers? Can some of these problems be addressed locally?

10. What specific problems do you experience in relation to pastoral farming?

11. How do you see the future of the town Mongolia?

**Those asked of different businesses (30 businesses)**

1. Name of the interviewee

2. Name of business

3. How long has this business been in the area?

4. How is your business doing in Pongola? Trends over the last five years?

5. What are the problems that you sometimes face as a business in such a small town?

6. How do you think these problems must be solved?

7. If there were options offered to you elsewhere would you give up this location to locate elsewhere?

8. What would be your comment on the linkages with other cities and towns in the country?

9. What contribution does your business make to the community?

10. What would you say about the future of the town (anticipate growth or decline)?

**Questionnaire Survey for different shoppers in Pongola**

1. Which area do you come from? i.e. Ncotshane, Swaziland, Illovo etc.

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2. How long have you been in this area / town ? Where were you before?  
Why did you move? (only for those in Pongola)

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3. How often do you do your shopping in Pongola? Where else do you shop?  
How often? What do you buy in Pongola? What do you buy elsewhere?

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4. What are the problems with shopping in Pongola? What are the advantages?

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5. How many members are there in your family of working age?

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6. How many are employed i.e. male Vs female? Where are they employed?

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7. How many are unemployed i.e. male Vs female within 18-64 years age limit?

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8. What are the good things about Pongola?

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9. What are the key problems in the Pongola area? e.g. shortages

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10. How do you think those problems should be solved?

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11. What development projects do you know about in the area?

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12. What development should occur in Pongola?

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13. What do you think could help development in Pongola?

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14. What is the current economic / job situation in the area? i.e. increasing, decreasing, stable.

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15. What do you think are the most important industries in Pongola?

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16. Does business help in community development?

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