

SECONDARY CITIES AND ECONOMIC DEVELOPMENT IN SOUTH AFRICA

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Acknowledgments

The assistance of the many individuals and institutions in the sample of case studies is gratefully acknowledged. A full list appears in Appendix B. Fellingeng Mahlatsi and Viloshnee Reddy provided efficient research support.

EXECUTIVE SUMMARY

The key questions that are addressed in this report are the following. First, given the distorted pattern of economic development in South Africa, how do we exploit more fully the economic potential of smaller towns and cities? Second, and related to the first, how can productive work and a good quality of life be provided for the many poor in secondary cities and small towns.

This project examines the potential for economic development in secondary cities in South Africa through a study of a sample of six such cities or towns. The sample comprises the following towns: Umtata (Eastern Cape); Welkom (Free State); Witbank (Mpumalanga); Upington (Northern Cape); Newcastle (KwaZulu-Natal); and Stellenbosch (Western Cape).

Cities, especially large ones, can play a significant role in economic development. As economies develop, urban areas increase their share of national output largely because the growth sectors of the economy (usually manufacturing and services) are concentrated in cities. Moreover, cities benefit from agglomeration economies, ample markets, better transport networks and other infrastructure, and the more intense generation and diffusion of knowledge.

These benefits are not present in or available to secondary cities and towns which are invariably characterized by smaller populations, a less diversified economic base (usually one or two dominant economic activities), and a less-well developed infrastructure. Nevertheless, secondary cities across the developing world are witnessing growing populations because of rural-urban migration. They are often the first destination of the thousands of people escaping the chronic poverty of the rural areas. This increased migration is manifesting itself in increasing densities and the growth of informal settlements. While the increased migration to the secondary cities (evident in South Africa as well) places a heavy burden on the cities themselves particularly in terms of social service and infrastructure provision, it also has clear benefits and implications for raising the potential for economic growth and development. First, population increase implies a potentially growing market especially if employment is generated. Second, given migration, there is an increased connectivity between urban and rural areas. This has the potential to increase the catchment areas for economic activity and the potential returns to economic endeavour.

Secondary Cities in South Africa: Socio-Economic Issues and Challenges

The sample data shows that all the towns, with the exception of Stellenbosch, are in a state of economic decline and have been so for at least the past decade. There are several reasons for this state of economic stagnation:

- a. A decline in primary sector activity (agriculture and mining) as well as capital intensification of these sectors, especially in Newcastle, Witbank, Welkom, and Upington;
- b. A decline of the manufacturing base, primarily as a result of a fall in competitiveness (Newcastle);
- c. The demise of the former Transkei government (Umtata); and
- d. Changes in government policy post-1994 (e.g. Newcastle).

The key development challenges in the sample of secondary cities are the following:

1. High levels of unemployment and poverty
2. Low levels of economic activity
3. Backlogs in infrastructure provision especially in housing, and water and sanitation
4. Education and skills development; and
5. The urgent need for small business development

These issues of chronic poverty and unemployment, job creation, infrastructure provision, small business development, and education and skills development are probably true for the majority, if not all, of secondary cities and towns in South Africa.

Local Economic Development

Key features of actual LED practices in secondary cities are the following. First, all towns in this sample have well thought-out Integrated Development Plans (IDPs) and development strategies. However, the extent to which all of them are able to implement them is severely

constrained by a lack of human and financial resources in the municipality. Moreover, the IDPs suffer from a lack of prioritization, which further encourages the notion that they are nothing but 'wish-lists'.

Second, the extent to which LED and IDPs reflect the priorities of the province on the one hand, and the provincial growth and development strategies reflect the priorities of the municipalities on the other, varies. Welkom represents an excellent example of an IDP 'feeding upwards' into the provincial development plan. In KwaZulu-Natal on the other hand, there is virtually no connection between the Newcastle IDP and the KZN growth and development strategy. Furthermore, municipalities and their district counterparts have by and large, not yet defined their respective roles with regard to LED, both in terms of planning and implementation. A sense of 'competition' rather than 'cooperation' appears to characterize the position of the local municipalities as regards the districts.

Third, even where the LED plans of the municipalities are reflected in the provincial plan, there are no guarantees that the plans of the former will actually be implemented. This is evident again in Welkom where little progress has been made in implementing the town's five sector strategy.

Fourth, LED is defined in an extremely narrow sense by many municipalities and towns. There is a tendency to see LED for instance, as separate from infrastructure provision. So municipalities are often structured in terms of housing, water and sanitation, refuse removal, parks, and LED directorates. The consequence of this stratification is to dilute the role of LED and its poverty-reducing and employment creation roles. It is seen as something separate from the other activities of the municipality. A more appropriate approach would be to have all of these 'development activities' subsumed under the broad category of LED. The fact that this does not happen at the present time is reflected in the marginalisation of LED activities within many councils. In some instances, LED responsibility is devolved to one person.

Finally, a feature of the development strategies also is the recognition that the municipality itself cannot implement strategies to foster economic growth and development. It can provide an enabling environment for growth and development to occur. The participation of the business sector and civil society formations is the key to policy implementation. The Tourism Strategy of the //Khara Hais Municipality provides a good illustration of the potential for public-private partnerships in local economic development.

Strategies

Many secondary cities in South Africa face structural impediments that have made it very difficult to achieve sustained economic growth. Thus it is no accident that they are characterised by economic decline accompanied by high levels of poverty and unemployment.

There is clearly a need for comprehensive, multi-sectoral strategies to achieve economic growth. Considering the different structural barriers facing towns, it is clear that each needs to pursue policies that make sense for its conditions.

Components of an appropriate development strategy could include all or some of the following:

- a) policies to promote labour-intensive manufacturing
- b) policies outside manufacturing, e.g. agriculture, tourism
- c) development of social capital
- d) investment in human capital
- e) promoting appropriate technology
- f) infrastructure for poverty reduction
- g) public works programmes
- h) small business development

Experience suggests that 'productive development' policies are required to prevent marginalisation in secondary cities. Elements of a productive development policy include financial policy, technology policy, human resource development, physical infrastructure development, and industrial organization and competition policy. They can form part of, but should not be simply equated with, a selective industrial policy.

Productive development policies are implemented as far as possible through private or mixed (both public and private) enterprise rather than pure public ownership. The key role of government is to harness the entrepreneurial drive which is the motor of the whole system, to support national development and poverty reduction. The government guides the process of capital accumulation and learning, but these policies are best developed and implemented through institutions that enable business perspectives to be incorporated, and through policies which channel activities and energies rather than limit them. Sectoral policies, for example, should arise from joint activity between the public and private

sectors which together formulate a vision and reach a consensus on the way in which support mechanisms should be tailored to particular sectors. These would cover such matters as what institutions are required to support the technological development of a specific sector, what are the collective requirements in terms of labour skills, and how financial resources can be ensured for the expansion of the sector.

The surest way to ensure that economic growth is more inclusive is through the wide distribution of assets, the expansion of productive employment, creating linkages that incorporate marginal sectors into the space of productivity growth, and greater balance between export promotion and import substitution.

There are at least two compelling reasons why we should not continue to allow our secondary cities and towns to stagnate and eventually die. The first is that they still contain a significant proportion of the country's population. Doing nothing to address the challenges of poverty, unemployment and general underdevelopment in these areas will accelerate the process of migration to the major cities and increase the already significant social and economic challenges that are prevalent there. Second, the development of the secondary cities represents an opportunity to address the broader challenges of small town and rural poverty given the increasing connectivity between the former and the latter.

However, the development of secondary cities is not the responsibility of the relevant municipalities alone. LED is a national responsibility and requires the full involvement of government at the national, provincial, district and municipal levels as well the participation of the private sector, civil society formations and the poor themselves.

Such an integrated strategy will require at the policy level, greater interaction between national and provincial governments and their counterparts at the municipal levels. Successful LED requires 'cooperative governance' in its fullest and broadest senses. At one level it may require national government to rethink how useful and appropriate some national policies may be in secondary cities and towns. This may well require revisiting some 'holy cow' legislation such as minimum wages and trade liberalization. At another level, it will require of provincial governments that they take seriously in their planning and implementation, municipalities' efforts in LED and integrated development planning.

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1. Introduction

Healthy, dynamic cities are an integral part of sustained economic growth. As countries develop, cities account for an ever-increasing share of national income. According to the World Bank, urban areas generate 55 per cent of gross national product (GNP) in low income countries, 73 per cent in middle income countries and 85 per cent in high income countries. The growth sectors of the economy – manufacturing and services – are usually concentrated in cities, where they benefit from agglomeration economies and ample markets for inputs, outputs and labour and where ideas and knowledge are rapidly diffused. South Africa is precisely in that phase of development where manufacturing and services should account for an increasing proportion of national income and the way that cities and other urban areas manage development including the arrival of industries, will go far in determining the rate of national economic growth and development.

Agglomeration of economic activities in cities and towns bring many benefits including economies of scale and scope, localization economies (benefits that derive from firms locating close to firms in the same industries) and urbanization economies (benefits that derive from proximity to many different economic actors), and less vulnerability to economic fluctuations because of their diversified economic base (World Bank, 2001).

The pattern of economic development in South Africa has been distorted by the disproportionate location of economic activity in a few metropolises, namely, Johannesburg-Pretoria, Cape Town, Durban-Pietermaritzburg and Port Elizabeth. This has often meant that the economic potential of many smaller cities and towns has not been fully exploited.

The key questions that are addressed here are the following. First, given this distorted pattern of economic development in South Africa, how do we exploit more fully the economic potential of smaller towns and cities? Second, and related to the first, how can productive work and a good quality of life be provided for the many poor in secondary cities and small towns?

Section 2 describes briefly the methodology employed in this study and the tasks that were identified in the scope of work. Section 3 draws from international literature in describing the role of cities in general and

secondary cities in particular, in economic development. Section 4 describes the socio-economic status of the chosen sample of towns and identifies the problems and challenges. Section 5 examines the role of local government in economic development. Section 6 suggests some strategies to address these challenges while section 7 concludes with a plea for 'productive development' policies to prevent the marginalisation of secondary cities.

2. Methodology

This project examines the potential for economic development in secondary cities in South Africa through a study of a sample of six such cities or towns. The sample comprises the following towns:

- Umtata in the Eastern Cape
- Welkom in the Free State
- Witbank in Mpumalanga
- Upington in the Northern Cape
- Newcastle in KwaZulu-Natal, and
- Stellenbosch in the Western Cape.

In each of these towns, interviews were conducted with municipal managers or their colleagues responsible for local economic development, councillors, and civil society stakeholders.

The study also analysed data from Census 2001 for each of the municipalities in which these towns are located. This data is analysed in section 4 and listed in Appendix A.

From the scope of work the following tasks were identified:

- Task 1: Review of the international experience and literature on the role of secondary cities in economic development.
- Task 2: Defining urban poverty and economic development in the chosen sample of secondary cities.
- Task 3: Identifying the linkages between secondary city economies and their regional economies.

- Task 4: Devising strategic approaches to growing and maintaining secondary city economies.
- Task 5: Evaluating different forms of economic development support activities with a view to understanding their impact and relevance.
- Task 6: Assessing the impact of economic development initiatives by national departments on secondary cities.

The structure of this report does not follow the pattern of the tasks identified above. However, all of these issues are addressed in the sections that follow.

3. Secondary Cities and Economic Development

In this report the term 'secondary cities' refers to the larger towns in South Africa. This section examines the international literature with respect to the role of cities in general, and secondary cities in particular, in economic development. This section draws heavily on the recent World Development Report (World Bank, 2003) and the Human Development Report (UNDP, 2003).

Urban areas are expected to grow significantly in the next few decades. It is expected that the number of urban residents in developing countries and countries in economic transition will almost double through a combination of rural-to-urban migration, natural population increases in cities, and reclassification of adjacent rural areas as urban areas. This growth of urban areas will require physical expansion of the urban periphery as well as redevelopment and densification within cities (World Bank, 2003).

There is substantial evidence that the increase in the share of national populations that will be living in urban areas (cities and towns) is one of the main forces of social and economic transformation. The massive new investment in the capital stock of cities and towns required for the increase in the urban population will be critical to development and environmental outcomes.

Some key urban development challenges are anticipating urban growth and guiding new settlements to prevent future slums, empowering the poor and excluded by providing access to assets (security of tenure), stimulating urban investment and job creation, and building informed

constituencies to address environmental and social issues and anticipate risks. Institutions for urban governance need to link informal networks of social capital to formal structures so that together they can address the increasing scale and complexity of environmental and social assets in cities, while promoting a well-integrated labour market and improvements in the investment climate.

As countries move from poverty to affluence, the required growth in productivity involves a shift from heavy dependence on agriculture as a primary source of employment and income to nonagricultural activities that do not make intensive use of land. This is generally accompanied by a major shift in population from rural to urban areas. Indeed, the most important socioeconomic and cultural transformation over the past 150 years has been the transformation of relatively closed, exclusive, custom-based rural societies into relatively open, inclusive, innovation-oriented urban societies.

Increasing densities in towns and cities, and the greater connectivity between cities, as well as between urban and rural areas, increases the catchment area of markets, and the returns to economic endeavour. If managed well, this transformation enables the emergence of new activities and productive job opportunities (UNDP, 2003). Towns, as market centers for a rural hinterland, start the process of creating economies of scale for non-agricultural activities. Urban society also permits the spreading of risks over larger numbers of people and activities. Knowledge flows more readily, through increased opportunities for face-to-face contacts among various actors. And the need to accommodate diverse views and meet rapidly changing challenges stimulates innovation and new applications of technology. As a result these cities and towns become incubators of new values – among them, risk taking and innovation (World Bank, 2003).

Cities, both large and secondary ones, face a formidable undertaking, given the expected rapid rate of growth and sheer numbers of urban residents to be employed, housed, and serviced. The characteristics of peri-urban settlements, towns, cities and megacities – higher density, large scale of settlement, and greater social diversity – facilitate the creation of productive employment opportunities, efficient provision of services, and access to ideas and learning. But having many people at close quarters also creates the potential for social problems – crime and social dislocation – and for environmental spillovers that pose health and safety hazards, especially for those living in neighbourhoods without sanitation or drainage and in potential disaster zones. The long life of urban physical capital stock

can lock in certain development paths, making changes costly. If managed well, urban areas can be the future engines of growth. If not, their environmental and social problems will be concentrated and difficult to fix (World Bank, 2003).

The development of urban areas will have to be better coordinated with the development of rural areas by providing markets for rural products, by subcontracting activities to expand non-farm rural employment, and by helping rural migrants adapt more rapidly to city life. Cities and towns facilitate society's transformations in knowledge, institutions, and economic activity. By bringing together diverse people and activities, urban areas offer great opportunities for improving the quality of life – especially for poor people and for migrants from rural areas – they need stronger institutions to provide wide access to assets and to balance interests that ensure the provision of public goods.

Across cities in all regions of the world there is evidence that the potential benefits, both individual and collective, are not being fully realized, and are clouded instead by many problems. The inadequate provision of jobs, housing and other goods and services stems from imperfections in markets and policies. For many environmental and social concerns, markets cannot provide the coordination needed to reveal interests and minimize transaction costs. In many countries institutional failures mean that markets are less effective than they could be, while alternative solutions and innovative uses of market instruments to address the threats to sustainable development are inadequately developed (World Bank, 2003).

What enables urban areas to promote change and improved quality of life is their scale and density – and their social and economic diversity. Proximity and heterogeneity make urban areas mechanisms for knowledge and learning, for productivity and market development, and for improved choice and quality of services. (World Bank, 2003).

The sources of urban productivity vary. Urban employment and services benefit from the economies of agglomeration – from cost savings and other advantages that accrue to firms when they locate near others in the same industry, or simply near other economic activities to share markets, services, infrastructure, labour and information. (World Bank, 2003). The productivity advantage means that urban investment has strong multiplier effects in stimulating other high-value activities. The benefits extend to

rural areas, which need access to urban markets to expand and diversify both farm and non-farm production.

As a rule, larger urban areas are the most productive since they allow for greater specialization in labour use, better matching of skills and jobs, and a wider array of consumption choices for workers and ancillary services for producers. As long as this greater productivity outweighs higher costs for land, labour, housing and other necessities, the city can thrive. Once the diseconomies become too great, larger cities may lose their edge in creating jobs or improving the welfare of residents, unless they can shed some activities (those that are more mature and standardized) to smaller cities to make room for others (more innovative and higher value industry and services) and change land uses.

For cities to fulfill their potential as engines of economic growth, they need to ensure that the labour market is not only deep but well integrated and inclusive – with accessible workplaces and residences (World Bank, 2003). A city can improve its investment climate. However, cities in general can only improve the national investment climate if their overall legal and regulatory framework complements the national framework to minimize risks, uncertainties, and transaction costs to investors. This is especially important for small and informal sector enterprises, which provide most urban employment, rely more heavily on publicly provided infrastructure and information, and are particularly vulnerable to institutional and policy failures.

Urban employment and services benefit from the economies of agglomeration; from cost savings and other advantages that accrue to firms when they locate near others in the same industry or simply near other economic activities to share markets, services, infrastructure, labour and information. The productivity advantage means that urban investment has strong multiplier effects in stimulating other high-value activities. As such, as towns reconstruct and develop, they may not scatter activities of the same kind. The greater scope of competition and specialization in all goods and services enables urban areas to provide consumer benefits in the form of greater choice and quality. The advantage is especially important for services with high fixed costs, such as education and health services, since this means increasing returns to scale. This is also a challenge for the urban municipalities; to encourage investment and create an enabling environment for growth and development.

In sum, it is clear then why cities, especially large ones, can play a significant role in economic development. As economies develop, urban areas increase their share of national output largely because the growth sectors of the economy (usually manufacturing and services) are concentrated in cities. Moreover cities benefit from agglomeration economies, ample markets, better transport networks and other infrastructure, and the more intense generation and diffusion of knowledge. Agglomeration economies in cities derive from economies of scale and scope, from localization economies, from urbanization economies, and from the fact that given the diversified economic base of large cities, they are less vulnerable to economic fluctuations.

These benefits are not present in or available to secondary cities and towns which are invariably characterized by smaller populations, a less diversified economic base (usually one or two dominant economic activities), and a less-well developed infrastructure. Nevertheless, secondary cities across the developing world are witnessing growing populations because of rural-urban migration. They are often the first destination of the thousands of people escaping the chronic poverty of the rural areas. This increased migration is manifesting itself in increasing densities and the growth of informal settlements. While the increased migration to the secondary cities (evident in South Africa as well) places a heavy burden on the cities themselves, particularly in terms of social service and infrastructure provision, it also has clear benefits and implications for raising the potential for economic growth and development. First, population increase implies a potentially growing market especially if employment is generated. Second, given migration, there is an increased connectivity between urban and rural areas. This has the potential to increase the catchment areas for economic activity and the potential returns to economic endeavour.

4. Secondary Cities in South Africa: Socio-Economic Issues and Challenges

Appendix A provides summaries of Census 2001 socio-economic data for the six towns in the sample chosen for this study. What this data reveals is that all the towns, with the exception of Stellenbosch, are in a state of economic decline and have been so for at least the past decade. There are several reasons for this state of economic stagnation:

- a. a decline in primary sector activity (agriculture and mining) as well as capital intensification of these sectors, especially in Newcastle, Witbank, Welkom, and Upington;
- b. a decline of the manufacturing base, primarily as a result of a fall in competitiveness (Newcastle);
- c. the demise of the former Transkei government (Umtata); and
- d. changes in government policy post-1994 (e.g. Newcastle) – see Box 1.

Like many secondary cities, most in South Africa have been dominated historically by primary sector activities, usually agriculture or mining. This has been a defining characteristic of five of the towns in this sample: Welkom, Witbank (mining); Upington and Stellenbosch (agriculture); Newcastle (mining and agriculture). Umtata on the other hand, formed part of a region characterized historically by subsistence agriculture. However, it was also a region that provided a significant proportion of the labour to the gold mining industry and so was directly affected by developments in that sector during the 1980s and 1990s.

A second feature of the sample towns (and of secondary cities in general in South Africa) has been their general inability to diversify their economic base in the face of a general and consistent decline in primary sector activities. In the sample case study, Stellenbosch and Newcastle are examples (and probably exceptions as well in the South African context) of where such diversification in fact has been achieved over the last few decades. The success of Stellenbosch in terms of its ability to diversify particularly into the agribusiness, tourism and service sectors has undoubtedly been influenced by its proximity to and integration with the greater Cape Town metropole area. Newcastle on the other hand, was able to develop a productive industrial base beginning in the 1970s. However, this industrial base is now in serious decline for a number of reasons, not least of which is the exposure to international competition since 1994 as a result of increased liberalization in line with South Africa's commitment to the World Trade Organisation (WTO).

In the case of towns where mining has been such a dominant activity (Welkom and Witbank), there has been a general lack of foresight and planning on the part of both provincial and national governments to develop alternative strategies and provide appropriate incentives for growth and development in these areas.

Box 1: The Rise and Fall of Newcastle, 1969-2003

The population of Newcastle and the surrounding areas during 1969 was approximately 6 000. The then government announced the establishment of the 3rd Iscor Steel works as part of its decentralization and homelands policy. The central, provincial and local governments invested large sums of money to cater for this establishment and to provide sufficient infrastructure to cater for the then envisaged 2nd and 3rd phase development of Iscor. The official forecast made by Iscor was that by the year 2000 it would have employed approximately 22 000 people.

Based on these forecasts a number of other companies in South Africa also decided to relocate to Newcastle and a new industrial estate was established for this influx of about 50 factories.

This new industrial estate was in the process of being proclaimed when the then Railways and Harbours expropriated land for the new railway marshalling yard. This yard comprised a large portion of the proposed new industrial estate and 38 factories cancelled their agreements of sale as they were not prepared to wait any longer for land where they could establish their factories.

Based on expectations created by the establishment of the Iscor works and the Bantustan policy, a large influx of people took place to the Newcastle, Madadeni and Osizweni areas.

Government could not keep up with the construction of houses especially in Madadeni and Osizweni and this led to the development of the informal settlements of Blauwbosch, Cavan and Johstown.

During the late 1970s Iscor announced that it would no longer proceed with the 2nd and 3rd phases and in fact during the early 1980s Iscor privatized and large scale retrenchments took place (with employment falling from a high of 9 600 to about 3 000 today). To counteract this the council during the early 1980s embarked on an industrial promotion exercise both locally and abroad. The 1980s, however, saw increased pressure for sanctions, and Newcastle was successful only in attracting investment from Hong Kong and Taiwan.

Post-1994: With re-admittance to the world economy – South Africa joined the World Trade Organization and signed the GATT agreement. It was therefore transformed overnight from a protectionist economy

which had implemented high import duties to protect local and strategic industries to a more open economy. This led to a number of factories needing to restructure themselves and during this process, a large number of jobs were lost.

A good example in Newcastle was the Karbochem synthetic rubber project regarded as a strategic industry and protected by the high duties placed on the import of natural rubber. This led to the retrenchment of 300 highly skilled and technical people during the late 1990s. The SA economy was also overnight opened to imports from countries such as China, Malaysia, India, Bangladesh and Korea where production costs are lower and productivity higher.

The social, political and economic situation in Newcastle: With the first local government elections held in 1995, the former areas of Newcastle, Madadeni and Osizweni merged to form one area. During 2000, a new municipality was formed which also incorporated Charlestown, Kibarchan, Ingagane and Ballengeich. The citizens of these newly incorporated areas are now expected to pay for services and demands are made to the local government to upgrade infrastructure and to provide essential services. Due to the recent closure of coalmines in this region and the retrenchments by Iscor and Spoornet this area is currently experiencing high unemployment.

Other threats (as seen by the municipality): labour legislation, particularly high minimum wages; lowering of import duties for eight SADC countries.

Result: factories moving back to China or neighbouring countries in Southern Africa where products are being manufactured and exported back to SA. Drastic reduction in tariffs in line with WTO regulations has led to factories closing down and being turned into factory shops that import finished goods and sell them in SA at lower cost than it would take to produce them. Result – further job losses.

Source: Newcastle Municipality

4.1. General Socio-Economic Characteristics

Unemployment and Poverty

All the towns with the exception of Stellenbosch have very high levels of unemployment. Unemployment rates range from a high of 57% in Umtata and 54% in Newcastle to 17% in Stellenbosch.

Table 1: Unemployment Rates in Secondary City Sample

Town	Unemployment Rate (%)
Newcastle	54
Stellenbosch	17
Umtata	57
Upington	35
Welkom	47
Witbank	38

Such high unemployment rates imply high and increasing levels of poverty. Even in Stellenbosch there appears to be a significant proportion of the population constituting the 'working poor' as evidenced by the high proportion of the citizenry reported to be seeking subsidies for water and electricity payments.

Infrastructure

The provision of infrastructure varies across the sample. The priorities appear to be the provision of housing, and water and sanitation. Huge backlogs exist with respect to the provision of housing in almost all areas. This is due to the fact that all of them are experiencing, in spite of economic stagnation, significant rates of migration from the rural areas.

Economic Activity

While there has been significant decline in primary sector activity in most of the towns in the sample, there has been very little diversification into other sectors such as manufacturing. There is no significant manufacturing base in any of these towns except Newcastle. This is cause for alarm for two reasons. First, given South Africa's level of development, manufacturing should comprise a significant core of economic activity.

Second, the international experience suggests that manufacturing should be a major component of economic activity in secondary cities. There is clearly a need for two types of manufacturing to be explored, by small businesses and by developing linkages with bigger South African companies and multinational companies in the major cities.

Tourism is seen by some of the towns especially Stellenbosch, Upington (see Box 7) and Newcastle as having the potential for expansion especially because of its labour-intensive capacity.

Social Services

In all of the towns in the sample, a large proportion of the population is young, between 40 and 50% of the population is aged 19 years or less. This implies that the demand for education and health services will remain high for the foreseeable future.

Skills

In all towns there is a relatively large proportion of the population in 'elementary occupations', namely unskilled workers. Skills development and upgrading would appear to be an urgent need, and a necessary condition for economic growth and development in these areas.

4.2. Specific Socio-Economic Characteristics

The following section provides some further socio-economic details for the six towns.

Stellenbosch

Of the six towns in the sample, Stellenbosch is relatively developed. It has a high proportion of its population with access to services (water and sanitation, electricity, refuse disposal, telephones).

Unemployment is relatively low at around 17%. The unemployment rate for females is higher (19%) compared to 16% for men.

The main economic sectors are agriculture (23% of the economically active population); community, social and personal services (17%); wholesale and retail trade (15%); and manufacturing (13%).

The population is relatively young with almost two-fifths in the age group 0-19. A large proportion of people is in elementary occupations (40%) – this implies that there could be a significant proportion of the population that could be regarded as ‘working poor’.

With respect to an economic strategy that would address the needs of the municipality, the growth areas are seen to be tourism and other services sub-sectors (such as financial, insurance). Tourism is seen as the main economic driver. Another component of the economic development strategy relates to attracting an increased number of corporate offices to relocate their head offices to Stellenbosch. The town has a particularly strong asset in its education institutions particularly the university and the Boland Further Education and Training (FET) College. It is ideally placed as a site for the further development of the technology-driven knowledge economy.

Khara Hais (Upington)

Unemployment is high at 35% in 2001, with the rate for women at 40%, and for men at 31%.

Access to basic services: Only 40% of the population has access to water inside the dwelling.

A high proportion has access to flush toilet (71%) and electricity (75%). There is relatively low access to phones in dwellings (around one third). About 25% of the population is not housed in formal structures, about 14% of them in informal/squatter settlements.

46% of the population is in the age group 0-19.

The main economic activity is agriculture, currently ownership is concentrated in a few hands. There is no manufacturing base at all. The municipality’s development strategy focuses on expanding the agriculture sector, especially for the previously disadvantaged, and tourism. There is some scope for public works programmes particularly in housing construction, ‘planned’ informal settlements, and road paving, which would benefit the large number of indigent households in the community.

Emalahleni (Witbank)

Witbank is located in the broader Emalahleni municipality. Unemployment is high at 38%. However infrastructure is relatively well-developed. Access to services: electricity around 70%; flush toilet ((70%); piped water inside dwelling (42%); refuse removal (63%).

The main industries are mining (23%); manufacturing (11%); wholesale and retail trade, and community, social and personal services (13% each). Retrenchments in the mining sector, the dominant economic activity, were substantial up to three years ago. The municipality's IDP focuses on expanding the industrial base but in practice this is likely to be difficult. Coal mining and electricity generation still account for more than 80% of economic activity. The town's assets are its relatively good infrastructure including those inherited from the mining industry and its educational institutions. However, the needs are great in terms of job creation (especially small business development) and housing.

Newcastle

Unemployment is very high at 54%, 52% among males and 56% among females.

Access to services: high proportion with access to electricity (84%); refuse disposal (71%); low access to telephones; piped water inside dwelling (58%).

Almost 50% of the population is aged 19 or less.

The main industries are manufacturing (26%); wholesale and retail trade (15%); and community, social and personal services (23%).

The main occupations are technicians and associate professionals (14%); craft and related trades workers (17%); plant and machine operators and assemblers (13%); and elementary occupations (24%).

Manufacturing is seen as having the potential to expand under the 'right conditions' of lower minimum wages and protection against unfair competition. The scope for small business development is recognized.

Matjhabeng (Welkom)

Unemployment is high at 46.5% with males 35% and females at 61%.

Access to services – telephones (27%); electricity (68%); refuse removal (77%); flush toilet (60%). Piped water inside (25%) and outside in yard (45%).

Housing needs are substantial. 48% of the population are in a house or brick structure but 31% are in informal dwelling or squatter settlements. With the decline of the mining sector, many unemployed migrant workers chose to remain in the area largely in squatter camps.

Forty per cent of the population is aged 19 or under.

The main industries are mining (32%); wholesale and retail trade (12%); and community, social and personal services (15%).

The main occupations are craft and related trade workers (22%); plant and machine operators and assemblers (13%); and elementary occupations (26%).

Approximately 120 000 jobs were lost in the mining industry in the area between 1990 and 1997. The industrialization process to compensate for the decline in the mining sector started in the early 1990s and was initially very successful. However, since 1994 there appears to be a 'moratorium' on economic activity in Welkom with banks reluctant to fund projects and a general lack of investor confidence.

The municipality has a well-thought-out development strategy covering five sectors (agriculture, distribution center comprising a freight airport, gold beneficiation, training and tourism) but it has received little support from the provincial government to commence the serious implementation of such a strategy.

Box 2: Local Economic Development in Matjhabeng

1. Mission Statement

Our broad mission is the successful management of the change from a predominantly mining economy to a well diversified, competitive and export driven economy based on five key sectors:

- Agricultural intensification and beneficiation
- Gold jewellery production (mass)
- Eco-tourism· Distribution, mainly freight
- Unique training and support centre

2. The Role of Local Authorities in economic growth

Through the Constitution and various Acts (Systems and Structures Act) the role of Local Government has changed dramatically and a more developmental role is now required from local authorities. Matjhabeng is very conscious of this new role and because of the prevailing economic circumstances facing Matjhabeng, has mainly through its IDP process firmly resolved to play a very strong role in ensuring its future growth and well-being.

It has already been indicated that the vision, mission and 11 priorities identified in the IDP process, indicates that all departments of the Council are aware of this new role, want to participate in achieving the stated objectives and will strive for ultimate success. Although not all the priority areas will directly contribute to economic growth, it will ensure a strong, conducive and enabling environment that will convince investors and developers that Matjhabeng has matured into a safe and well managed center of excellence where they can invest.

- A champion to drive the economic growth was created by putting together the Department of Economic Development and Spatial Planning. Within the Department, a Section 21 Company namely the Free State Goldfields Development Centre will exist to fulfil the developmental role by becoming a direct developer, creating own or serving on other Trusts and sourcing funds for development.
- The main duties of this dedicated structure are:
- Structuring and implementing relevant parts of the Integrated Development Plan;
- Strategic marketing of the development potential of the Matjhabeng region locally, nationally and internationally;

- Local Economic Development: Initiation, project identification and establishment as well as after care services;
- Networking with a vast number of role players, stakeholders, institutions and government;
- Initiating, structuring and implementing a comprehensive incentive package to approved applicants;
- Expansion and diversification of the local base;
- Initiating and implementing a sustainable SMME development and monitoring plan;
- Identification and accessing of external funding sources;
- Establishment of flagship projects to fast-track economic development;
- Finalising and establishing all other developmental projects in the region;
- Promoting and sustaining communication with the community, council and all investors;
- Orderly spatial planning initiatives to ensure timeous provision of enough serviced sites for all land uses;
- A developmentally orientated Land Utilisation Plan that will predominantly address the utilisation of redundant mining land and infrastructure in Matjhabeng;
- Drawing up of a uniform Town Planning Scheme to control land usage in an orderly fashion for all six towns in Matjhabeng;
- Manage the new structure on the principles laid down with good governance principles, both in terms of human resources and finances.

Source: FGF Development Centre, Welkom

King Sabata Dalindyebo (Umtata)

Unemployment is very high at 57% and evenly distributed amongst males and females.

Infrastructure is poorly developed. Access to services: telephone in dwelling (6%); electricity (42%); refuse removal (22%); flush toilet (22%); no toilets (44%). Piped water inside dwelling (9%); outside dwelling (15%).

55% of the population is aged 19 or less.

The main industries are community, social and personal services (39%); wholesale and retail trade (13%); and the main occupations are elementary occupations (24%); clerks (12%); technicians and associate professionals (15%); professionals (10%).

Umtata is located in the poorest province and in one of the most under-developed regions of the country. During the past decade its struggling economy has been further devastated by two developments: the demise of the Transkei Bantustan government, a major employer in the area, and the retrenchments in the gold mining industry which has seen the return of thousands of mineworkers to a life of unemployment and dependency. No effective strategy has yet been put in place to address the extremely high levels of poverty and unemployment in Umtata and its surrounding areas.

4.3. Challenges

In summary, the key development issues in the sample of secondary cities are the following:

- 1) High levels of unemployment and poverty
- 2) Low levels of economic activity
- 3) Backlogs in infrastructure provision especially in housing, and water and sanitation
- 4) Education and skills development; and
- 5) The urgent need for small business development

These issues of chronic poverty and unemployment, job creation, infrastructure provision, small business development, and education and skills development are probably true for the majority, if not all, of secondary cities and towns in South Africa.

5. The Role of Local Government in Economic Development

What is the developmental role of local government? As Parnell and Pieterse (2002) state, (t)he intervention of local governments in city economies is not new. In the United States, as the commercial elite displaced the old patrician class from the mid-19th century, civic promotion of economic growth through public investment and public works grew apace. By the mid-20th century, urban local authorities in developed

countries often provided physical infrastructure, serviced industrial sites, factories to rent, and social infrastructure such as training facilities or technical assistance. They also offered subsidized utilities or tax exemptions. In the late 20th century, there was a notable shift in urban governance from managerialism to entrepreneurialism.”

In South Africa, the Constitution makes local government responsible for the social and economic development of communities, and the government has subsequently emphasized the need to nurture a new culture of developmental local government.

LED is based on the central idea that local mobilization of actors and resources will build a convergence of interests around the competitive advantages of localities and build the capacity for the economic actors to take up economic opportunities (Hologram, 2003).

LED ideally should be pursued through market-oriented strategies that emphasise enterprise development, investment promotion and small business development. As infrastructure plays a leading role in investment maintenance and attraction, and because local areas are as important as regional areas in contributing to economic development, local government should also aim to invest in road infrastructure to enhance local investment. Sound service provision is essential to sustain local investment, hence local economic growth. Building regulations, trading regulations and pollution control are also key to local economic development. Accounting and financial reporting procedures should aim to minimize opportunities for corruption and malpractice. For success of LED strategies, stakeholders should be involved at each step of the way.

Parnell and Pieterse (2002) point out further that much of the LED literature fails to recognize the inherent limits of local initiatives. Firstly, LED that depends on attracting inward investment will face more intense competition than did some of the early success stories reported in the literature. Secondly, it is important that national government does not see developmental local government as a means of shifting responsibility. The limited financial and human capacity of many local authorities is an obvious constraint. For weaker authorities, more government assistance will be required if they are to build up strong economic bases enabling expansion from below through self-empowerment.

With the new democracy, the functions of local government were expanded to include poverty eradication, local economic development and

sustainable management of the environment. The institutionalized mechanism for local authorities achieving these responsibilities is the Integrated Development Plan (IDP). The IDP is a mechanism for both coordinating and integrating the numerous bits of a municipality's business.

The Municipal Systems Act (no.32 of 2000), together with the Local Government: Municipal Planning and Performance Management Regulations, 2001, sets out the core components of the IDPs, as well as the requirements for public participation in their drafting. The core requirements may be summarized as follows:

- A long term vision
- An assessment of the current level of development in the municipality
- Development priorities and objectives
- Development strategies
- A spatial development framework
- Operational strategies
- Applicable disaster management plans
- A financial plan
- Key performance indicators and performance targets

The Municipal Structures Act specifies a requirement of community participation in the IDP process, thus ensuring that all role-players and stakeholders have an opportunity to make inputs into issues directly affecting them. All local governments in the sample for this study have involved communities in designing their IDPs. In Newcastle, for instance, in order to achieve this, a Representative Forum, comprising members from the local government structures in the area, ward councillors, ward representatives, civic organisations and representation from the government sector departments and other service providers active in the area was established to provide input into the process. The Representative Forum has met regularly to provide input into the process and to comment on documentation emanating from the process.

An IDP is a process through which a municipality can establish a development plan for the short, medium, and long terms. It enables a municipality to:

- Assess the current reality in the municipal area, including economic, social and environmental trends, available resources, skills and capacities;
- Assess the varied needs of the community and different interest groups;
- Prioritise these needs in order of urgency, importance and constitutional and legislative imperatives;
- Establish frameworks and set goals to meet these needs;
- Devise strategies to achieve the goals within specific time frames;
- Develop and implement projects and programmes to achieve key objectives;
- Establish targets and monitoring tools/instruments to measure impact and performance;
- Budget effectively with limited resources and meet strategic objectives;
- Regularly monitor and adapt the development programme based on the underlying development framework and development indicators. (Local Government White Paper).

In theory at least, the IDP also makes it essential for a local community to identify development needs and, simultaneously, to execute agreed anti-poverty and growth strategies which emanate from a common vision that spells out how local needs will be reached. To achieve maximum impact, the IDP and budget process need to be linked. The prioritisation reached through the technical and political processes of deciding on the IDP therefore needs to be reflected in resource allocations.

It is useful to explore and evaluate actual practices around LED and IDPs. First, all of the towns in this sample have well-thought out IDPs and development strategies (see boxes 3-5). However, the extent to which all of them are able to implement them is severely constrained by a lack of human and financial resources in the municipality. Moreover, the IDPs suffer from a lack of prioritisation which further encourages the notion that they are nothing but 'wish-lists'.

Box 3: Newcastle Municipality Integrated Development Plan

The objectives of the IDP for the municipality are:

- Job creation: to reduce unemployment by creating quality jobs.
- Water: to supply potable water as soon as possible by means of an open and informative process; to improve the maintenance (and rehabilitation where necessary) of water supply infrastructure.

- Sanitation: to provide efficient and affordable sanitation services to improve the health and quality of life while protecting the environment through an open and informative process.
- Roads and stormwater: the provision of safe and accessible travel for both vehicles and pedestrians, through the provision of/upgrading to, infrastructure (roads, pedestrian walkways, bridges) of an appropriate standard; the provision/upgrading of stormwater drainage simultaneously with the provision of /upgrading to, roads.
- Housing and Land: to facilitate access to land and basic housing for the informal sector in an organised manner.
- Recreational facilities: to address the historic injustices in terms of the provision of safe and accessible recreation facilities, and, to expose communities to a variety of recreational activities and benefits thereof.
- Primary health care: to improve health through improved standards of living and the provision of efficient, well-managed clinic services to previously under-serviced areas.
- Crime: to reduce crime

Source: Newcastle Municipality

Box 4: Newcastle - Development Strategies

- Job creation – utilize unused infrastructure that can be rented at reasonable rates to accommodate a small business center, skills center and, small business hives; establishment of a business support center; to create the right climate to attract investment through addressing crime, the enforcement of by-laws, and increased cleanliness of the CDB; to utilize local labour, contractors and suppliers in infrastructure development programmes; to retain existing companies in Newcastle; and to develop downstream opportunities from big companies in Newcastle; and to support small scale agricultural projects.
- Water – programme and educational campaign about water quality, water use and water conservation; upgrade all users to the minimum requirement; address those areas where there is no access to water; upgrade existing infrastructure to address water leakage; provision of new infrastructure for full reticulation where economically viable.
- Sanitation – to address areas with no access to basic sanitation services; upgrade/rehabilitate existing bulk infrastructure; improve

existing pit latrines by the improvement in the emptying of pit latrines and ensuring proper and appropriate structures; provision of new infrastructure for the ultimate provision of full waterborne sanitation service.

- Roads and stormwater – upgrade existing roads and stormwater drainage; development of pedestrian infrastructure; implementation of road safety programmes; provision of adequate street lighting; the provision/upgrading of stormwater drainage simultaneously with the provision/upgrading of roads; provide access to areas currently inaccessible.
- Housing and land – to identify appropriate land for housing and land reform; to facilitate access and information in regard to funding for housing development (such as the Provincial Housing Fund and the Rural Housing Fund); to ensure a range of tenure options (including rental housing) is available.
- Recreational facilities – the encouragement, and awareness of, formally organized recreation activities; the provision of multi-purpose communal recreation facilities in areas currently underserved; community involvement in terms of the development and management of facilities; the use of halls for multi-purposes.
- Clinics – expand mobile clinic service; improve service delivery through better staff training, equipment and drugs; use of community halls /multi-purpose centers for PHC services.
- Crime – to improve job creation; increased community surveillance; improved street lighting; improved maintenance of public open spaces and facilities.
- Communication – ensure that the community is aware of the activities of the council; ensure that information relating to new development projects within the local municipality is distributed to the affected communities.
- Financial stability – improve levels of payment for services rendered – improve billing; improve communication between Council and the community; improve revenue collection, including introduction of punitive measures for non-payment.

Source: Newcastle Municipality

Box 5: Development Strategies – Khara Hais (Upington)

- a. Retention and expansion of existing business – assist local businesses in productivity, market increases and adding value. Development of business skills, providing advice, capital and technology.
- b. Plugging leaks in the economy – to stem the outflow of money from the poor areas. Encourage communities to buy local. Fund special events and festivals. Provide infrastructure using local labour and manufactured materials. Promote employee training.
- c. Human capital development and productivity. Ensure that economic development brings social benefits that often require linkages between living wages, human development and productivity.
- d. Community Economic Development: Assist low-income communities. Support and provide community and business to trade. Support SMME development by providing business infrastructure, subsidies, affordable finance and technical support.
- e. Empowerment of women and the disabled. To bring the marginalized to the core and center of business. Creating projects and programmes that are directed at women developing skills.
- f. Fostering of ownership: to promote evenness and awareness in the system. Make available land to create a sense of pride to those who were disempowered and marginalized.
- g. Cooperation between municipality and business. To involve business in relevant and developmental projects of government.
- h. Promote SMMEs.
- i. Provide aid to small farmers.
- j. Set up a programme for entrepreneurs.

Source: //Khara Hais Municipality

Second, the extent to which LED and IDPs reflect the priorities of the province on the one hand, and the provincial growth and development strategies reflect the priorities of the municipalities on the other, varies. Welkom represents an excellent example of an IDP 'feeding upwards' into the provincial development plan (Box 6). In KwaZulu-Natal on the other hand, there is virtually no connection between the Newcastle IDP and the

KZN growth and development plan. Furthermore, municipalities and their district counterparts have by and large not yet figured out their respective roles with regard to LED, both in terms of planning and implementation. A sense of 'competition' rather than 'cooperation' appears to characterise the position of the municipalities as regards the districts.

Box 6: The Free State Development Plan

The development goals of the Free State Development Plan show a great deal of similarity to those of the Matjhabeng IDP and Five Sector Development Strategy as Matjhabeng was participating in the compilation of the plan through the efforts of the Office of the Premier of the Free State:

- Enhancing economic development and job creation
- Providing and facilitating sustainable infrastructure development- Investing in the development of the people of the province
- Ensuring a safe and secure environment
- Good/co-operative governance with sustainable use of resources and the environment

Key strategies for economic development are:

- Strengthen the competitive advantage of the Free State
- Promote the creation and expansion of SMMEs
- Increase tourism market share
- Expanding and diversifying the agricultural sector
- Adding value to mining products
- Sustaining a viable mining sector
- Developing and expanding the transport distribution industry

In terms of the above strategies the Five Sector Strategy will largely contribute to the following aspects:

- Implementation of sectoral development zones, including industrial development zones and the promotion of exports of Free State products, e.g. the Gold Jewellery Hub, the International Cargo Airport and through agri-processing and exports.

- Each of the five sectors will, in any of the projects to be implemented, take SMME development and more particularly black entrepreneurial development through a process of training and assistance in order for them to reach full commercial viability.
- Within the Five Sector strategy, tourism is one of the pillars and a fairly unique tourism plan will be unfolding over time to capture a meaningful portion of the tourism market.
- The agri sector is one of the areas where the Matjhabeng region can contribute throughout the following elements/strategies:
 - Cultivation of suitable and exportable alternative products
 - Local beneficiation
 - A strong and vibrant urban farming strategy
- The under utilised Sand-Vet Irrigation Scheme (\pm 112 000 ha) which has the potential to become the Almeria region of Southern Africa through tunnel/hydroponic farming as well as open land irrigation of alternative products.
- Adding value to mining products through the Gold Jewellery Hub in working closely with Harmony and later other Mining Houses and the Provincial Government to ensure the only and major Gold Jewellery Hub in South Africa.
- Expansion of the transport and distribution industry through the establishment of an International Cargo Airport and re-routing the N1 to run through the Matjhabeng region.

Source: FGF Development Centre, Welkom

Third, even where the LED plans of the municipalities are reflected in the provincial plan, there are no guarantees that the plans of the former will actually be implemented. This is evident again in Welkom where little progress has been made in implementing the town's five sector strategy.

Fourth, LED is defined in an extremely narrow sense by many municipalities and towns. There is a tendency to see LED for instance, as separate from infrastructure provision. So municipalities are often structured in terms of housing, water and sanitation, refuse removal, parks, and LED directorates. The consequence of this stratification is to dilute the role of LED and its poverty-reducing and employment creation roles. It is seen as something separate from the other activities of the municipality. A more appropriate approach would be to have all of these 'development activities' subsumed under the broad category of LED. The fact that this does not happen at the present time is reflected in the marginalisation of

LED activities within many councils. In some instances, LED responsibility is devolved to one person.

Finally, a feature of the development strategies is also the recognition that the municipality itself cannot implement strategies to foster economic growth and development. It can provide an enabling environment for growth and development to occur. The participation of the business sector and civil society formations is the key to policy implementation. The Tourism Strategy of the //Khara Hais Municipality provides a good illustration of the potential for public-private partnerships in local economic development (Box 7).

Box 7: Tourism Strategy – //Khara Hais (Upington)

Role of local government

One of the functions of local government is to balance the need to improve the quality of life of local communities and the need to support its current tourism industry. In a post-1994 South Africa the emphasis is especially on empowering previously disadvantaged communities by engaging them in sustainable and responsible community based tourism projects. To realize this, local government must set up a partnership with the private sector to co-finance tourism development projects. However, local government is specifically responsible for the following:

- Planning, facilitating and managing, in conjunction with role players from local communities and the private sector, the development of the local tourism industry with emphasis on bringing previously disadvantaged communities into the mainstream of the local tourism industry.
- Provision and maintenance of tourist services such as visitor information offices.
- Organising local communities to participate in the tourism industry; and maintaining aspects such as public health and safety, parking for coaches, licensing of establishments in accordance with the national guidelines and road signs.

Role of communities

It is recognized that many local communities, especially the previously disadvantaged communities and particularly those in rural areas, have still not actively participated in mainstream tourism activities. However, they possess significant resources such as cultural or natural resources that could be utilised to engage them in responsible and sustainable tourism development. The role of communities is therefore to:

- Organise themselves to play a more effective role in the tourism industry;
- Interact with government and the private sector to further their call for sustainable partnerships and joint ventures;
- Identify potential tourism resources and attractions within their communities;
- Exploit opportunities for tourism awareness and training, finance and incentives for tourism development;
- Support and promote responsible tourism and sustainable development; and
- Oppose and guard against developments that are harmful to the local environment and culture of the community.

- *Role of the private sector*

- The role of the private sector is critically important to the development of a new tourism strategy. Its specific functions, which are played out in the form of a partnership with local government and local communities, are mainly as follows:

- Invest in the development of the local tourism industry in a manner that creates the maximum number of jobs;
- Invest in the skills improvement of workers with a view to engaging the workers into partnerships or joint ventures at a later stage;
- Provide quality products and services by implementing the principles of service excellence and other appropriate standards;
- where possible, outsource some activities to previously disadvantaged communities such as washing and food growing; and marketing and promotion of their respective products and services and co-funding of local tourism marketing and promotional activities.

Source: //Khara Hais Municipality

6. Strategies To Stimulate Growth And Development In Secondary Cities

Overcoming structural barriers to growth and escaping poverty traps

Many secondary cities in South Africa face structural impediments that have made it very difficult to achieve sustained economic growth. Thus it is no accident that they are characterized by economic decline accompanied by high levels of poverty and unemployment.

This section emphasizes the need for comprehensive, multi-sectoral strategies to achieve economic growth. Considering the different structural barriers facing towns, it is clear that each needs to pursue policies that make sense for its conditions. (Appendix C provides some examples of international case studies reinforcing the need for multi-sectoral approaches tailored to the specific conditions and circumstances within and across countries).

Given the high levels of unemployment, the first key question is what policies can promote the growth of labour-intensive (rather than capital-intensive) manufacturing exports? Such products can directly expand employment opportunities and increase real wages for poor people. Second, what policies can also ensure higher incomes for poor people not directly employed by manufacturing? Such policies are needed in these towns given their persistent pockets of poverty.

What is clearly needed in every secondary city in South Africa is an analysis of what is possible with respect to a) expanding manufacturing through developing linkages with multinationals and large South African companies in the metropolises; b) exploring opportunities for inward industrialisation; c) identifying the potential for developing IDZs; and d) developing the capacity for small business development.

Policies to promote labour-intensive manufacturing

Over the past 20 years too much development thinking and practice have confused market-based economic growth with laissez faire. Even when economic growth is based on private ownership and market forces, government policies must promote efficient and competitive national industries. Supporting the creation of manufacturing exports, for example,

can be half the battle of achieving sustained growth – especially if a country's economic history has involved exporting primary commodities.

Similarly, policies can be central to promoting labour-intensive rather than capital-intensive activities, increasing employment and, in the long run, raising productivity and lifting real wages.

Pro-poor industrial development policies should follow a few general guidelines. First, manufacturing exports are crucial to long-term growth. To that end, macroeconomic and trade policies are key to diversifying economic structures. Over-valued exchange rates that hurt exporters can severely limit possibilities for employment growth. The transition to export orientation is complex. But especially for small economies, macroeconomic policies require an export orientation. Government protection to domestic markets may have to co-exist with export incentives.

Second, financing incentives are needed to get industries started in capital-scarce regions. A variety of policy instruments have been used: directed and subsidized credit, support to chosen sub-sectors, export subsidies, technology acquisition institutions and a host of other sector-specific interventions.

Third, the public sector must support and build the private sector rather than compete with it.

Finally, pro-poor growth can be achieved through more ambitious public-private partnerships, especially in the construction of basic infrastructure and the provision of services (such as electricity) in developing regions.

It is clear that towns in South Africa must explore with the Department of Trade and Industry (DTI) the potential for expanding manufacturing in their areas, to determine what is needed in terms of legislation and financing especially to stimulate small business development.

Policies outside manufacturing

The preceding industrial development policies can help develop an economy's engine of growth. But many (if not most) poor people work outside manufacturing. Thus policies must address their needs as industrial development policies are pursued.

First, government needs an effective fiscal system to mobilize enough revenue to invest in poor people's basic needs. Fortunately, South Africa has a well-developed system of intergovernmental transfers which provides a substantial proportion of funding for most municipalities. These grants are currently used, inter alia, for basic services and for infrastructure development. It is crucial that towns that are able to utilize capital grants quickly and efficiently are provided with the requisite funds to eliminate their infrastructure backlogs. In other words, the systems of transfers should provide for asymmetric development amongst municipalities.

Second, towns with agricultural potential should invest in increasing agricultural productivity and diversifying cash crops for export markets. Governments can also provide exporters with financial incentives and marketing assistance to diversify crops.

Third, policies must ensure poor people's access to economic assets. Without assets, poor people cannot participate in markets. They need land, finance and skills – and public action to acquire them.

Social Capital

Social capital is critical in poverty reduction. Social capital is broadly referred to as the relationships, institutions, networks and norms that enable collective action and shape the quality and quantity of a society's social interactions. Arising from families, communities, firms, civil society, the public sector, ethnicity and gender, it involves the internal social and cultural coherence of society, the norms and values that govern interactions among people and the institutions in which they are embedded.

Social capital can be bonding, bridging or linking. Bonding social capital results from the strong ties connecting family members, neighbours, close friends and business associates while bridging social capital results from weak horizontal connections between individuals from different ethnic and occupational backgrounds though with comparable economic status and political power.

Linking social capital, on the other hand, is a vertical connection between poor people and people in positions of influence in formal organisations. The social interactions of social capital can be one-way (teaching, repeat trade, and authorities) or reciprocal (networks and clubs), producing externalities of knowledge, opportunism, or collective action (or free-

riding). The mechanisms through which the effects occur include norms, rules, copying, pooling, repeat transactions, and/or reputation.

Social capital has important implications for poverty reduction. The poor have a lower opportunity cost of time and a lower stock of financial and physical capital than the rich. Since social interaction necessitated by social capital is time-intensive, and since social capital can often substitute for private capital, the poor may choose to rely more upon social capital than do the better-off. Social capital reduces the probability of being poor and the returns to household investment in social capital have been shown, empirically to be higher for the poor than for the population at large. Also, social capital among the poor is critical to their short-term survival.

The poor can use social capital as an insurance mechanism which enables them to survive day-to-day when individually they cannot, for example feed their children, pay all their school fees, access formal credit services for their small enterprises, or police their neighbourhoods. Dense and overlapping social networks increase the likelihood of economic cooperation by building trust and fostering shared norms in the sense that the social capital generated within and between firms is especially important for lowering risk and uncertainty at the local level. Such social capital facilitates valuable information exchange about products and markets and reduces the costs of contracts and extensive regulations and enforcement.

At the community level, social capital impacts on poverty by making government services more effective, facilitating the spread of information on agriculture, enabling groups to pool their resources and manage property as a co-operative, and giving people access to credit who have been traditionally locked out of formal financial institutions.

Social capital is also significant because it affects poor people's capacity to organise for development. It helps them to band together to raise their common concerns with the state and the private sector. Networks and norms of reciprocity facilitate common property management by providing the social relationships and trust upon which rules and monitoring can be based.

In spite of the benefits of social capital, a number of barriers inhibit its development. These include the segmentation of information and social exclusion, language and ethnicity. Thus, the promotion of social capital is

largely a matter of lowering costs, including those of the telephone system and transport. While information technology holds enormous potential for generating social capital, the poor are excluded from access, making the gap between rich and poor wider. Government and the private sector need to focus their efforts on helping people to set up multipurpose telecenters, equipped with telephones, faxes, email and the internet, while offering requisite training and capacity building.

Investment in Human Capital

A key factor that traps the poor in poverty is the low level of human capital. Such human capital is usually composed of health, nutritional status, and education. It involves the most basic capabilities for human development, leading to long and healthy lives, acquiring knowledge, having access to the resources needed for a decent standard of living and being able to participate in the life of the community.

The data on the sample of towns showed an extremely high proportion of employees in low-level occupations. A lack of skills is obviously a serious impediment to growth and development.

All towns in the sample have adequate education and training infrastructure especially with respect to Further Education and Training (FET) colleges. There is an urgent need for municipalities to be involved in the formulation of regional human resource and labour market strategies in association with these institutions. Substantial funding can be made available from the National Skills Fund and the Skills Levy for a variety of skills enhancement programmes.

Promoting Appropriate Technology

Technology, like education, enables people to lift themselves out of poverty. It has become a tool for, not just a reward of, growth and development. Indeed, technological innovation positively impacts on human development through two channels. First, it directly enhances human capabilities. For example, many products such as drought-tolerant plant varieties for farmers in uncertain climates, vaccines for infectious diseases, clean energy sources for cooking, internet access for information and communication, can all directly improve people's health, nutrition, knowledge and living standards. They also increase people's ability to participate more actively in the social, economic and political life of a society.

The second channel through which technological innovation impacts on human development is through increased economic growth via the productivity gains it generates. Technological innovation raises the crop yields of farmers, the output of factory workers and the efficiency of service providers and small businesses. It also creates new activities and industries, including the information and communications technology sector, thus contributing to economic growth and employment creation.

Infrastructure for Poverty Reduction

There are two possible routes by which new or improved infrastructure activity can help reduce poverty. First there is the link between infrastructure and poverty reduction through economic growth. To the extent that the building of infrastructure stimulates the growth of GDP, it can also reduce poverty, given income distribution. The second link between infrastructure activity and poverty reduction arises through the contribution of infrastructure to the process of pro-poor growth. To achieve this requires the identification and financing of a significant number of projects for which a high proportion of the beneficiaries are below the poverty line for the country concerned. Not all infrastructure projects will have this characteristic but some will, and it is through this route that infrastructure can make its main contribution to the process of poverty reduction. Two components of infrastructure activity that are among the most likely to help in this process of pro-poor growth in this study's sample of towns are water supply and sanitation, and housing.

Public Works Programmes

The scope for public works programmes to provide jobs and alleviate poverty must be explored especially in the context of infrastructure provision. However, it should be recognised that the potential of PWPs with respect to employment sustainability is extremely limited. It can be no more than a short-term measure.

Small Business Development

It is evident especially within the context of globalization that large companies in South Africa have been moving towards a higher degree of capital intensification – a policy of highly skilled but smaller labour forces. Therefore we should increasingly look away from large formal sector companies towards small and medium enterprise development as the

solution towards the employment crisis in the secondary cities in particular, and in the country as a whole.

It is generally accepted that three factors are inhibiting the development of SMMEs, namely access to finance, skills and the inability to identify appropriate niche markets. However, the SMMEs challenge goes beyond these factors. It requires a strategy that begins to address what needs to be done to develop an entrepreneurial culture among the previously disenfranchised majority – a culture that was totally destroyed by apartheid.

7. Concluding Summary: Productive Development Policies to Prevent Marginalisation in Secondary Cities

Experience suggests that, alongside appropriate macroeconomic policies, it is important to adopt meso-economic and micro-economic measures that are specifically designed to improve the supply capabilities of the economy of secondary cities. Such measures can enhance macro-micro linkages in a way which supports national development and poverty reduction goals. Such measures are also central to achieve development with equity whilst integrating into the global economy.

Much more is known about the elaboration of productive development policies – which is the term that Latin American economists use to describe these policies – in more advanced developing countries than in less developed countries. However, some general remarks can indicate the types of policy options. Elements of a productive development policy include financial policy, technology policy, human resource development, physical infrastructure development, and industrial organisation and competition policy. They can form part of, but should not be simply equated with, a selective industrial policy. They are directed at improving productivity and competitiveness in agriculture and natural-resource-based activities as well as in manufacturing. They are designed to accelerate capital accumulation and learning both in specific sectors and throughout the economy, and to manage the complementarities, between enterprises and between productive sectors which can block profitable investment in any single one. These measures should seek to improve the environment within which enterprises operate, both in the economy as a whole and in specific sectors within it, and also help enterprises to identify and acquire competitive advantages through investment and learning. A particular aim

is to promote the imitation and adaptation of internationally available technologies in order to reduce costs, improve quality, and introduce goods and services not existing in the country, and to promote the diffusion of best practices from more advanced to less advanced enterprises within the country, including foreign-owned to locally owned firms.

An important aspect of productive development policies is that they are not simply designed to improve capital accumulation and learning in the economy as a whole, but they also have a sectoral focus. The basis for this approach is the insight that economic growth is intrinsically tied to the structural context, which is made up of productive and technological apparatuses, the configuration of factor and product markets, the characteristic of entrepreneurial agents, and the way in which these markets and agents relate to the external environment. The leadership exercised by certain sectors and firms is the essential dynamic factor that propels economic growth.

In order to ensure that sections of the population are not marginalised as growth occurs, it is also necessary to consider the sectoral pattern of growth and structural heterogeneities such as the divide between the formal and informal sectors.

Productive development policies are implemented as far as possible through private or mixed (both public and private) enterprise rather than pure public ownership. The key role of government is to harness the entrepreneurial drive which is the motor of the whole system, to support national development and poverty reduction. The government guides the process of capital accumulation and learning, but these policies are best developed and implemented through institutions that enable business perspectives to be incorporated, and through policies which channel activities and energies rather than limit them. Sectoral policies, for example, should arise from joint activity between the public and private sectors which together formulate a vision and reach a consensus on the way in which support mechanisms should be tailored to particular sectors. These would cover such matters as what institutions are required to support the technological development of a specific sector, what are the collective requirements in terms of labour skills, and how financial resources can be ensured for the expansion of the sector.

This is not a return to the old-style development plans of the past as it is based on plural forms of ownership and entails a developmental partnership between the state and the private sector. The government

must also ensure that any subsidies or rents which are provided as part of productive development policies are designed to encourage the development of supply capabilities. It is possible to do this by making subsidies or rents conditional on investment, exports, technological learning and productivity targets, by making them temporary, and by establishing “contests” amongst the private sector as an allocation mechanism. The aim is to avoid unproductive rent-seeking by creating rent opportunities that induce economically efficient developmental actions that private markets would not otherwise undertake. Policies should focus on overcoming specific problems which impede the achievement of national development objectives, notably missing markets and the lack of an entrepreneurial base, imperfections in technology and capital markets, and the risks associated with exporting, and on dynamic complementarities between firms and sectors which render competitiveness and productivity systemic rather than merely dependent on firm-level capabilities.

Successful implementation of productive development policies requires enhancement of state capacities. There is a widespread belief that local governments in South Africa lack the institutional capabilities to manage such policies. However, experience in other countries shows that, with application, it is possible to learn quickly what does and does not work.

A major problem in promoting sustainable growth, particularly in secondary cities and rural areas, is the weakness of the domestic entrepreneurial class. There are not enough businesses with the capacity and capability to compete, and this is a major constraint on growth. Financing medium-sized domestic businesses is an important issue. It may be helpful to stimulate local production clusters, to encourage collaborative links with larger South African and multinational companies aimed at encouraging learning and knowledge expansion in domestic enterprises, to expand links with local universities, technical institutes, research centers to guarantee quality, and to provide technical support to small and medium enterprises. Existing entrepreneurial skills may also be focused on short-term trading and housing rather than on long-term production. Particular efforts may be made to ensure that the picture of profitability and the availability of investment funds are biased towards productive investments that can create employment.

As economic growth occurs, it is highly likely that some groups and regions will be left behind in poverty. A final key element of long-term development strategies is therefore the adoption of policies that prevent marginalisation within secondary cities and towns.

The surest way to ensure that economic growth is more inclusive is through the wide distribution of assets, the expansion of productive employment, creating linkages that incorporate marginal sectors into the space of productivity growth, and greater balance between export promotion and import substitution. Particular policies which may be important are the following: agrarian reform and rural development policies (land tenure, agricultural productivity growth, rural industries, rural labour markets); micro-credit; labour market policies; support for small and medium-sized enterprises; promotion of backward linkages from export activity; broad based human resource development through investment in education and health; and decentralized fiscal systems. Application of principles of good governance can also help to ensure inclusion.

There are at least two compelling reasons why we should not continue to allow our secondary cities and towns to stagnate and eventually die. The first is that they still contain a significant proportion of the country's population. Doing nothing to address the challenges of poverty, unemployment and general underdevelopment in these areas will accelerate the process of migration to the major cities and increase the already significant social and economic challenges that are prevalent there. Second, the development of the secondary cities represents an opportunity to address the broader challenges of small town and rural poverty given the increasing connectivity between the former and the latter.

However, the development of secondary towns is not the responsibility of the relevant municipalities alone. LED is a national responsibility and requires the full involvement of government at the national, provincial, district and municipal levels as well the participation of the private sector, civil society formations and the poor themselves.

Such an integrated strategy will require at the policy level, greater interaction between national and provincial governments and their counterparts at the municipal levels. Successful LED requires 'cooperative governance' in its fullest and broadest senses. At one level it may require national government to rethink how useful and appropriate some national policies may be in secondary cities and towns. This may well require revisiting some 'holy cow' legislation such as minimum wages and trade liberalization. At another level, it will require of provincial governments that they take seriously in their planning and implementation, municipalities' efforts in LED and integrated development planning.

Box 8: Recommendations of the Finance Committee to the Free State Legislature with regard to the future of the Goldfield

After public hearings in Welkom in February 1996, the committee made the following recommendations. Since then however, little progress has been made by the provincial government in implementing any of them.

- 1. A wide ranging economic development strategy for the region based on its competitive and comparative advantages must be compiled;
- 1.1. The question of sustainable water resources should be addressed as part of the overall strategy of the Goldfields;
- 1.2. Short, medium and long term planning for the region must be done;
- 1.3. Urban planning must include the potential new mining areas identified by mining exploration.

- 2. An in-depth survey should be done to give a true perspective of the economic plight of the Goldfields;
- 2.1. A gross-scale collaboration with the mining industry must be obtained for it is vital to the future planning, as they remain the single biggest investors and employers in the area;
- 2.2. The assistance of consultants and the Goldfields pilot committee must be acquired if necessary
- 2.3. Programmes to raise the level of skills in the populace must be implemented;

- 3. The FGF be declared the Free State industrial growth center and Welkom be declared the Industrial Capital of the Free State. Through this the Goldfields will acquire status to ensure investor confidence;
- 4. The FGF must feature prominently in the marketing of the Province
- 5. A casino licence must be granted to the largest potential investor to have maximum economic injection in the region;
- 6. If practical, consideration should be given to moving the Free State Development Corporation head office to Welkom;

- 7. The working profits incurred by mining can vastly be increased by improvement of mining techniques and better geological control. Some ways of bringing this about are:
 - Better understanding of the structural geology (faults and deformation, which displaces the gold ore-bodies, making it difficult to predict where the ore is and therefore expensive to mine). This should lead to improved utilization of ore reserves through better prediction of ore-grades and structure
 - Improved mining methods to prevent dilution of the ore, using methods that reduce the amount of waste rock in the ore stream.
 - Increase the face advance rate- Reduce the need for off-reef development by the understanding and application of structural geology;

- 8. Reduce costs and increase profits by looking at new improved techniques and technology. This type of technology should be investigated further and the Department of Economic Affairs and Tourism should encourage it;
- 9. Migrant labour must be reduced to an acceptable level on the mines. Migrants who wish to be settled here must be assisted to do so as soon as possible;
- 10. Labour legislation changes:- A change, in the practice of housing workers in hostels, in favour of proper housing and allowing them to bring their families will also ensure less capital leakage;
- 11. Revision and changes to the necessary legislation in the Mineral and Energy policy is required to enable fuller people participation in the countries' mineral resources and beneficiation of mineral production;
- 12. With the decentralisation and regionalisation of departments the space in the Welkom Hospital building must be utilized;
- 13. An Ad hoc Committee be appointed to investigate:
 - 13.1. The feasibility and practical implementation of proclaiming the FGF an Export Processing Zone (EPZ) by meeting with:
 - The relevant Provincial MEC's;
 - The relevant Standing Committees at National Parliament;
 - The relevant National Ministries;
 - Foreign Embassies and Consulate Generals;
 - South African Financial Houses; and
 - Free State Businesses etc.

- 13.2. The possibility of declaring the FGF a Metropolitan Area in conjunction with the Ministry of Local Government and Housing and the Services Committee
- 13.3. Incentives:
 - If Central Government can exempt new and existing manufacturing companies in the Goldfields from company tax for a specified period;
 - Tax incentives for new projects and continued exploration in the Free State - This will encourage companies to continue to explore for gold and ensure the gold potential of the Free State is fully evaluated;
 - The finding of mineable gold deposits will lead to major investment
- 14. The Standing Committees at National Parliament must be requested to set up joint meetings with the relevant Ministries in the areas where the Legislature does not have jurisdiction;
- 15. A focused trade mission must be undertaken to market the Goldfields and the Departments of Economic Affairs and Tourism, and Agriculture, and Environmental Affairs must compile documentation on types of investments that can be used as an attraction for the Goldfields;
- 16. The Finance Committee be informed on a two monthly basis in terms of the progress of investigation and implementation of recommendations.

Source: FGF Development Centre, Welkom

Poverty Reduction and Employment Creation Initiatives in Secondary Cities and Towns: Some International Case Studies

Many development projects are national and consequently big, but they can be replicated on a smaller, secondary city, scale to reap equivalent benefits.

Poverty Reduction Practices

Public Transport Improvement: South Carolina, Arkansas and Kentucky, USA:

Improving public transport services in South Carolina, Arkansas and Kentucky through coordination of transportation services proved to be a successful endeavour by the states' governors. Before the coordination, almost every department spent more than three quarters of its budget to ensure that transport is available for its personnel, yet this was the responsibility of the department of transport. After implementation of the transport coordination project, there was:

- increased transportation availability and access
- enhanced system and service quality
- improved cost-effectiveness
- elimination of duplicative efforts

There was an increased pool of available vehicles as departments and private owners noticed efficiency in the approach. Transport was then available for commuting poor workers, at convenient times for everyone – including those working second and third shifts. And because there was no need for further investment in fleet in an attempt to improve availability and standard, the available transport was accessible by and affordable for the poor. The keys to the success of this coordination project (which can be duplicated for any other coordination activity) included leadership, participation and continuity.

Dana Nature Reserve Integration Management Programme, Jordan:

The people in the Dana Reserve area were among the poorest and most disadvantaged in Jordan. At the beginning of the programme, there were several thousand people from nomadic and settled communities using the area's natural resources, which practice ended in degraded range land, soil erosion and almost zero tree regeneration. The programme which, primarily links the conservation of biodiversity with the socio-economic development of these target communities, resulted in a total of 179 local men and women benefiting from jobs or purchase of goods and services. The villagers have also begun to explore opportunities presented by the growing number of tourists attracted by the protected area.

Community Recycling of Domestic Waste by Women, Dakar, Senegal:

Before the initiative started, the municipal services were able to collect only 35 per cent of the 263 cubic metres of waste produced per day. 51 per cent of the households had no toilet facilities and 75 per cent had no

systems to process used wastewater, which was consequently poured onto the streets. As a result, the settlement had a high prevalence of typhoid and malaria. Women in the community then embarked on the waste management project, the objectives of which were to clean up the urban environment through simple processes ranging from treatment of waste at home to final elimination, and generating income for women through job creation in waste recycling. The project resulted in regular waste collection composing of bio-degradable waste for use in the urban agriculture and tree planting, recycling of metallic and plastic waste, job creation for youths from female-headed families, and disease eradication.

Household Solid Waste Management, Egypt:

This initiative also aims at issues of household solid waste collection, disposal and recovery. The Zabbaleen – garbage collectors -- collect and recycle over 600 tonnes of domestic waste a day, and this is approximately one third of the waste produced by the residents of Cairo. The recycling activities focus on the production of affordable goods that are much appreciated by low-income groups. Revenues collected from these are reinvested in housing, infrastructure and basic services, as well as business development. As a result of the initiative, 90 per cent of the waste is sorted out and recovered for recycling on a daily basis, and there has been overall improvement in the health of families as a result of reinvestment of the proceedings in the construction of a dispensary.

Reinsertion Programme In Farming For The Homeless, Madagascar:

Madagascar has a population of 16 million people. Economic and social crises have affected this least developed island state since 1970, increasing overall poverty levels. Peasants migrated to the capital, Antananarivo, with hope for a better living, but many ended up homeless. In 2001 alone, 10,000 people, 6 000 of whom were children, lived in the streets of the city. These people have no access to basic sanitation facilities or medical care and feed from dumpsters. In response to this moving condition, the Franciscan family created the American School of Antananarivo (ASA) in June 1991. The main objective of ASA is to reintegrate whole families in a farming environment after a series of two-year agricultural studies. The association went a step further to secure land title for the land that the government has given to it, and holds it in trust for the eventual beneficiaries.

The reintegration program takes three years. The first year is devoted to retraining the homeless in societal rules and norms by social workers, while their papers are concurrently regularised through registration by the

government. In the second year, agricultural extension workers train the families in productive farming practices on demonstration farms. In the final year of the programme, families build a new home on the piece of land that they cultivate using agricultural equipment lent and/or donated by the association. ASA aims to motivate and reintegrate 20 families a year. Since its inception, 100 families have been reintegrated in seven villages and given plots. The initiative targets women and girls, and health issues are incorporated into the process.

Bridge Building At Local Level (BBL), Nepal:

In Nepal, rivers isolate the people living in the numerous rural settlements from the rest of the country. To cross these rivers, that have claimed lives of many, people risk their lives by wading across the dangerous waters. Due to financial and logistical constraints, the Government of Nepal could not meet the villagers' demand for bridges. To help Nepali communities revive their traditional bridge building skills, BBL was established. Its objective is to develop a trail bridge that is labour intensive so as to have the people take ownership and benefit from the investment. Communities have been successfully lobbying for funds from their local governments. Since the start of the programme, 840 bridges have been supported.

Urban Planning And Development Practices

Poverty Eradication and Living Environment Improvement in Zhulin, China:

Zhulin, a Chinese town with a population of about 10,000 inhabitants, is situated in the mountainous region of Henan. Before 1995, poverty in the area was pervasive and largely affected women in the village. 60 per cent of the women were illiterate, and only 5% had a job outside their family. Everyone in the village saw a need for diversification of the local economy in order to create alternative sources of income and improve their livelihood. As a result, a series of meetings was held involving expert consultants to explore possibilities of diversifying the local economy. In 1983, 400 families were mobilised to pool their savings to open a quarry so as to exploit the abundant supply of rock and mineral. The quarry was registered as a collective enterprise and per capita income increased about tenfold within four years. By 2000, Zhulin was able to pay the state US\$10.5m in taxes and other revenues, resulting in a major departure from the situation prior to 1985 when the municipal budget was always in deficit and the village depended on government relief. This change has enabled Zhulin to bring about major improvements in infrastructure, including

capital investment in all-weather road, provision of public toilets, a 100 per cent coverage waste collection and disposal facility, and street lighting, all of which were absolutely absent in 1985.

Solidarity In Learning Programme, Brazil:

The programme, whose objective is to provide education to the illiterate at national level targeting the regions where illiteracy rate is highest, was established in 1997. The model of the programme is based on modules of semester literacy training that takes place through the alliance between government, civil society and the academic community, and it runs for six months. The first month is dedicated to training of the literacy trainers, who are selected from within the community that is to be served. The other five months are used to offer classes to the illiterate community. The programme, which started in 38 municipalities, is now working in 2 010 municipalities – 45% of the Brazilian municipalities. The programme qualified 100 000 literacy trainers and increased literacy enrollers by 114%.

Women Empowerment Practices:

Women constitute half of the world's population, and a visible majority of the poor. This group of people either solely or largely support an increasing number of families. Owing to this fact, projects aimed at improving the living standards of the poor cannot be effective unless women participate in their formulation and implementation, as contributors and as beneficiaries. An example of this claim is the **Water Provision Project in Malawi**.

A national programme to provide piped water to peri-urban communities in Malawi was not meeting the needs of most families. The male-dominated committees were not performing satisfactorily largely because the majority of the men were absent from the neighbourhoods during most of the day. Lack of participatory decision making involving women during the planning phase also resulted in poor location, inconvenient design and consequent wrong use, of water points. After a training programme for women was introduced, it succeeded in raising the percentage of women representation in water communities from 20 to 90%, women gained self-confidence and became effective managers of the communal taps, their operation and maintenance.

Women Empowerment Program (WEP), Nepal:

70% of families in Nepal live below the poverty line. Male dominated cultural traditions discourage female education and restrict their legal rights

and participation in decision-making. They also permit women little control over their own lives, leaving them often malnourished and in poor health. 80% of the women are illiterate. In 1998, WEP, which is based on the principle that dependency is not empowering, was initiated. It works to empower women through an innovative programme that integrates literacy, micro-finance and micro-enterprise training, and an understanding of legal rights and advocacy. This programme offers no seed money or subsidised interest rates; it assumes that the poor will pay for the services they need. As a result, women in-kind contributions were estimated at \$260,000 so far. 240 NGOs work as partners in implementation, the NGO receives less than \$5 for administration. It uses an approach based on Appreciative Planning and Action (APA) that encourages women to build on their strength. The approach teaches an organisation to learn and implement a major project in a transparent and accountable manner, to adopt low-cost methods to promote literacy and economic participation in order to reduce dependency on external funding. It shows that women can teach themselves the skills they need to improve their lives. The no handout policy inspires their motivation, pride and commitment in the program.

Paper Recycling Project (PRP), Egypt:

The aim of the association for the protection of the environment (APE), an NGO located in Cairo, Egypt, is to protect and improve the livelihoods of the garbage collectors. All workers are young women from the community, who were illiterate, suffered from malnutrition and skin disease. The project seeks to improve their standard of living and that of their families through an educational, economic and socio-cultural approach program of activities. Educational benefits which include empowering girls and young women to become agents of change in their communities. Economic benefits include income generation, and social benefits include improved networks, health provision and general empowerment of participant women in community leadership.

Youth Empowerment Practices

Mathare Youth Self-Help Slum and Environmental Cleanup Project, Kenya:

Mathare valley is Nairobi's largest slum settlement. Uncollected garbage and contaminated water blocked in drains are major causes of disease, disability and death in the valley. The Mathare Youth Sports Association (MYSA) is a self-help youth sport and community service project that started in 1987. It has successfully responded to the village's problems by linking environmental clean up with sport. Youth football teams participate

in environmental clean-up projects, which activity earns them points in their league. For example, each completed garbage collection project earns a team six points while a victory in a match earns the team three points. MYSA has acquired tipper trucks and tractors that periodically clear all accumulated garbage. The association has grown to a membership of 24 000 youths aged between 11 and 18 years. The association is run for and by the youth of the Mathare slums; most of its elected officials, staff, trainers, are under 16 years of age.

Because Mathare slums have high rates of HIV/AIDS infection, over 300 young boys and girls have received intensive training in the issues of HIV/AIDS and are able to reach out to over 100 000 youth with critical information on AIDS prevention.

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APPENDIX A

CENSUS 2001: Socio-economic Data Summary

Note:

Data are for the municipalities in which the town is located

*Unemployment rate = population unemployed / (population unemployed + population employed)*100%*

Elementary occupations include: household laundry workers, office cleaners, waiters and security guards

EC157: King Sabata Dalindyebo (Umtata) - Census 2001 Socio-Economic Data Summary

Population communicating with:	%
Telephone in dwelling and cell-phone	4 .17
Telephone in dwelling only	2 .15
Cell-phone only	2 2.00
Phone at a neighbour	6 .61
Public phone nearby	3 8.08
No access to telephone	1 2.84
Other	1

	4.15
Population using electricity for:	
Cooking	20.26
Heating	13.67
Lighting	41.68
Households by size:	
5 or less	66.72
Population with refuse disposal:	
Removed by local authority at least once a week	22.26
Own refuse dump	48.91
No rubbish disposal	25.80
Other	3.03
Population having toilet facility:	
Flush toilet (connected to sewage)	22.49
Pit latrine with ventilation	7.11
Pit latrine without ventilation	22.12
None	44.39
Other	3.89
Population dwelling:	
House or brick structure on a separate stand/yard	28.93
Traditional dwelling	49.01
Flat in block of flats	9.51
Other	12.55
Source of water:	
Piped water inside dwelling	9.29
Piped water outside dwelling	14.60
Piped water on community stand: distance < 200m from dwelling	6.11
Piped water on community stand: distance > 200m from dwelling	12.54
Spring	8.14
River/stream	37.06
Other	12.26
Population by age group:	

0 - 19	54.81
20 - 64	40.16
65+	5.02
Population engaged by industry:	
Wholesale and retail trade	12.56
Construction	5.22
Financial & insurance services	7.25
Community, social and personal services	38.10
Private Households	1 5.13
Other	21.74
Population by employment status:	
Employed	1 7.07
Unemployed	22.74
Not economically active	60.19
Unemployment rate	57.12
Population by level of education:	
No schooling	30.98
Some primary	15.61
Complete primary	5.28
Some secondary	26.11
Std 10/Grade 12	14.00
Higher	8.03
Population by occupation:	
Legislators, senior officials and managers	4.07
Professionals	10.71
Technicians and associate professionals	14.85
Clerks	11.59
Shop & market services	12.55
Crafts	7.80
Elementary occupations	24.10
Other	14.33
Population attending school (institution):	
Not attending	23.58
Pre-school	2.98

School	71.61
College	0.39
Technikon and university	1.35
Other	0.10

FS184: Matjhabeng (Welkom) - Census 2001 Socio-Economic Data Summary

Population communicating with:	%
Telephone in dwelling and cell-phone	10.58
Telephone in dwelling only	9.40
Cell-phone only	16.36
Public phone nearby	50.98
No access to telephone	4.32
Other	8.36
Population using electricity for:	
Cooking	51.73
Heating	48.33
Lighting	68.06
Households by size:	
5 or less	85.55
Population with refuse disposal:	
Removed by local authority at least once a week	77.24
Own refuse dump	12.10
No rubbish disposal	5.61
Other	5.05
Population having toilet facility:	
Flush toilet (connected to sewage)	60.08
Pit latrine without ventilation	10.90
Bucket latrine	17.25
Other	11.77
Population dwelling:	
House or brick structure on a separate stand/yard	47.87

Informal dwelling/shack in back yard	9.62
Informal dwelling in informal squatter settlement	30.95
Other	11.56
Source of water	
Piped water inside dwelling	24.89
Piped water outside dwelling	44.79
Piped water on community stand: distance < 200m from dwelling	10.57
Piped water on community stand: distance > 200m from dwelling	14.82
Other	4.93
Population by age group:	
0 - 19	38.47
20 - 64	57.93
65+	3.60
Population engaged by industry:	
Agriculture, hunting, forestry and fishing	5.26
Mining and quarrying	31.96
Wholesale and retail trade	12.33
Community, social and personal services	14.96
Private Households	11.62
Other	23.87
Population by employment status:	
Employed	34.27
Unemployed	29.79
Not economically active	35.94
Unemployment rate	46.50
Population by level of education:	
No schooling	12.14
Some primary	20.56
Complete primary	8.53
Some secondary	35.51
Std 10/Grade 12	17.70
Higher	5.57
Population by occupation:	

Legislators, senior officials and managers	3.17
Professionals	4.86
Clerks	8.14
Shop & market services	8.37
Craft and related trades workers	21.68
Plant and machine operators and assemblers	12.60
Elementary occupations	26.06
Other	15.12
Population attending school (institution):	
Not attending	27.95
Pre-school	3.20
School	66.26
College	1.12
Technikon and university	1.11
Other	0.34

KZ252: Newcastle - Census 2001 Socio-economic Data Summary

Population communicating with:	%
Telephone in dwelling and cell-phone	14.23
Telephone in dwelling only	15.60
Cell-phone only	16.40
Public phone nearby	40.29
Other	13.48
Population using electricity for:	
Cooking	58.33
Heating	53.90
Lighting	84.15
Households by size:	
5 or less	69.50
Population with refuse disposal:	
Removed by local authority at least once a week	71.19
Own refuse dump	22.12
No rubbish disposal	5.28
Other	1.41

Population having toilet facility:	
Flush toilet (connected to sewage)	56.18
Pit latrine (with ventilation)	12.18
Pit latrine (without ventilation)	21.27
Other	10.37
Population dwelling:	
House or brick structure on a separate stand/yard	64.18
Traditional dwelling/hut/structure made of traditional materials	6.53
Flat in block of flats	9.54
House in back yard	4.86
Informal dwelling in informal/squatter settlement	5.54
Other	14.89
Source of water:	
Piped water inside dwelling	28.34
Piped water outside dwelling	33.33
Piped water on community stand: distance < 200m from dwelling	12.34
Piped water on community stand: distance > 200m from dwelling	13.20
Other	12.79
Population by age group:	
0 - 19	48.64
20 - 64	48.41
65+	2.95
Population engaged by industry:	
Agriculture, hunting, forestry and fishing	3.77
Mining and quarrying	0.98
Manufacturing	25.95
Construction	3.65
Wholesale and retail trade	14.67
Financial & insurance services	5.35
Community, social and personal services	22.89
Private Households	8.01
Other	14.73
Population by employment status:	

Employed	27.49
Unemployed	32.40
Not economically active	40.11
Unemployment rate	54.10
Population by level of education:	
No schooling	13.34
Some primary	16.34
Complete primary	6.12
Some secondary	32.54
Std 10/Grade 12	23.48
Higher	8.18
Population by occupation:	
Legislators, senior officials and managers	3.93
Professionals	5.56
Technicians and associate professionals	12.43
Clerks	8.77
Shop & market services	9.90
Craft and related trades workers	15.23
Plant and machine operators and assemblers	12.42
Elementary occupations	22.48
Other	9.28
Population attending school (institution):	
Not attending	27.28
Pre-school	2.85
School	67.85
College	1.15
Technikon and university	0.77
Other	0.07

MP312: Emalahleni (Witbank) - Census 2001 Socio-economic Data Summary

Population communicating with:	%
Telephone in dwelling and cell-phone	16.67
Telephone in dwelling only	10.32
Cell-phone only	26.27
Public phone nearby	35.70

Other	11.04
Population using electricity for:	
Cooking	60.82
Heating	57.23
Lighting	68.78
Households by size:	
5 or less	82.74
Population with refuse disposal:	
Removed by local authority at least once a week	63.25
Own refuse dump	24.66
No rubbish disposal	5.99
Other	6.10
Population having toilet facility:	
Flush toilet (connected to sewage)	69.61
Pit latrine without ventilation	18.82
None	6.96
Other	4.61
Population dwelling:	
House or brick structure on a separate stand/yard	58.91
Traditional dwelling/hut/structure made of traditional materials	6.47
Informal dwelling in back yard	4.01
Informal dwelling/shack in informal/squatter settlement	22.04
Other	8.57
Source of water:	
Piped water inside dwelling	41.87
Piped water outside dwelling	31.15
Piped water on community stand: distance < 200m from dwelling	10.30
Piped water on community stand: distance > 200m from dwelling	9.92
Other	6.76
Population by age group:	
0 - 19	38.07

20 - 64	59.08
65+	2.85
Population engaged by industry:	
Agriculture, hunting, forestry and fishing	3.14
Mining and quarrying	22.96
Manufacturing	10.65
Electricity, gas and water supply	6.35
Construction	5.52
Wholesale and retail trade	13.14
Financial and insurance services	6.72
Community, social and personal services	13.24
Private Households	8.27
Other	10.01
Population by employment status:	
Employed	40.16
Unemployed	24.99
Not economically active	34.85
Unemployment rate	38.36
Population by level of education:	
No schooling	14.50
Some primary	13.45
Complete primary	6.42
Some secondary	33.73
Std 10/Grade 12	24.09
Higher	7.82
Population by occupation:	
Legislators, senior officials and managers	4.10
Professionals	5.71
Technicians and associate professionals	7.74
Clerks	10.46
Financial and insurance services	8.88
Craft and related trades workers	23.75
Plant and machine operators and assemblers	12.14
Elementary occupations	20.86
Other	6.36
Population attending school (institution):	

Not attending	29.10
Pre-school	3.27
School	63.43
College	2.51
Technikon and university	1.69
Other	0.13

NC083: ||Khara Hais (Upington) - Census 2001 Socio-economic Data Summary

Population communicating with:	%
Telephone in dwelling and cell-phone	16.26
Telephone in dwelling only	17.57
Cell-phone only	14.56
Phone at neighbour	8.33
Public phone nearby	34.61
Other	8.67
Population using electricity for:	
Cooking	66.43
Heating	66.35
Lighting	75.64
Households by size:	
5 or less	71.91
Population with refuse disposal:	
Removed by local authority at least once a week	83.35
Own refuse dump	11.86
Other	4.79
Population having toilet facility:	
Flush toilet (connected to sewage)	71.49
Flush toilet (with septic tank)	5.95
Bucket latrine	6.98
None	6.84
Other	8.74
Population dwelling:	

House or brick structure on a separate stand/yard	73.41
Flat in block of flats	3.02
Informal dwelling in squatter settlement	13.91
Other	9.66
Source of water:	
Piped water inside dwelling	39.73
Piped water outside dwelling	38.16
Piped water on community stand: distance < 200m from dwelling	9.15
Piped water on community stand: distance > 200m from dwelling	10.71
Other	2.25
Population by age group:	
0 - 19	42.74
20 - 64	51.93
65+	5.33
Population engaged by industry:	
Agriculture, hunting, forestry and fishing	13.61
Manufacturing	7.06
Wholesale and retail trade	18.78
Financial & insurance services	8.12
Community, social and personal services	23.25
Private Households	10.14
Other	19.04
Population by employment status:	
Employed	38.30
Unemployed	20.75
Not economically active	40.95
Unemployment rate	35.15
Population by level of education:	
No schooling	12.13
Some primary	18.64
Complete primary	8.78
Some secondary	33.96
Std 10/Grade 12	20.66
Higher	5.84

Population by occupation:	
Legislators, senior officials and managers	5.61
Professionals	4.95
Technicians and associate professionals	9.38
Clerks	12.74
Shop and market services	12.02
Crafts	8.23
Plant and machine operators and assemblers	5.31
Elementary occupations	32.84
Other	8.92
Population attending school (institution):	
Not attending	34.60
Pre-school	2.74
School	61.57
College	0.60
Technikon and university	0.54
Other	0.06

WC024: Stellenbosch - Census 2001 Socio-economic Data Summary

Population communicating with:	%
Telephone in dwelling and cell-phone	32.62
Telephone in dwelling only	17.95
Cell-phone only	16.03
Public phone nearby	22.04
Other	11.36
Population using electricity for:	
Cooking	84.46
Heating	79.41
Lighting	90.91
Households by size:	
5 or less	81.84
Population with refuse disposal:	

Removed by local authority at least once a week	79.89
Own refuse dump	14.00
Other	6.11
Population having toilet facility:	
Flush toilet (connected to sewage)	80.29
Flush toilet (with septic tank)	7.19
Other	12.52
Population dwelling:	
House or brick structure on a separate stand/yard	63.97
Flat in block of flats	10.27
Informal dwelling/shack in informal/squatter settlement	11.95
Other	13.81
Source of water:	
Piped water inside dwelling	69.14
Piped water outside dwelling	13.15
Piped water on community stand: distance < 200m from dwelling	8.39
Piped water on community stand: distance > 200m from dwelling	8.08
Other	1.24
Population by age group:	
0 - 19	36.59
20 - 64	58.87
65+	4.54
Population engaged by industry:	
Agriculture, hunting, forestry and fishing	22.78
Manufacturing	13.30
Construction	5.34
Wholesale and retail trade	15.47
Community, social and personal services	16.71
Private households	6.34
Other	20.06
Population by employment status:	
Employed	52.43
Unemployed	10.78

Not economically active	36.79
Unemployment rate*	17.05
Population by level of education:	
No schooling	5.74
Some primary	16.45
Complete primary	7.45
Some secondary	31.10
Std 10/Grade 12	21.50
Higher	17.24
Population by occupation:	
Legislators, senior officials and managers	5.04
Professionals	8.53
Technicians & associate professionals	6.32
Clerks	8.23
Shop and market services	9.07
Crafts	7.76
Elementary occupations	39.75
Other	15.30
Population attending school (institution):	
Not attending	29.28
Pre-school	3.42
School	49.72
College	1.76
Technikon and university	15.71
Other	0.10

APPENDIX B

Consultations / Meetings

1. NEWCASTLE

Ferdi Alberts

Director Economic Development, City Council
Chamber of Commerce and Industry
Chinese Chamber of Commerce
Afrikaans Sake-Kame

2. UPINGTON

Vernon Mfusi	Economic Development Manager
Petri van Staden	Economic Development Directorate
Conrad van Staden	Director, Technical Services

3. STELLENBOSCH

Bernabe de la Bat	Chief Town Planner
P G Carstens	Manager, Planning and Economic Development Services
Prof Jonathan Z Bloom	Consultant

4. UMTATA

Councillor Mbana	responsible for LED Portfolio (see list for full attendance - KSDM)
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5. WELKOM

Dr K P de Walt	Managing Director FGF Development Centre
R W Lebona	NAFCOC
A L Nyschens	Chamber of Business/SACOB
M R Leemisa	Laubscher, Slabbert & Brink, Professional Land Surveyors, Town & Regional Planners
H P Wolmarans	Laubscher, Slabbert & Brink Professional Land Surveyors, Town & Regional Planners

6. WITBANK

Eric Parker	Chief City Planner
Vusi Ndhlovu	RDP Coordinator
Jaco van Deventer	Head, Land Use Management

King Sabata Dalindyebo Municipality (KSDM) Skills Development Forum: 11 September 2003

ATTENDANCE REGISTER

NAME	REPRESENTING	TELEPHONE	FAX
B. Soyizwapi	NAFCOC	047-5325613 083-2397556	047-5322580
P.P. Jafta	Multipurpose Centre Masizame Community	047-5342313	047-5341223

	Project General Faith Ass.		
Pastor Nosipho E.N. Gcaza-Mxoli	Women Dev. Found.	047-5325075 083-7527853	047-5323128
M.N. Mtwla	Women In Cens	073-2341458	
N. Noalasi	Umtata Central Youth Desk	073-1859243	
L. Uxumisa	L.P.F. Mauden F.	083-6632085	047-536393
B. Sivela	A.H.A.	072-3448361	
L. Mqulo	A.H.A.	083-4755851	
M.B. Mtwla	O.R. Tambo Small Cont.	083-3316686	
F.J. Jalile	A.H.A.	038-5741129	
O.N. Mabele	NASODA	082-4369290	
N. Dakose	CDO Qokolweni/Zhabane	072-2499233	
T.R. Mbalo	Mazizimi/Zimbane	072-2222620	
N.P. Msonkelwa	G.E.F.A.	082-7138996	
N.E. Mkondo	C.S.U. Unemployed Org.		
N.N. Puza	Masizame Community Project	047-5340507	047-5341223
W.V. Mbalo	SMME Council	073-1543025	
N. Deyi	KSD	083-6185909	
Pumla Sihlali	Isacholo Consortium (Women)	083-7311207	047-5326773
S. Zide	50/50 L.R.T.	082-2168088	
N. Mzamane	Hlumisa Women Group	073-3325933	
A. Sizani	Hlumisa Women Group	083-439752	
K. Mkontwana	Ward 32	083-6206816	
N. Machoba	C.P.F. Ward 32	073-3495002	
P. Canga	B.R.V. Bisnes Ent.	083-5618347	
C.J. Mawetyana	K.S.D DPO	073-2232271	
O. Maungxaba	W.D.F.	082-3550285	
M. Ndzondza	C.S.U. Unemployed Org.	082-7138996	
S. Gqaza	C.S.U. Unemployed Org.	073-4001000	047-5313120
V.V. Mzimvula	Eastern Reg. Buss	083-4204759	
Z.S. Topu	Southernwood	083-4648810	
F. Mgobozi	Mbuqe Ext.	083-7352666	
N. Majeki	P.N.F.C.	084-3622860	047-5347108
N. Rwai	Highbury	083-5994262	
M. Qiwa	Highbury	082-3496034	
T. Sihlali	Intyatyambo Business Services	083-7653789	
N.O. Sifile	NASODA	083-4848891	
Sibolele Mcosely	Youth Ward 24		
Akhona Fatose	Youth Ward 7	083-4718729	

Annie Mvubu	Ward 31	047-5319700	
Nombulelo Tshikile	Ward 28 W.L.G.G.	073-1754577	
F.Z. Majeke	Community Police Officer	072-5278208	047-5312232