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A study of Local Economic Development in the town of Stutterheim

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Abstract

Local economic development (LED) is progressively being implemented by developing countries and has shifted from being a development approach pursued only by industrialised nations. Academic interpretation of LED prioritises strategies based on ideas of grassroots and bottom-up development. These ideas are centred on the self-reliance of communities as well as on highlighting the benefits of creating partnerships with different actors for local development. This approach to development is encouraged in South Africa's post-apartheid local government system and is outlined in the sphere's constitutional philosophies of participatory democracy and developmental local government. As such, from the mid-1990's, LED has been embedded in legislation in South Africa, and local governments have been instructed to support LED projects and to assist in their implementation. The consensus is that the implementation of LED by South Africa's local governments has generally not been a success, and poor rural municipalities have been the most negatively impacted by these results. This dissertation looks at the evolution of LED implementation in the small rural town of Stutterheim. The first LED initiative in the town took place in the early 1990's in line with the national political transformation of South Africa from apartheid to democratic governance. This initiative has been heralded as one of the most successful cases of LED in the country. What is most noteworthy about the case is that it pre-dates the establishment of a formal post-1994 local government system and LED policy in South Africa. The LED initiative in the town has survived this formalisation but with significant revisions and reduction in its LED role in the town. This paper is primarily concerned with such revisions and the extent to which they have been a consequence of the relationship between the town's initial LED coordinator, the Stutterheim Development Foundation, and the new local government constitutionally mandated with LED. The paper further interrogates the implementation of LED in Stutterheim after 2000 and post-Stutterheim Development Foundation.

Declaration

This work has not been previously submitted in whole, or in part, for the award of any degree. It is my own work. Each significant contribution to, and quotation in, this dissertation from the work, or works, of other people has been attributed, and has been cited and referenced.

Signature:		Date:	15/02/2016
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List of Acronyms

ANC: African National Congress
AREDS: Amathole Regional Economic Development Strategy
ASGISA: Accelerated and Shared Growth Initiative of South Africa
ATA: Amahlathi Tourist Association
CES: Coastal & Environmental Services
COGTA: Department of Local Government and Traditional Affairs
DEDEA: Development and Environmental Affairs
DoJ&CD: Department of Constitutional Development
DPLG: Department of Provincial and Local Government
DTI: Department of Trade and Industry
ECDA: Eastern Cape Development Corporation
HID: Human Development Index
IDC: Industrial Development Corporation
IDP: Integrated Development Plan
ILO: International Labour Organisation
LED: Local Economic Development
MCA: Mlungisi Civic Association
MDB: Municipal Demarcation Board
MSGF: Municipal Support Grant Fund
NBI: National Business Initiative
NGO: non-governmental organisation
NPM: New Public Management
NSDP: National Spatial Development Perspective
PGDP: Provincial Growth and Development Plan
RDP: Reconstruction and Development Plan
RSA: Republic of South Africa
SALGA: South African Local Government Association
SANCO: South African Civics Organisation
SEDA: Small Enterprise Development Agency
STLC: Stutterheim Transitional Local Council
TLC: Transitional Local Councils
UNDP: United Nations Development Programme
WPLG: White Paper on Local Government

1. Introduction

1.1) Introduction

Before gaining momentum in developing countries from the 1990's, the LED approach has been implemented and has matured as an alternative developmental approach in industrialised countries. In these countries LED was initially a response to economic challenges such as economic decline in the post-World War II era, deindustrialisation in the post-Fordist period, and the economic crunch of the 1970's. Developing countries have also implemented LED with additional objectives of achieving poverty reduction in local communities, lower levels of inequality, and to help deal with the negative consequences of globalisation.

Development is a complex term to try to define. Neo-classical economists have primarily associated the concept with economic growth and quantifiable indicators; welfare economists focus on organisational and structural changes related to welfare provision; and modernisation theorists have always understood development as the provision of basic services, infrastructure and citizen inclusion in decision making (Hussein, 2004: 107). LED on the other hand looks at development more holistically and shifts away from basic economic and materialistic thinking towards that which bases development on the attitudes of people and their interpretation of their needs. LED is rooted in bottom-up, people-centred development literature rather than top-down, centralised thinking. This means that local economic development is primarily understood as a process whereby either local governments or community based organisations, or both, are responsible for coordinating the use of existing resources and to establish partnerships with one another and with the private sector to boost the local economy in order to improve the lives of the local people living in the area. LED is also connected to decentralisation with regards to the delegation of power to lower levels of government, particularly in terms of economic activity, in order to ensure the

financial viability and sustainability of local areas. In addition, LED plays an important part in local democratic literature since it is connected to ideas of citizen inclusion and voice, and the valuing of local knowledge, expertise and resources.

The rationalisation of LED activity in South Africa is a post-1994 phenomenon encouraged by the inclusive developmental vision maintained by the new democratic government. Thus, from the Interim Constitution and later the final Constitution in the mid 1990's, a range of fundamental local government policies (such as the 1998 White Paper on Local Government and the Municipal Systems Act of 2000) have been concerned with the application of LED in the country. This LED role of local government is founded on the post-apartheid autonomy granted to the sphere. These local government policies have entrenched ideas of public participation, decentralisation, effective service delivery and public-private stakeholder involvement as vital to the LED process and have solidified local government's development responsibility through the notion of developmental local government. Specific LED policies in South Africa include the 2000 LED Guidelines, the Draft LED Policy of 2002, the Policy Guidelines for implementing LED in South Africa of 2005, and the 2006 National Framework for LED in South Africa which attempts to build a general understanding of sound LED practice and implementation. According to the South African Local Government Association (SALGA), LED implementation by local governments across South Africa has generally not been as effective as envisaged (SALGA, 2010: 12). The main reasons highlighted for the poor performance of South Africa's local governments in LED implementation have been technical, such as poor human, financial and infrastructural capacity (especially in the poorest provinces), and also related to other less tangible reasons such as limited community participation and private and public stakeholder involvement in LED projects and programmes.

This paper focuses on exploring LED implementation in Stutterheim. Stutterheim is a small rural town located in the Eastern Cape Province. It falls within the Amahlathi Local Municipality and the Amathole District Municipality. The economic activity in the Amahlathi Local Municipality is characterised by the Social and Personal Services Sector as the main economic sector, closely followed by the Agriculture, Forestry, Fishing and Hunting Sector. Tourism has been identified as a potential growth sector due to the natural beauty of the region. Stutterheim is the largest service node in the Amahlathi Local Municipality. Small towns and their surrounding rural areas in South Africa are home to a large number of the population. They lack the economic strength of large cities although they are faced with a myriad of socio-economic challenges needing urgent attention. As such, LED becomes desperately important (while it will not yield the same results as implementation in urban areas) for their viability and sustainability since they are economic and service hubs for their neighbouring rural areas.

Initial LED work in Stutterheim was implemented in the early 1990's. This implementation was encouraged by the economic decay and political instability that had gripped the town during this period. As such, the Stutterheim LED initiative was not just centred on economic growth, but also on racial reconciliation and political transformation. After a consumer's boycott of the late 1980's by Black residents against White owned shops (which was in protest against racism and increased police violence) had crippled the town's economy, representatives from both the White and Black communities had a series of meetings in which it was decided that the boycott must end and both communities must work together to rebuild the town. This entailed redressing the apartheid period neglect of Black areas, such as the Mlungisi Township, through programmes such as infrastructure development and Black business support. The non-profit organisation set up to coordinate LED in the town became known as the Stutterheim Development Foundation. It was through this Foundation that

funds were raised and the various committees created to implement development projects and programmes were directed.

At the peak of the Stutterheim LED initiative, the period from its inception till 1995, the Stutterheim Development Foundation had raised millions in donor funding and implemented a variety of programmes that included: the creation of the Stutterheim Business Advice Centre for newly established small business township owners, the provision of housing plots to disadvantaged township residents, the building of schools and community halls, and the improvement of school educational programmes. These programmes and projects also contributed to job creation in the area. The most significant element about the Stutterheim case is that its LED initiative came before the formation of an official and democratic local government system in the town (and across the whole of South Africa) and the rationalisation of LED policy in the country. This is a direct expression of how the early Stutterheim LED initiative was bottom-up and driven by the town's residents themselves and not forced on them by a higher governing body.

When the new local government system was introduced after 1995, the LED role of the Stutterheim Development Foundation was significantly altered. The new local government, constitutionally mandated with local development, took over most LED functions in the town. As such, the Foundation's LED projects and programmes were drastically reduced, and its Forum's role as the main outlet for community engagement and participation seized to exist since that was now officially the obligation of the new Council. Although the Stutterheim Development Foundation survived the late 1990's period and transformed itself, it struggled with sustainability and rebuilding itself to its pre-1995 prominent form. The main reason for this, and one which this dissertation seeks to explore in depth, is the lack of support provided by the new local government to the Foundation. The local government failed to form a mutually beneficial partnership with the Stutterheim Development

Foundation, and this had negative consequences for the Foundation's funding processes and legitimacy in the community as a development agency and a vehicle for community participation in development. This lack of partnership between the local government and the Foundation did not only negatively affect the Foundation; it also negatively affected the implementation of LED in Stutterheim. The new local government was characterised by poor human, financial and institutional capacity, and had to deal with other governing problems emanating from the apartheid spatial design legacy that had prioritised the White areas, of which LED was not a priority. By not partnering with the foundation, valuable knowledge, expertise and a primary focus on LED were lost. The paper will then discuss LED implementation in Stutterheim post-Foundation and the recent LED role of the Amathole District Municipality through Aspire in the town.

1.2) Research Question

How has Local Economic Development (LED) evolved in the town of Stutterheim, and what effect has local government formalisation had on its implementation?

Additional guiding questions:

- 1. Why did Local Economic Development in Stutterheim succeed? (Has it actually been the success story it is deemed to be?)*
- 2. What were the particular circumstances that gave rise to Local Economic Development in Stutterheim?*
- 3. What enabled the Stutterheim LED initiative to adapt, transform and ultimately be sustainable in the midst of the formalisation of LED policy in South Africa and the establishment of a Local Government system in Stutterheim?*
- 4. What has happened to LED in Stutterheim after the closure of the Stutterheim Development Foundation?*
- 5. What can be learnt from the Stutterheim case in the broader debate on LED and Local Government restructuring?*

1.3) Rationale

This dissertation focuses on the case of Stutterheim within the Amahlathi Local Municipality. It tries to understand the nature of LED implementation in small rural town municipalities across South Africa. It seeks to comprehend the effect of this LED intervention on the intended social and economic development objectives. This paper aims to explore the evolution of a bottom-up, community driven LED initiative, and to analyse the effects of local government intervention on its projects and programmes. In a country where LED implementation at local government has generally not been effective, the paper tries to grasp how the implementation of LED in a small rural town in the Eastern Cape Province was able to achieve such widely praised success.

1.4) Chapter breakdown

Chapter two: Background of Local Economic Development in the Global Context

This chapter looks at the origins of local economic development in industrialised countries. It discusses some of the major reasons that have contributed to the establishment and confirmation of LED as an alternative development approach. The chapter highlights some of the theories which have influenced the LED approach and the principles on which the approach is based. It then provides definitions of LED. The chapter also discusses the key reasons behind developing countries adopting the LED approach, and what they aim to achieve through it.

Chapter three: Local Economic Development in South Africa

Chapter three looks at the implementation of local economic development in South Africa. It discusses the reasoning behind the adoption of the approach by the post-apartheid government. It outlines the transformation of local government into an autonomous sphere, and also locates LED within the principles of developmental local government, decentralisation and participatory democracy. The chapter then outlines relevant local government legislation on LED and the different strategies used to implement LED in South Africa.

Chapter four: Contextualising Stutterheim within the Amahlathi Local Municipality and Amathole District Municipality

The purpose of this chapter is to set the context on the town of Stutterheim. It briefly discusses the character of small towns in South Africa and the challenges they face. The chapter also outlines the socio-economic profile of Stutterheim. It then discusses the Amahlathi Local and Amathole District Municipalities, their relationship with Stutterheim and their socio-economic profiles. The chapter then briefly discusses the general application

of LED in the Eastern Cape Province, and the LED role of the District Municipality in Stutterheim.

Chapter five: Historical background and application of LED in Stutterheim

The historical background chapter traces the development of LED in Stutterheim. It provides a brief history of the town and discusses the events leading up to the creation of the development initiative. It outlines the history of the Stutterheim Development Foundation, its programmes and projects, as well as its achievements and successes.

Chapter six: Establishment of a formal post-1994 local government system in Stutterheim and its effect on the town's LED initiative

This chapter looks at the effect that the creation of a formal local government system in Stutterheim has had on the LED initiative after 1995, and the changes that such an effect has produced on the role of the Stutterheim Development Foundation. It discusses relations between the local government and the Foundation concerning LED work in the town. The chapter goes further to discuss the implications for LED with regards to funding, capacity and public participation as a result of the changes that took place after 1995. Lastly, the chapter discusses LED initiatives after 2000 and after the Stutterheim Development Foundation formally closed its doors. It also discusses LED projects driven by Aspire (the development agency of the Amathole District Municipality).

1.5) Methodology

Primary data for this dissertation was obtained through qualitative means. Qualitative research is considered as explanatory and descriptive because it is concerned with “why phenomena occur and the forces that drive their occurrence” (Ritchie and Lewis, 2003: 29). As such, the qualitative research approach examines subjects in depth and provides a unique apparatus of looking at behaviour, decisions and attitudes. Such detail is important for this project because of the bottom-up/ people-centred approach to LED by the Stutterheim Development Foundation, and the significance placed on the attitudes and beliefs of people to decision making. Furthermore, this approach provides contextual data that is not possible through quantitative means and is thus valuable in a study such as this which aims at gaining a deep understanding of the manner in which LED was formulated and implemented in Stutterheim.

Primary data will be obtained through in-depth interviews with key informants such as: representatives of the Amahlathi Local Municipality (Municipal Manager and Director of Local Economic Development) and the Amathole District Municipality (Municipal Manager), founding members and managers of the main LED agency being explored in this paper (Stutterheim Development Foundation) and other important LED projects implemented in Stutterheim (eEscape route and Vukani Youth Centre), the first democratic Mayor of Stutterheim, and one of the first Councillors in Stutterheim during the democratic transition period. These interviews have been referenced as (personal communication) in the text.

This project will focus on individual interviews rather than group or panel interviews. This is because individual interviews provide an undivided, clear and singular focus on an individual (Ritchie and Lewis, 2003: 36). Another virtue of using this style of qualitative research is that such interviews ensure that the researcher receives detailed information about the interviewee’s personal perspective, the context through which the research is conducted, and

a very detailed coverage on the subject (Ritchie and Lewis, 2003: 36). Individual interviews are also helpful to research that is based on complex, deep-rooted concepts and phenomena, such as LED, because they allow room for clarification and detailed understanding. This is important because LED is characterised by various meanings and interpretations, and is made up of multifaceted concepts and processes for implementation; particularly the people-centred/ bottom-up LED approach that involves multiple stakeholders and interests.

Another reason why the data will be collected in an interview style is because the topics and issues that will be covered find value in the personal knowledge, interpretation and understandings of the participants (Mason, 2002: 63). Also, the specific research questions that this project seeks to address require the researcher to communicate interactively with the participants and to listen attentively to their responses for more useful data (Mason, 2002: 64). Another reason for an interview style is that this project is founded on the view that the knowledge of the participants is contextual and situational, thus the interview itself must reflect this to fully bring up the themes of interest. Lastly, qualitative interviews are chosen because the manner in which social explanations and stances are constructed has direct influence on the depth of data (Mason, 2002: 63).

The design and framework of the interviews will be semi-structured (Punch, 2005: 24). The structure that will be introduced before the actual data collection process will be in terms of the specific research questions I will ask the interviewees (in the form of an interview schedule of questions), which highlight the themes that the project aims to address. The interviews will thus also be open-ended in that the respondents and I will enjoy some liberty to explore ideas that were not predetermined but appear during the interviews. The semi-structured approach of the interviews will provide a system to keep the interview process on track and consistent. This means that unlike a quantitative approach to research, the schedule of questions that will be used is intended to be more flexible and discursive, and its structure

is not meant to be tight (Punch, 2005, 24). Thus, my role will be to make sure that the interviews do not deviate from the subject matter of the dissertation and the relevant responses I aim to obtain, and are kept on course by the interview schedule.

The secondary research used in this project comes from books, journal articles, government publications and the internal publications of the development agency (the Stutterheim Development Foundation) and cited LED projects (such as eEscape Route). The socio-economic profile data used for the region will mainly be sourced from the various Integrated Development Plans (IDP), municipal strategic plans and municipal publications.

There are no clear-cut, agreed upon rules for analysing and interpreting qualitative data. The foundational focus of this exercise is to capture and interpret the data collected and to understand its meaning (Ritchie and Lewis, 2003: 202). This project will use the thematic analysis approach to complete this task, as it is concerned with the identification of important themes, concepts and categories which are present in the data (Ritchie and Lewis, 2003: 202). The labelling of the themes will be achieved through concepts that will be generated by me from the specific research questions and terms based on the literature supporting this study.

I chose to employ the case study approach for this dissertation because it is useful for gaining an in-depth and multi-faceted understanding of complex issues in their specific context. Stake defines a case study as: “a case study is both the process of learning about the case and the product of our learning” (1995: 237). He further states that there are three types of case study: intrinsic, instrumental and collective. The intrinsic type, and the one in which this dissertation focuses on, is explained as the researcher clearly defining the uniqueness of the phenomenon, which distinguishes it from all others; and this uniqueness ought to be the main reason for pursuing the case (Stake, 1995: 237).

The reason that I chose to focus solely on Stutterheim for this dissertation is because the town has been widely cited as an example of the most successful case of LED implementation in South Africa. Apart from simple economic development, the town was also been praised for social development and racial reconciliation. Its success story was used as a model for LED implementation for other small towns across the country. Another important fact about the implementation of LED in Stutterheim is that the case is a true example of bottom-up/people-centred development. The LED project came from the people of the town themselves, and was driven by a development agency that they had created; it was not imposed on them by another entity.

Furthermore, the application of LED in Stutterheim predates the establishment of a formal local government in the town and South Africa as a whole, and also predates legislation on LED in South Africa. The accomplishment that was achieved by the town is very interesting to me because it began in the early 1990's during a very turbulent time in South Africa (during the transition to democracy). The people of Stutterheim decided to take initiative in a bid to save their town from economic ruin and racial violence. In addition, Stutterheim is a small rural town, and such towns have generally not been successful in implementing LED. Thus, the success enjoyed by the town makes it a unique case. It is this uniqueness and the true local, bottom-up nature of the implementation of LED in the town that has motivated me to tell the story of Stutterheim in my dissertation about LED.

The main reason behind my choice of interviewing a select group of individuals for the dissertation is the historical aspect of the work of the SDF. I wanted to make sure that I interviewed individuals that were directly involved in the SDF and those who were indirectly affected by their work (such as the first democratic mayor and councillor of the town). I believe that the specific knowledge that these individuals have will be very valuable in supplementing the secondary research that I have conducted for the dissertation. Because the

SDF began its work in the early 1990's, I feel that this is more likely for these individuals to remember in detail the events and decisions surrounding the work of the SDF than people who were not directly involved in the workings of the project. The current Amahlathi Local Municipality Municipal Manager and Head of Local Economic Development, and the current Amathole District Municipality Municipal Manager were all interviewed in order to shed a light on the institutional memory left behind by the SDF and its relevance to projects and programmes that came after. Their interviews are also valuable with regards to providing me with information concerning current LED work being conducted in Stutterheim.

Details of individuals interviewed:

Chris Magwanqana: (interviewed: 16/11/2015)

Max July: (interviewed: 17/11/2015)

Anna-Marie Mayekiso: (interviewed: 19/11/2015)

Tom Dyantyi: (interviewed: 23/11/2015)

Hamish Scott: (interviewed: 19/11/2015)

B. K. Socikwa: (interviewed: 18/11/2015)

B. Ondala: (interviewed: 18/11/2015)

2. Background of Local Economic Development in the Global context

2.1) Introduction

Approaches that tend to be labelled as part of local and regional development or local economic development (LED) represent a “series of tailor-made approaches for the development of subnational areas” in an attempt to rethink the manner in which development challenges can be met, and to address the “general failure of traditional top-down, supply-side development strategies” in an increasingly globalising world (Rodrigues-Pose and Tijmstra, 2009: 36). In the developed country context, LED encourages a development strategy targeted at enhancing the economic potential and sustainability of local areas by providing subnational governments with the instruments to formulate “locally tailored” plans in communication with other actors and participants from both regional and international levels, and outside of formal government institutions (Rodrigues-Pose and Tijmstra, 2009: 36). In developing nations LED is being progressively introduced for related reasons, but with an increased emphasis on addressing unrelenting challenges of poverty, inequality and economic growth. Essentially, the effects of globalisation combined with the increased inability of a growing number of national governments to play the most significant role at the local level have encouraged the appearance of locally based initiatives (Nel, 2001: 1004). As such, the recent focus by academics and development agencies on the LED approach “is a reflection of a switch in focus from government led to more „bottom-up forms of development, altered global circumstances and greater local level autonomy” (Nel, 1999: ix). This chapter concentrates on providing a summary of the definitions, characteristics plus the theoretical foundations of LED, and also a discussion on the emergence of the approach in developed as well as developing countries.

2.2) Definitions of local economic development and its theoretical foundation

LED as a development concept is characterised by different meanings and interpretations; and as Rowe states: “the discipline of local economic development is a complex mix of concepts, practices and rhetoric” (2009: 3). As such, it is clear that although there is no single, all-encompassing, concrete definition for LED, its approaches are likely to be based on similar characteristics. These characteristics include: the fact that LED is territorially-based, in that it strives to empower actors to improve the future of the area in which they live. As such, external stakeholders are encouraged to get involved in LED approaches to help insure their success, but by their nature LED approaches are „locally owned“ and are largely designed and implemented by local actors. The second characteristic relates to the idea that LED is based on participation. According to the approach, various local actors ought to work together with regional and local governments, together with non-governmental as well as international organisations to achieve the local area’s full economic potential. This participation results in partnerships being created between public and private actors, and other social and political groups. Thirdly, in its pursuit of sustainable economic development, LED approaches, through encouraging the interaction of different stakeholders, try to find ways to join up the ideals of economic growth and employment generation with the aims of reducing poverty and inequality (Rodrigues-Pose and Tijmstra, 2009: 37-38). Essentially, LED attempts to “promote a truly inclusive policy process, valuing the opinions of a wide range of local stakeholders and promoting equality among them” (Rodrigues-Pose and Tijmstra, 2009: 38). At the same time it opens up avenues for voice and social dialogue in both formal, such as local elections, and informal processes, such as local meetings and community forums.

Greffé further notes that local development is a process to address an area’s problems related to the openness of the economy and innovation (Corona, 2012: 22). Greffé lists the principles

of local development as: an evaluation concerned with the strengths and weaknesses of a particular area, the achievement of development needs, the inclusion and strengthening of human capital, the encouragement of a participative and entrepreneurial culture, and the integration of the social economy (Corona, 2012: 22). Birkhölzer adds to this by claiming that even though LED projects and programmes themselves are not founded on a single integrated theoretical framework, multiple shared basic principles can be identified. First is the principle titled “For the common good”: because all LED initiatives ought to be grounded on a solid “local and/or community identity and commitment” since this is a key element in modern social theory. The second principle is the importance of an “integrated or holistic” interpretation of the concepts “economy” or “economic”; in the sense that it is not solely focused on the production of goods, but also includes environment, social and cultural factors. The third principle involves ensuring that unmet needs are sufficiently served. Thus, LED is not only about the pursuit money, rather, money making is only instrumental; serving the needs of local people with the money made in economic activity is the intrinsic value. The fourth principle emphasises that activities connected to LED must not be implemented as discrete, isolated actions, but should rather be connected at a broader level to produce an integrated local programme in order to restore economic cycles at the local level. The fifth principle is titled “Building and improving social capital”: in that local people must be viewed as an essential resource and their knowledge and abilities must be continuously enhanced and never underemployed or neglected. Finally, the sixth principle states that LED processes must always begin with activities that are not related to economic gains, but rather that are based on building and developing the community (2005b: 5-9).

In looking at the fundamentals of LED and common principles and characteristics discussed above, a list of a few definitions by LED scholars follows (showing similarities, common ties and shared understandings of the approach based on such fundamentals):

- The approach is a “locally-owned, participatory development process” carried out in a specific territorial space or local governmental region where cooperation exists between public and private actors. LED initiatives rely on local assets and economic advantages to establish adequate employment and viable growth. Even though LED stems from economic strategy, it also has the additional purpose of addressing social problems such as social exclusion and high levels of poverty, and is thus more holistic in approach. One of the most significant aspects of LED approaches is that their design and implementation processes ensure the opportunity for discussion between various community groups, whilst also advocating for active participation in decision making. LED strategy tends to pursue interventions created to “improve the competitiveness of local firms; attract inward investment; upgrade employable skills; and enhance local infrastructure” (International Labour Organization, 2010: 14).
- LED is widely understood as “the process in which local governments, or some agency, authority or organisation on behalf of local government, engage to enhance economic prosperity and quality of life” by increasing a community’s capability to achieve economic progress qualitatively and quantitatively (Federation of Canadian Municipalities, 2006: 1). Also, economic development is viewed as “a proactive collaborative process within which there are a multiplicity of efforts that collectively serve to improve economic progress and quality of life” (Federation of Canadian Municipalities, 2006: 5). It is clear that LED is inherently designed to include a variety of stakeholders concentrating on achieving wide-ranging goals to improve people’s lives in the areas in which they live.
- Stohr and Taylor describe LED as development from below that primarily stems from maximising the potential of the territory’s resources, be they natural, human and

institutional, in the quest of meeting the basic needs of the people living within that specific territory (1981: 1).

- LED is fundamentally a systematic approach that encourages community governance in a manner that ensures that shared community goals and objectives are achieved (Sol Plaatje, 2008: 7).
- Potter et al., view the local development concept as being quite extensive as it covers a number of institutions and local people in an area who come together to establish, maintain and stabilise projects and programmes in the best way possible using local resources (1999: 97). For the authors, LED may be understood as a “bottom-up attempt by local actors to improve incomes, employment opportunities, and quality of life in their localities in response to the failure of markets and national government policies to provide what is required” (Potter, Walsh, De Varine and Barreiro, 1999: 97).
- Essentially, LED encourages local control of development initiatives (Helmsing, 2001: 3).
- LED is meant to significantly enhance the economic capability of a specific territory so as to better the quality of life and future of the residents of that particular area (Swinburn, 2006: 1).
- LED is a process whereby the public and private sectors partner and work jointly to produce improved circumstances for economic development and employment creation in order to ultimately improve the quality of life of the citizens” (World Bank, 2003: 1).
- LED strategies “can therefore be framed as a process that respond to the development challenges that occur at local (subnational) levels and bring together national and

local governments, business, community groups, international development partners to work in partnership” (Wekwete, 2014: 9).

- LED represents a “process where the local actors shape and share the future of their territory...by joint design and implementation of strategies” (Rodriguez-Pose and Tijmstra, 2005: 3).
- Literature on LED is centred on the idea that development is obtained when local organisations or individuals take hold of the initiative and take part in activities that are designed to connect communities, the private sector and other important institutions within a designated territory in a partnership to enhance the socio-economic situation of that area (Stohr, 1990: 93). From this it can be deduced that local actors are the drivers of local development.
- Development in LED is understood as “a process of social action in which citizens or local people...plan and take action” through partnership with the state and business, in order to better the political, social, and economic circumstances of their local areas (Edoun and Jahed, 2009: 7). Fundamentally, citizen involvement in LED projects and programmes is a process where participants become decisive in events that explicitly affect their lives in their specific areas.
- LED is a “process managed by municipalities in accordance with their constitutional mandate to promote social and economic development” (Meyer, 2010: 3).
- The concept of LED corresponds with Birkhölzer’s notion of „development from within“ (2005: 6). This notion signifies that LED is based on self-reliance and people recognising that they can only depend on themselves when the state and the market no longer benefit them or address their problems in any way; and they are forced to make the conscious choice of pulling together and working on ways to find solutions themselves (Birkhölzer, 2005: 6).

From the definitions outlined above, it is clear that LED is based on „bottom-up“ approaches to development rather than „top-down“ centralised methods. The bottom-up approach is primarily understood as “a process fed by a strategic vision of development where economic goals are the main but not the sole concern” (Corona, 2012: 24). These other concerns include the social, cultural, and legal nature of the areas in which the bottom-up approach is applied; and how these necessitate the strengthening of local capabilities, such as the networks of formal and informal institutions and organisations involved, and the local context in order to achieve development goals (Corona, 2012: 24). Birkhölzer states that he has collected sufficient empirical evidence on which to base the statement that: LED is an “economic self-help strategy” initially created by the “losers, disadvantaged social groups and/or disadvantaged communities” at the lowest level of government (2005b: 5). The LED approach is primarily centred on practical experience, and value is continuously added by means of trial and error and also drawing lessons from the experiences of different implementers. As such, networking has been elevated to become one of the most important elements in the establishment of local economic approaches (Birkhölzer, 2005b: 5).

Literature on LED is thus associated with the notion of decentralisation: a system where power is given to lower levels of government for the purpose of delivering better services (Edoun and Jahed, 2009: 3). As a result, because an amount of decision making authority has been delegated away from the central towards the local sphere of the state, decentralisation makes space for local contribution in the decision making process, as well as the utilisation of local information, assets and expertise for developmental reasons. It is clear that LED looks at development in a far broader light rather than being based on relatively simplistic economic criteria. Instead, LED moves towards the direction of values that highlight the people’s attitudes regarding their ideas of self-dependence and involvement in decision making.

2.3) Emergence of Local Economic Development in Developed Countries

Developed countries have interpreted LED as a general instrument of development strategy at the lowest level of government which adds to national development objectives. LED programmes and projects began in the cities of industrialised countries which were going through significant transformations during the post war era (Blakely, 1989: 6). Several of the old industries that were the primary sources of employment and income in these cities were declining as a result of global economic reform and technological change (Wekwete, 2014: 11). To illustrate, in Europe, “textile industries, shipbuilding, steel making and other traditional heavy industries on which the cities were built, moved to other overseas locations leaving a trail of declining and blighted cities” (Wekwete, 2014: 11). This economic problem also occurred in the United States when the global movements of capital no longer benefitted the country as they used to, but instead began to negatively impact local economies since factories moved away resulting in unemployment and economically depressed regions and cities (Blakely, 2009: 10). It is thus clear that from its inception there has been a notable relationship between the notion of LED and the issues facing states of growing unemployment, poverty and economic decay that negatively impacted not solely developing countries, but the developed Western Europe, North America and Japan as well (Birkhölzer, 2005b: 1). In the ensuing years the recognition of the LED approach increased together with the increasing number of socially and economically excluded people all over the world, particularly in places such as Eastern Germany that were dealing with economic transformation resulting in more economic and social issues (Birkhölzer, 2005b: 1).

The initial policy reaction with regards to LED was, as a result, concentrated on keeping the existing and attracting more investment using “place marketing and investment attraction, and putting in place incentive systems such as grants, tax breaks or loans, and significant provision of hard and soft infrastructure” (Wekwete, 2014: 11). Tassonyi confirms this by

stating that the traditional LED approach that was predominantly implemented from the 1950's to the 1980's was characterised by an attempt to appeal to different firms by stressing low priced factory inputs or subsidised infrastructure and giving direct grants or tax breaks depending on the powers of the particular taxing jurisdiction (2005: 5). By means of hands-on planning, the areas needing attention were recognized, and by the use of special legislation these areas were rezoned to accommodate new development, which was designed to attract new public and private sector investment (Nel and Rogerson, 2005: 16). Another element in the global arena of LED has been the emphasis on systemic competitiveness which ensures a viable local commercial atmosphere; promotes networking as well as cooperation amongst businesses together with public and private partnerships; whilst also assisting with the growth of clusters and the standard of life improvements between local communities (Wekwete, 2014: 11).

According to Heron, literature on LED draws from two main theoretical trajectories: the neoclassical and Keynesian traditions that were prominent around the 1950s to the 1970s, and the political economy school that dominated from the 1980s (2009: 97). This statement shows how the establishment and promotion of the LED approach has been influenced at some point by either purely economic or politico-economic concerns. It is because of this influence that the growth of LED as an alternative developmental approach is connected to more comprehensive development theories and literature such as "neo-classical or Keynesianism, neo-liberalism, globalisation, post-development" and bottom-up approaches, and decentralisation (Akudugu, 2013: 17). Contemporary LED does not have its own theory but its approaches and explanations are drawn from conventional development theory and discussion. Akudugu states that the reason why LED has been based on such an assortment of theories is because of its comparatively protracted years of application in industrialised countries and the approach's initial appearance in the multi-disciplinary schools of

“economics, regional development, planning and political economy of development” (2013: 17). As such, to a significant extent LED may be understood as a product of these overarching theories (Akudugu, 2013: 17). Different types of LED approaches have been employed internationally and directly correspond with the mixed theoretical heritage of LED: the first is the „Urban efficiency“ approach used in United States cities in the 1980s, which is characterised by municipalities increasing productivity and reducing the cost of living by investing in infrastructure and service provision; the „Entrepreneurial and sectoral“ approach used by Italy’s industrial districts and the Silicon Valley, which is concerned with supporting the local economy in leading sectors; the „progressive community based“ approach, which is characterised by strategies involving the cooperation of low income community members and their organisations; and finally the „radical redistributive and socialist“ approach concerned with interventionist methods for equal wealth distribution as was implemented in Liverpool (Department of Provincial and Local Government, 2001: 6).

For several authors, it is the „crisis“ of the Fordist mass production model that has sparked the theoretical rediscovery of „flexible“ types of production at the local sphere of government in developed nations (Albuquerque, 2004: 156). According to Nel, “although there have been elements of place marketing and boosterism evident in local government policy for many decades, it would seem that in the last 20 to 30 years the incidence of LED has become more prolific” in developed countries (2001: 1003). This change is not the direct result of solely local government activities; it is instead the collective efforts of national governments attempting the optimisation growth levels at the local sphere, as well as those of the many community development agencies trying to better the socio-economic circumstances in their particular areas (Nel, 2001: 1003). The resurgence of the LED approach is the result of numerous reasons that have contributed in varied ways, such as the reduction in economic growth after World War II and the significance of “the so-called „rolling-back of the frontiers

of the state” (Roberts, 1993: 759); another is, the collapse of the Bretton Woods system, the quest for New Public Management (NPM) and the reduced role of government in the form of „Reaganomics“ and „Thatcherism“ stemming from the 1970’s economic crunch; the uncertain nature of results obtained by traditional, regional development projects has also contributed to the new focus on LED; Lastly, and perhaps the most important, is the frequent occurrence of local crises resulting from the process of deindustrialisation (Nel, 2001: 1003). Deindustrialisation is the shift from “manufacturing industries to service-producing industries”, which has triggered the advancement of high-income, skilled work and the decrease in middle-income, semi-skilled work (Crankshaw, 2010: 2). This has produced structural alterations “in the operation of business and institutional systems [that] have affected economic and employment patterns in local areas” as a result of the notable shift from blue collar to white collar forms of employment in the post-Fordist period, leaving semi-skilled workers struggling to find employment and local areas struggling to fill the economic void left by big manufacturing companies they had once depended on (Nel, 1999: 3). The consequence of this process has been increasing levels of poverty and inequality (Crankshaw, 2010: 2). Essentially, it is these crises that have encouraged both urban and rural local areas to take charge of the development strategies created to meet their particular needs. LED may be understood as a response to the “development impasse” and may be connected to „anti-development arguments“ based on the idea of encouraging „grassroots movements“ and the contributions of different community economic initiatives that work together with formal local government and private sector systems and projects (Nel, 2001: 1003).

Another process taking place in the global arena which has had a significant impact on the LED approach in developed countries is that of growing internationalisation and decreasing state control in many countries around the world. Globalisation is the process dating back to the 1980’s where the world has come to be progressively “connected” and “integrated” (Lee

and Vivarelli, 2006: 2). This has resulted in local areas carrying out locally planned development approaches encouraged by the poor success rate obtained by central state regional development approaches in countries around the world (Nel, 1999: 3). Khan states that “localisation and globalisation are thus closely yet paradoxically connected, closing while simultaneously opening up political spaces for social engagement in abstract and absolute senses” (1998: 2). This necessitates the „re-conceptualisation“ of the connection between the global and the local sphere in a dynamic manner that moves away from the artificial master/slave divide, whereby the local is “undone, insignificant, or displaced” (Khan, 1998: 2). The rising prominence of the local sphere in the global arena and economy and the increasing importance of community involvement and decision-making processes within democratic countries have contributed immensely in the growth of LED (Triegaardt, 2007: 1). According to Midgley globalisation is essentially global integration in terms of “diverse peoples, economies, cultures, and political processes” being gradually placed under international influences and where individuals are reminded of the role of these influences in the daily lives (1997: 21). As such, globalisation is understood a process that involves “trade, communication, technology, ideas, culture” and the movement of assets through different national boundaries (Triegaardt, 2007: 1). The key features of globalisation which have characterised debates on LED and strengthen the link between the two include: the reduction of the role played by government in economic matters, deregulation, privatisation, outward orientation of the economy, and trade liberalisation (DPLG, 2001: 4). Although the process of globalisation has had positive effects, some of its effects have been negative. LED may be seen as a response to these negative consequences such as the increased gap between the wealthy and the disadvantaged, unskilled and marginalised areas (DPLG, 2001: 4).

2.4) Emergence of Local Economic Development in Developing Countries

Prior to obtaining popularity in developing countries around the 1990's, with South Africa included, developed states had been implementing LED programmes and projects in various forms for many years (Patterson, 2008: 2). It is largely donor agencies, (the World Bank, the International Labour Organisation (ILO), and the United Nations Development Programme (UNDP)), together with developing states themselves that have been propagating LED in their countries in recent years as an alternative development approach or strategy (Meyer-Stamer, 2003: 1). Apart from those global economic problems affecting industrialised countries and developing countries alike, the two main reasons attracting developing countries to LED principles are firstly, the pursuit of decentralisation and the responsibility of encouraging economic development at lower levels of government; and secondly problems of unemployment and poverty at local government have incited questions about the capacity of central government and its centralised industrial policy to address local needs (Meyer-Stamer, 2003:1). Internationally, development scholars acknowledge the significance of LED in bettering the quality of life in the developing world (Meyer, 2010: 1).

Developing countries are facing much different contextual challenges than developed countries, and the need for LED to help overcome these challenges becomes more pronounced. These challenges include the fact that developing countries tend to be characterised by issues of having recently overcome conflicts (eg. Central America, Colombia, Mozambique); governments are highly centralised; the existence of scattered micro enterprises which tend to fall within the informal sector and with limited markets; poor public support and low capacities of local administrations in supporting economic activities and employment; limited access to financial and non-financial opportunities (capacity building, technical assistance) and low capacities of services; limited opportunities for women to access the economic activities; and very low infrastructure networks (Canzanelli,

2012: 3). Reese states that “research on local economic development has grown exponentially”; and this is the case in developing states, and concepts related to the approach have been receiving significant attention from academics recently (1993: 492).

The need for LED in developing nations is encouraged by the realisation that the main challenge of economic development is that it “occurs unevenly and inequitably across economic space, landscape and social groups, creating major challenges in terms of satisfying the needs of the citizens [with regards to] employment opportunities, wealth creation and services particularly for disadvantaged and marginalised groups” (Wekwete, 2014: 9). Unlike industrialised nations, in most developing countries LED is about establishing new opportunities in areas where there has previously been marginal industrialisation, and also attempts to re-engineer the rural economies to enable them to become more productive. In Southern Africa for instance, some prevalent challenges that have encouraged the establishment of LED include: “the fractured and artificial political boundaries which have distorted the economic map of Southern Africa; the nature of economic development which has been based on dependence on exporting primary commodities with limited manufacturing and technological development; the high degrees of economic and spatial inequality and imbalances prevailing in the national economies; and in general Africa’s weak positioning in the global economy” (Wekwete, 2014: 9). Another motivating factor is that there is reason to believe that governing may become more manageable at the local sphere of the state in these countries, and the implementation of developmental local government may be more viable here because problems like “low national cohesion and ethnic tensions”, and overburdening of government structures are less of a problem at this level (Meyer-Stamer, 2003: 5). In Latin America, there has been no one reason for the emergence of LED, but most of its programmes and projects developed as a response to local economic crisis circumstances together with the limited appropriate legislative responses coming from national government

to take care of them. An example of this is the industrial crisis which resulted in the establishment of the „Gran ABC“ initiative in São Paulo (Albuquerque, 2004: 158). Apart from LED assisting municipalities overcome economic problems depicted in the growth of demands by the public, the restoration of democracy at local level has been connected to more pronounced requirements for local government to develop clear and practical programmes and plans and present them to community members on the matters of the creation of production and employment at local and regional spheres (Albuquerque, 2004: 158).

This chapter has discussed the origins of local economic development in industrialised countries; and has stressed how these countries were going through significant transformations during the post war era. As such, it has discussed some of the major reasons that have contributed to the establishment and confirmation of LED as an alternative development approach. The chapter has highlighted some of the theories which have influenced the LED approach and the principles on which the approach is based (with particular focus on bottom-up/ people-centred narratives). It has then provided definitions of LED. The chapter has also discussed the key reasons behind developing countries adopting the LED approach, and what they aim to achieve through it (such as their attempt to address challenges of poverty, inequality and unemployment).

3. Local Economic Development in South Africa

3.1) Introduction

LED is a post-1994 occurrence in South African legislation and government led application. Throughout the apartheid period, South Africa had consisted of a district regional planning policy that entrenched the settlement patterns of the racially segregated design of residential areas. The outcome of this was that the majority of the population was placed in disadvantaged, ill-developed townships (Patterson, 2008: 4). Significant central government control typical of the 20th century in South Africa stifled local autonomy and the appearance of LED projects and programmes in its towns and cities. The advent of democracy in 1994 gave rise to a new approach to development and the prominence of the concept of LED among policy makers in government cycles, with the result of LED becoming a main concern of government development today (Patterson, 2008: 4). The post-apartheid local government system is evolving in a context characterised by immense socio-economic challenges. The legislative approach to local economic development in democratic South Africa is directly connected with the establishment of developmental local government. From 1995, Constitutional debates related to the future design of local government expressed a much more active role of municipalities in development (Department: Provincial and Local Government, 2006-2011: 3). The presentation of local government as a sphere instead of a tier of government represents the significance which has been connected to local state institutions in the early phase of transition (Department: Provincial and Local Government, 2006-2011: 3). The 1996 Constitution of South Africa also fixed the importance of the local sphere by stating that “a fundamental objective of local government was to promote social and economic development in localities” (RSA Constitution, 1996). This chapter focuses on the context in which LED has developed in South Africa, and the legislation and principles on which it is founded.

3.2) Decentralisation and developmental local government in South Africa

The apartheid government was focused on central planning and control with a very limited role played by local authorities in development and economic planning (SALGA, 2010: 3). Above this, the apartheid government policies neglected non-white populated areas of the country (SALGA, 2010: 3). The new democratic government of South Africa is confronted by the responsibility of dealing with the challenges inherited from the apartheid period. Democratic South Africa has to address the big challenge of making sure municipalities deliver optimum and expert services to community members of mixed cultures (Pretorius and Schurink, 2007: 19). Cashdan lists some of these challenges. The first is *„A history of discrimination’* in which municipalities under the apartheid regime were important instruments for entrenching segregation and depriving the Black majority of the country. The second is the *„Worsening poverty and inequality’* as the country had once been identified as the most unequal nation in the world, with a large number of South Africans still living in poverty. The next is *„Geographic segregation”* whereby the country’s residential and economic areas are still largely divided, and most are separated from one another by the existence of a physical *„buffer zone”* in the middle of specific racial and economic groups. The fourth is *„Rising unemployment’* since South Africa is still battling with among the top unemployment rates in the world. *„Service backlogs’* is the next challenge when it comes to ensuring that communities have access to electricity, running water, a flush toilet and a telephone. The sixth is *„Persistent non-payment’* with millions of South Africans still refusing to pay for services. The last is *„Restructuring’* because hurriedly drawn municipal and negotiated ward boundaries resulted in a fragmented system, whereby metropolitan areas were split up to form unfeasible sub-structures, and a couple of small towns and rural areas were “cut up like a patchwork quilt” (1997: 2-4). Pretorius and Schurink state that, the ongoing issue confronted by South Africans is therefore, that of making sure that all

municipalities produce the necessary capacity to translate their assets into tools that can be used to defy the problem of poverty as well as underdevelopment (2007: 19). Former Minister, F.S. Mufumadi adds to this by stating that the interventions pursued ought to address challenges such as poor public participation and project management, and must also create favourable conditions for sustainable economic development (2005: 1).

South Africa has pursued a new system of governance and local restructuring in a bid to tackle these challenges from the lowest sphere of government. Mufumadi, stated in 2005: when the new local government system was designed, it was very important for the new government to make sure that a framework for gradually reducing the consequences of apartheid, which had “exposed” the different races of South African to extremely varied socio-economic conditions, was in place (Pretorius and Schurink, 2007: 19). The drastic restructuring of local government in the country has not been simple because a single and uniform system of local government did not exist prior to 1994. This is because the sphere used to be “subservient, racist and illegitimate” (De Visser, 2009: 8). The restructuring of local government towards decentralisation has been important in reaching the ideals of encouraging democratic governance and participatory methods (Cook and Kothari, 2001: 5). The sphere now occupies a vital position in economic development strategies carried out by its municipalities, and academics state that there are diverse political and socio-economic gains associated with embracing the different types of decentralisation and participatory methods (Cook and Kothari, 2001:5).

Decentralisation in South Africa has both a political and administrative perspective. The political perspective is concerned with plans for good governance, with regards to more pluralism, greater local autonomy and “accountability, transparency, citizen participation and development” (Crook 1994:340). With regards to the administrative side, decentralisation allows for the reduction of the work load of central government since it reduces it to

manageable segments. Also, when this work load is divided, it encourages efficiency, coordination and effectiveness in the delivery of services (Crook 1994:340). It is clear that administrative decentralisation is concerned with the “transfer of powers, functions and resources between the different levels of government”, while at the same time keeping some form of power between them (Devas and Delay, 2006: 344). Because decentralisation advocates for the transference of power to lower levels of the state, it allows and encourages local people to get involved in decision-making; this is important for obtaining local knowledge and resources for developmental projects and programmes (Edoun and Jahed, 2009: 4). The political and administrative decentralisation adds to development with regards to encouraging local stakeholder participation in development programmes, so as to make sure that policies produced meet the needs of the locals (Edoun and Jahed, 2009: 4). When it is included in economic planning, decentralisation assists by simplifying the implementation of small-scale projects initiated at the grassroots level (Edoun and Jahed, 2009: 7).

It was the Interim Constitution of 1994 that formally introduced decentralisation into legislation in post-apartheid South Africa. Section 93 of the Interim Constitution states, “Parliament or a provincial legislature shall not encroach on the powers, functions and structure of a local government to such an extent as to compromise the fundamental status, purpose and character of local government” (Interim Constitution of RSA, 1994: Section 93). The adoption of the 1996 Constitution in South Africa further entrenched the notion of decentralisation by presenting in more detail the fundamental issues relevant in the process, such as: endorsing local government as an autonomous sphere of the state, encouraging intergovernmental cooperation, defending local government’s autonomy in the management of its affairs, increasing and acknowledging the powers and functions of local entities, and reinforcing local funding sources and systems (Constitution of RSA, 1996: Chapter 7).

In the midst of South Africa's local government restructuring is the notion of developmental local government; which is outlined by the White Paper on Local Government (WPLG) as follows: "Developmental local government is local government committed to working with citizens and groups within the community to find sustainable ways to meet their social, economic, and material needs and improve the quality of their lives" (White Paper, 1998). The South African government is assigning a huge amount of importance to this notion, and is increasing the responsibilities of state institutions in encouraging growth and development; as a result, this then serves to embed a particularly pro-poor policy emphasis (Nel, 2005: 2). De Visser states, South African municipalities have made some headway in implementing the idea of developmental local government; that is "municipalities have embarked on the extension of infrastructure and development, whilst absorbing fundamental changes to their internal governance and management arrangements, financial management systems and intergovernmental responsibilities" (2009: 7).

Developmental local government is fundamentally centred on service delivery and development at municipal level. The White Paper lists four main features for developmental local government, such as: "maximising social development and growth," with regards to achieving the highest outcome on social development; "integrating and co-ordinating," with regards to encouraging relevant stakeholders interested in local development to work together; "democratising development, empowering and redistributing," in terms of ensuring that local democracy is inclusive and is promoted; and "leading and learning," concerning the fact that local government must always be informed in terms of international and other trends that might have a direct effect on development programmes and projects (White Paper, 1998). In order for these objects to be met, the White Paper places the responsibility of delivering domestic infrastructure and services with local government, together with the creation of cohesive cities, towns and rural areas, and pursuing local economic development

plus making certain that people are empowered and resources are redistributed (White Paper, 1998). The White Paper states that, local government can be developmental only by implementing “integrated planning and budgeting, performance management, and citizen participation” (Siddle, 2011: 67). Therefore, this piece of legislation highlights local democracy as one of the main functions of local government, and instructs municipalities to establish plans to constantly involve local people and community groups (White Paper, 1998).

3.3) Local Economic Development Policy and Legislative framework

South African guidelines for implementing LED plans have been outlined by the different spheres of government. The various pieces of legislation and policy on LED present a legal framework which assists municipalities to implement local development initiatives. A few, if not the most important, of the policy and legislative frameworks relevant to LED and the general transformation of local government will be discussed. The first piece of legislation that is important to local government reform and LED is the Interim Constitution (1994) which set the foundation for formal constitutional acknowledgement of the local sphere of the state by recognising its autonomy whilst safeguarding the sphere’s revenue raising ability together with the sphere’s equal need and right to receive a share of the national revenue. Another significant contribution of the Interim Constitution is that it placed the groundwork for the consolidation of more than 1000 pre-1994 racially distinct local authorities into fewer transitional local structures (Steytler 2006:187).

The second important piece of legislation is the final Constitution (1996), which solidified local government as an established and mature level of government in South Africa. The Constitution also placed the responsibility of development on the local sphere as part of the constitutional objectives and developmental obligations of the sphere (Constitution of the RSA, 1996: Section 152). It emphasises the significance of LED by stating that: "A

municipality must structure and manage its administration, and budgeting and planning processes to give priority to the basic needs of the community, and to promote the social and economic development of the community" (Constitution of RSA, 1996: Section 152). The Reconstruction and Development Programme (RDP) presented four areas of focus regarding LED. The first is to "popularise LED" in South Africa (Moloi, 1996: 8). The second is to "engage in capacity building in preparation for LED"; in that the RDP LED Programme will coordinate with other similar projects being conducted by the National Business Initiative (NBI) and the South African Civics Organisation (SANCO) (Moloi, 1996: 8). The third is to "undertake further research to develop appropriate frameworks for LED" (Moloi, 1996: 8). Lastly, to "investigate a series of case-studies which demonstrate „best practice“ cases of local economic development in the country and which demonstrate the relevance and applicability of various analytical techniques" (Moloi, 1996: 8).

The White Paper also outlines three approaches that can help municipalities achieve their development objective; these are: "integrated development planning and budgeting; performance management; and working together with local citizens and partners" (White Paper, 2008). The White Paper also highlights the importance of integrated development planning as an instrument to help municipalities in integrating their planning processes, and also with enhancing the connections between development and institutional planning structures and methods. It also highlights methods that municipalities can employ to involve community members and community organisation in the matters of the local government "in their capacities as voters, citizens affected by municipal policy, consumers and end-users of municipal services, and partners in resource mobilisation for the development of the municipal area" through performance management processes (White Paper, 2008). Essentially, another important element is that the White Paper states that the local sphere of government has the duty of implementing local economic development, thus contributing

greatly to job generation in the country and in improving the local economy by means of the delivery of “business-friendly services, local procurement, investment promotion, support for small businesses and growth sectors” (Nel, 2005: 3).

The transformation of local government institutions was initiated by the implementation of the 1998 Local Government: Municipal Demarcation Act, which advocated for the demarcation of local borders according to the direction provided by an independent Municipal Demarcation Board (MDB). This process was in line with the constitutional principle of creating a „wall-to-wall“ inclusive system of local government (Constitution, 1996: Section 151). Further transformation was ushered in by the adoption of the Local Government: Municipal Structures Act of 1998, which introduced a legislative basis for the creation of municipal institutions. In big urban areas, the Structures Act introduced a one-tier metropolitan system, and a two-tier district and local municipalities system in the remaining parts of South Africa; whilst also outlining a structure for the internal operation of local government institutions (De Visser, 2009: 10). Another major contribution made by the Structures Act was the introduction of ward committees as the drivers of community participation at local government (De Visser, 2009: 10).

The Municipal Systems Act of 2000 continued to entrench the ideals of the White Paper by making integrated development planning compulsory, and legislating to local government various important LED functions, roles and responsibilities (De Visser, 2009: 10). The Systems Act aimed to “provide for the core principles, mechanisms and processes that are necessary to enable municipalities to move progressively towards the social and economic upliftment of local communities” and also to achieve pro-poor development (Municipal Systems Act, 2000). The Systems Act provides a more comprehensive understanding of developmental local government as championed in the White Paper. The Act entrenches the developmental character of municipalities collaborating with community members by means

of creating an agenda that directs local government to include citizens in governance, especially according to the guideline of a framework directed at participative development planning; particularly through the use of integrated development plans (IDPs) (De Visser, 2009: 10). The IDP process involves the preparations made by municipalities with regards to their five year strategic development plan, on which other planning processes must be based. The IDP connects all of the development aims of a municipality including its LED, and establishes approaches to effectively actualise these aims in an integrated way to ensure coordination (DPLG, 2001: 26). The IDP includes “a long-term vision, an assessment of the existing level of social and economic development, the setting of development priorities and objectives, spatial framework and land development objectives, operational strategies, municipal budgeting and other resource allocation” (DPLD, 2001: 26). With regards to service provision, municipalities are mandated to focus primarily on basic services and to make sure the basic needs of community members are met.

The LED Guidelines (2000) were the first piece of legislation to deal with local economic development directly and to commit local government to its implementation. The LED Guidelines present a vision statement of what is meant by LED by highlighting economic growth and poverty eradication as the country’s core objective with the development approach (Hindson and Vicente-Hindson, 2005: 2). This aim corresponds with international literature in that “economic growth is generally seen as the immediate objective, while poverty reduction, and more generally, improvement in the quality of life is taken as the overall goal” (Hindson and Vicente-Hindson, 2005: 2). The National Spatial Development Perspective has further added to the discussion by means of proclaiming that particular business areas are more appropriate to business development and growth, whereas other areas ought to merely be assigned to government services and transfers (SALGA, 2010: 6). The LED Policy Paper (2001) contributed to the LED discussion by bringing back development

solutions to the poor as their main area of focus. The Draft LED Policy (2002) also takes a decidedly pro-poor stance, and expresses the need of developing pro-poor LED approaches to tackle poverty and inequality in the country (Nel, 2005: 17). The Policy presents three goals for achieving this pro-poor LED objective: “to establish a job-creating economic growth path; to embark on sustainable rural development and urban renewal; and to bring the poor and disadvantaged to the centre of development. In order to achieve this LED must be innovative, creative and redistributive” (Nel, 2005: 17). Lastly, the National Framework for LED in South Africa (2006) intends to construct a shared interpretation of comprehensive local economic development practice and to ensure that implementation is always successful (SALGA, 2010: 6).

3.4) Application of Local Economic Development in South Africa

The country has employed many, or a combination, of the LED approaches practiced around the world. These include the „traditional or investment approach“, which involves incentives being provided to attract investment, profile-raising initiatives to bring in firms, low taxes and prices of land, and the supply of support and advice; „traditional approaches or property development“, which is concerned with the establishment of retail and commercial facilities, convention centres, leisure and sport facilities and the like which assist in enhancing the attractiveness of the city; „entrepreneurial approaches“, which involve a more direct business inspired approach to development by mainly supporting new firms and competitive business pursuits to bring in new investment; „human resource development“, attempts to encourage those that are living in poverty and that are structurally disadvantaged to be engaged in the economy, and to ensure that they obtain skills and are business trained; and „community development and progressive approaches“, the focus here is on the participation of community organisations in order to create equitable systems of delivery, and this

progressive stance is directed at supporting the most marginalised and market excluded groups (Moloi, 1996: 8).

In 2001 the DPLG distributed a resource book for municipal councillors and officials on local economic development. The first component addressed by the book is the listing of the main principles on which LED is based in the country. These comprise of: the prioritisation of job creation and poverty reduction strategies; encouraging each local area to develop and focus on LED approaches that complement their individual context; ensuring that LED is primarily directed at “previously disadvantaged people, marginalised communities and geographic regions, black empowerment enterprises...” etc.; encouraging local participation, ownership, involvement and leadership in LED projects and related decisions; and ensuring that LED utilises local resources and skills, and also depends on flexible approaches that can adapt to changing local circumstances (DPLG, 2001: 1). The resource book also touched on key strategies for LED which include: “facilitating community economic development; developing and maintaining infrastructure and services; connecting “living wages, human capital development and productivity”; and retaining and expanding existing businesses” (DPLG, 2001: 2). The resource book also outlines the different responsibilities that the various government spheres should play in the application of LED. Some of national government responsibilities include the coordination of support to municipalities according to the IDP process, and the maintenance of strong intergovernmental relationships and institutions; provincial government is requested to, among others, connect LED projects and programmes with national and local objectives, to enhance the capacity of municipalities, and to provide the necessary financial and technical support to local government; finally, district municipalities are required to plan local economic development approaches within the IDP framework, establish representative LED structures of all local municipalities, and to offer LED training to municipalities (DPLG, 2001: 9).

The private sector is understood as having self-interest in LED because enterprises on which the local market depends are directly involved in the state of the local economy, and as such, participating in LED projects which strive to improve the local economy peaks their interest (van Ryneveld, 1996: 24). Therefore, the private sector has been playing a very influential role in LED in South Africa, such as creating and funding quite a few local and regional development forums, “big businesses subcontracting and hiving-off existing activities to small businesses”, and private businesses contributing to programmes for urban renewal as well as the revitalization of deteriorating inner-cities (van Ryneveld, 1996: 24). The community and non-governmental organisations also make a substantial contribution towards LED. The involvement of NGO’s in LED is often elevated when they introduce and encourage concepts that are new and unique to them such as „integrated“ and „people-centred“ development at the local sphere, thus empowering civil society, and making sure that development is responsive, whilst also complementing the role of government (Planact, 1996: 21). Apart from ensuring that community driven development is realised, NGO’s also make certain that development is sustainable by providing support, technical advice and information (Planact, 1996: 21).

With regards to financing LED, in its series of publications on LED the Department of Constitutional Development (DoJ&CD) stated that there does not exist a single and specific national fund for LED in the country. The reason for this is that LED, like the Reconstruction and Development Programme (RDP), is meant to be implemented by all government agencies and stakeholders across the country (DoJ&CD, 1998: 20). The main sources of funding for LED consist of “existing local government revenues, intergovernmental grants and subsidies, private investment, and the financial and human resources available within our communities” (DoJ&CD, 1998: 20). These domestic government sources of funding tend to be the National Treasury, the Department of Local and Provincial Government, and also

other departments such as Arts and Culture and the Department of Trade and Industry (DTI) which offer specific grants for relevant programmes and projects (City of Johannesburg, 2009: 25). International donor grants and loans, and private sector grants and partnership funds may be used. The greatest benefit for using grant funding is that the grants do not come with the obligation of needing to be repaid, but bonds and loans carry this obligation (City of Johannesburg, 2009: 24). Another benefit, and the reason why grants are so popularly sought after in developing countries is that some of them usually carry technical assistance and other capacity building tool packages, which result in skills and knowledge transfer (City of Johannesburg, 2009: 24). Loans on the other hand, tend to be focused on infrastructure developments.

This chapter has looked at the implementation of local economic development in South Africa. It has focused on the constitutionally recognised principles of participatory democracy and developmental local government. The chapter has discussed the reasoning behind the adoption of the approach by the post-apartheid government, and its policy and legislative framework. It has outlined the transformation of local government into an autonomous sphere, and the responsibility the sphere has for achieving social and economic development. The chapter has then summarised the different strategies used to implement LED in South Africa.

4. Contextualising Stutterheim within Amahlathi Local Municipality and Amathole District Municipality

4.1) Introduction

Most of the vital economic resources in South Africa exist primarily in large urban areas as opposed to the few found in rural areas. Rural towns are thus at the centre of poverty, inequality and high levels of unemployment; and tend to lack concrete opportunities for economic development. The town of Stutterheim is located on the N6 highway, at the base of the eastern slopes of the Kologha Mountains, roughly 80km north of East London (Reconciliation Strategy for Stutterheim, 2010: 1). Stutterheim is part of the Amahlathi Local Municipality. The Amahlathi Local Municipality is situated within the Amathole District Municipality. The Amathole District is naturally and culturally rich, and is made up of a number of small towns with their individual socio-economic potential and large rural and agricultural grounds for commercial and subsistence farming (ASPIRE: Annual Report, 2012-2-13: 4). Naturally, the district boasts a stunning coastline, indigenous forests and mountain ranges; culturally, the region's rich heritage is influenced by various cultures including: amaXhosa, German and British settlers, and Afrikaners (ASPIRE: Annual Report, 2012-2-13: 4). "Stutterheim is the main administrative, service and industrial centre" of the Amahlathi Local Municipality, and thus consists of many amenities such as supermarkets, petrol stations, a hospital, police station, schools etc. (Reconciliation Strategy for Stutterheim, 2010: 1). This means that the town is the economic centre for the Amahlathi Local Municipality, and is also the business centre for surrounding towns and rural villages. This chapter will be focusing on setting the context on the town of Stutterheim, and its relationship with the Amathole District Municipality concerning local economic development.

4.2) Stutterheim's socio-economic profile within Amahlathi Local Municipality

A small town in South Africa is defined as a centre with a population less than 100 000 (although they tend to be less than 50 000). The world is now set on addressing challenges

that are faced by big cities in developing countries to the neglect of small towns, even though they are characterised by the most profound development challenges (Nel, 2005: 253). These challenges are centred on “issues of rural decline, in-migration, economic collapse, the absence of sufficient services and housing and adequate technical and financial resources which are usually vastly inferior to those available in cities” (Nel, 2005: 253). As such Nel concludes that “failure to, at least, partially address the problems of the small towns will aggravate poverty at that level and almost definitely increase migration to the already overburdened cities” (2005: 253). LED is thus prioritised as a solution to address these issues because of the absence of explicitly targeted state support for South Africa’s small towns.

Stutterheim has a rich and complex history that mirrors the racially defined legacy of South Africa as a whole. Stutterheim has a population of about 25 000 people. The town also serves an additional 23 000 people who live in the neighbouring rural areas. The surrounding villages within 30 km of the town include: Mgwali, Wartburg, Isedenge and Heckel. Mlungisi is Stutterheim’s most densely populated township, and is characterised by a “lack of community and commercial infrastructure, poor quality neighbourhood environment, and other development challenges” (Adatia, 2011: 6). The "Greater Stutterheim" area includes other African townships of Kubusie, Cenyulands and Cenyu. The main sources of economic activity in the town include: “agricultural activities such as cattle, sheep and citrus farming, as well as forestry-related industries such as saw milling (Reconciliation Strategy for Stutterheim, 2010: 1). Government services also play a significant role in Stutterheim’s economy. Also, other opportunities for new economic activity include the fact that rail linkages and the N6 highway make the town accessible, the availability of natural resources, and the fact that the town is a tourist attraction based on its natural beauty and heritage.

The town is located within the Amahlathi Local Municipality; whose jurisdiction also includes Cathcart, Keiskammahoeck, Kei Road and a segment of Tsomo. The main municipal

offices are located in Stutterheim. The Amahlathi Local Municipality consists of different settlement patterns which include “formal urban areas, formal and informal urban areas, and extensive, privately owned farmland” (Amahlathi Local Municipality: Integrated Development Plan (IDP), 2015/2016: 14).

2013: 10).

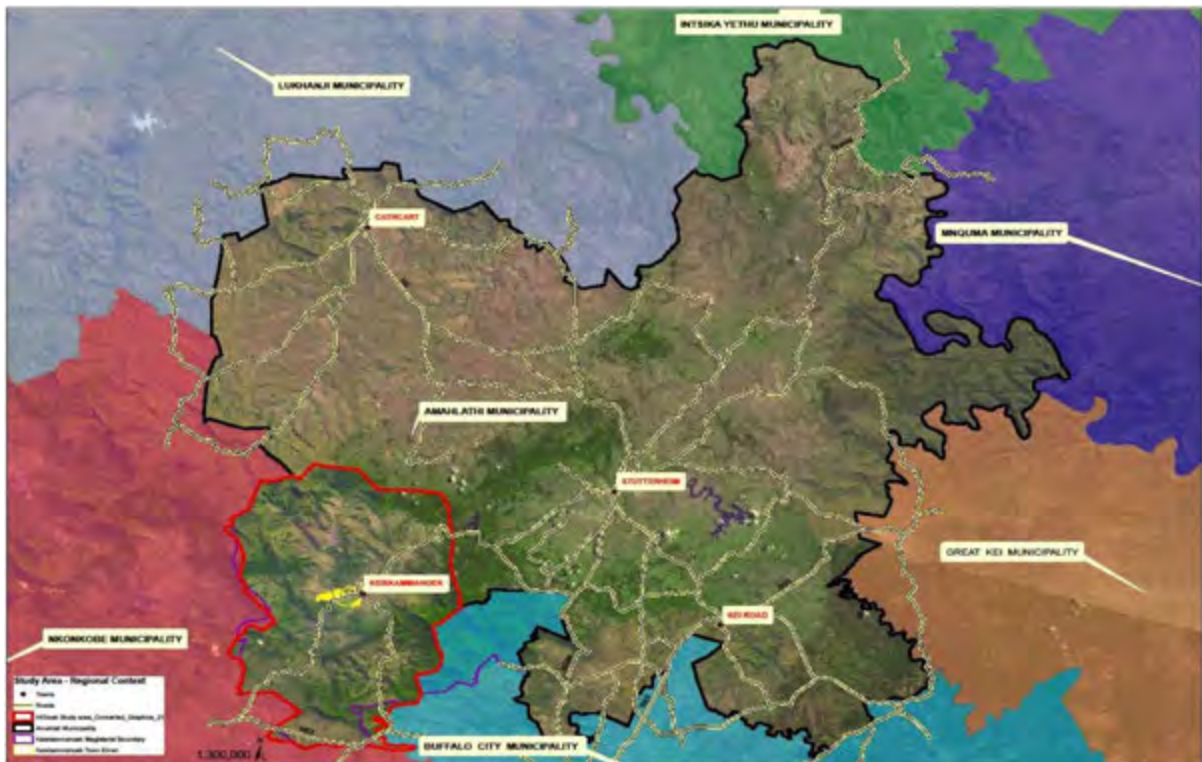


Figure 3.1: Amahlathi Local Municipality (Amahlathi IDP 2015/16)

The 2011 Census has estimated the population of Amahlathi to be 122 778 and this population size is spread out across 20 wards, making Amahlathi the third largest population in its district (Amahlathi Local Municipality: IDP, 2015/2016: 15). A Draft Basic Assessment Report prepared for the Amathole District Municipality in association with the Coastal & Environmental Services (CES) outlines some elements of the socio-economic profile of the Amahlathi Local Municipality. More than 50% of the population in the Amahlathi Local Municipality is below the age of 20. What this indicates is a youthful age profile, and a

resultant population growth in the area over the coming years (Draft Basic Assessment Report, 2013: 11).

Graph depicting Population (represented in thousands) by age within the Amahlathi Local Municipality

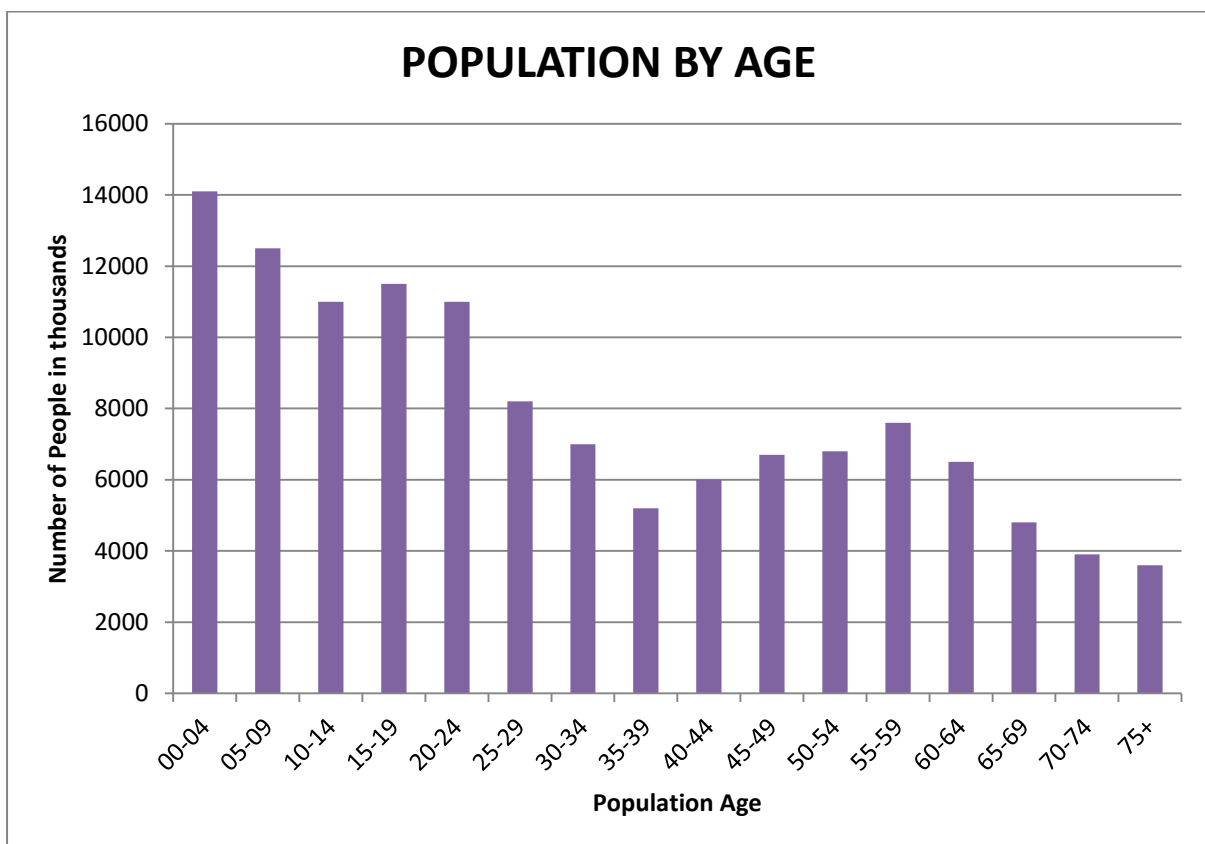


Figure 3.2 Population by Age Amahlathi Local Government (data, Amahlathi IDP: 2015/16)

According to data sourced from the 2001 census, the poverty level in the Amahlathi Local Municipality is quite high; with about 86% of the municipality's residents living below the Household Subsistence Level (R1600 per month) (Draft Basic Assessment Report, 2013: 11). About 17% of households within the municipality are in receipt of an income between

R30 000-R42 000 a year, and 14.7% receiving between R18 000-R30 000 a year (Amahlathi Local Municipality: IDP, 2015/2016: 20). This shows how high poverty levels are within the Amahlathi Local Municipality, and how most of the workers are the „working poor“ since they cannot afford the most basic services in their income category. In 2013 only an estimated 17% of the economically active population in the Amahlathi Local Municipality were employed, with roughly 23% of the population active in the local economy (Draft Basic Assessment Report, 2013: 11). Furthermore, the active labour-force of ages 25-64, which makes up 24.25% of the population, has the responsibility of supporting 75% (the young and elderly) of the population since these non-productive members of the municipality are an “economically dependent burden” on the state too when it comes to social grants (Amahlathi Local Municipality: IDP, 2015/2016: 18).

Graph depicting the distribution of household (represented in thousands) income (calculated in thousand ZAR) in the Amahlathi Local Municipality

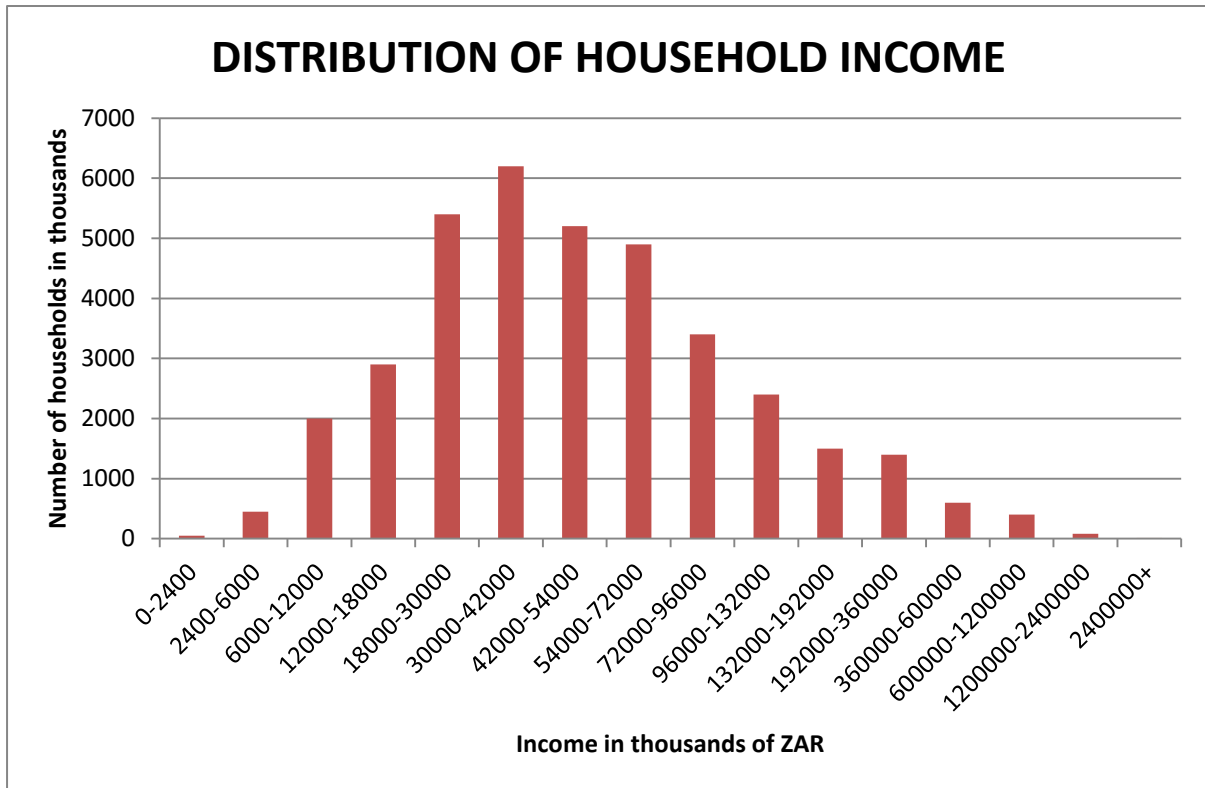


Figure 3.3 Distribution of Household Income Amahlathi Local Municipality (data, Amahlathi IDP 2015/16)

The Human Development Indicator (HDI), with regards to life expectancy, adult literacy and standard of living, for the Amahlathi Local Municipality has steadily risen to 0.53 (the international HDI medium) in 2013 (Amahlathi Local Municipality: IDP, 2015/2016: 21). As such, the municipality has made significant strides in this area, but more still needs to be done.

Graph depicting the Human Development index (ranked on a scale of 0 to 1.0) in the years between 1996 and 2013 in the Amahlathi Local Municipality

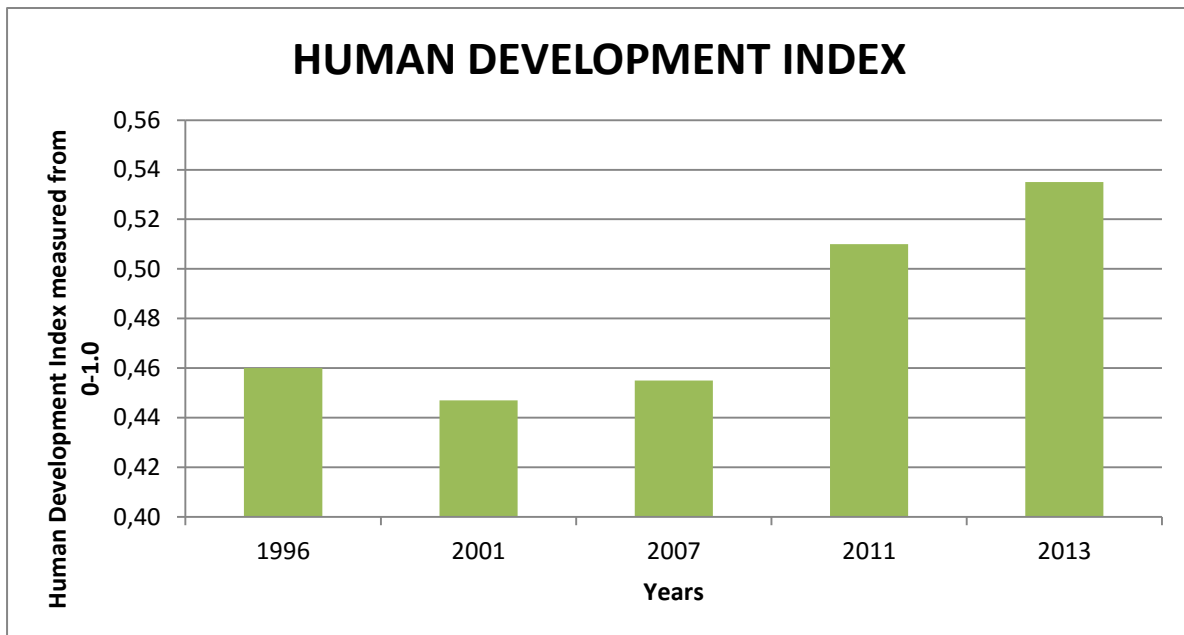


Figure 3.4 Human Development Index Amahlathi Local Municipality (data, Amahlathi IDP: 2015/16)

With regards to access to basic services and infrastructure: 71% of households have access to water provided by the municipality or other water provider; 45% of households within the municipality still use pit toilets with no ventilation; and 82% of households in the municipality use electricity for lighting (Amahlathi Local Municipality: IDP, 2015/2016: 27-30). Overall the municipality is struggling with service provision and improving its socio-economic status. To a large degree the challenges still faced by the municipality regarding service delivery are connected to the apartheid legacy of South Africa. For instance during the transition period in Stutterheim, the Transitional Local Council (STLC) was faced with the challenge of addressing the “severe divisions of the former apartheid regime, particularly with regards to environmental conditions” (Plummer, 2000: 17). Previously White only areas of Stutterheim are serviced sufficiently, and have street lights, portable water sources, underground drainage and a few tar roads. Similar to the former township of South Africa, Mlungisi is a “medium density settlement with inadequate water supply, septic tanks,

inadequate drainage and mainly unsurfaced roads” (Plummer, 2000: 17). From the time when the 1995 local government election was held, the STLC had attempted to initiate the process of rectifying the unequal service provision and to meaningfully advance the socio-economic circumstances of the Black population; a task that the current local government is still pursuing.

4.3) Amathole District Municipality’s socio-economic profile

The Amahlathi Local Municipality is situated in the broader Amathole District. This district is made up of large areas of the previous Ciskei and Transkei homeland areas, and is characterised by large disparities within its territory. The district includes the city of East London, and extends from the Indian Ocean Coastline. The Amathole District Municipality consists of 7 local municipalities, Amahlathi, Mbashe, Mnquma, Great Kei, Ngqushwa, Nkonkobe, and Nxuba local Municipality. The Amathole District Municipality is made up of eight departments in total; its LED Unit is housed in the Department of Human Settlement and Economic Development.

largely rely on social grants to be sustainable. Unemployment is also equally high, at 60% it presents a serious challenge (Aspire Annual Report, 2013-2014: 4). Development strategies need to focus on addressing this aspect.

The Human Development Indicator (HDI) in Amathole increased from 0.48 in 1995 to 0.53 in 2005; and has since stayed constant at this international median. This shows that the district has made some positive strides with regards to life expectancy, adult literacy and standard of living, but more still has to be done. The district is also negatively affected by outward migration, this is in terms of an estimated 100 000 people who have moved away from the region between 1996 and 2011 (Aspire Annual Report, 2013-2014: 4). This means that the Amathole District is losing valuable skills and is also experiencing a reduction in its potential tax base. Estimates also show that the district has a young population, in that about 60% of the population is younger than 35 years (Aspire Annual Report, 2013-2014: 4). What this points to is that municipalities and development agencies are required to establish programmes and projects that prioritise this population group. Overall the Amathole District Municipality still has work to do towards improving its service delivery capacity and socio-economic position.

Graph depicting the Human Development index (ranked on a scale of 0 to 1.0) in the years between 1996 and 2011 in the Amathole District Municipality

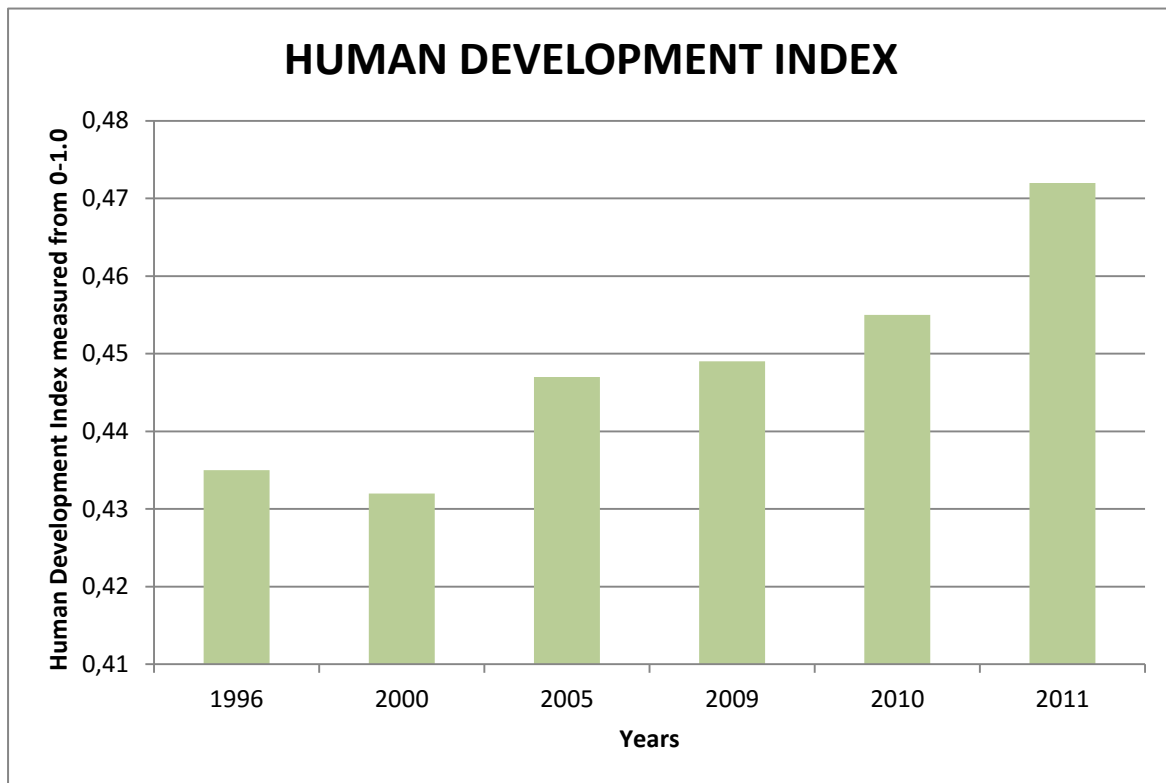


Figure 3.6 Human Development Indicator Amathole District Municipality (Data: Amathole IDP 2015/16)

4.4) LED in the Eastern Cape Provincial Government

The Eastern Cape Province is listed frequently as amongst South Africa's most socio-economically challenged provinces. The economy of the Eastern Cape has the characteristics of both a developed and an underdeveloped economy (ECSECC, 2012: 3). Nelson Mandela Bay and Buffalo City are the province's industrial manufacturing centres and display first-world elements, whereas the rural areas, particularly the previous Bantustans of Transkei and Ciskei, are still plagued by poverty and underdevelopment. The province is still largely reliant on agriculture and food production, with limited segments of heavy industry; along with other service related sectors such as transport, education, retail, health and tourism (LED: Information Booklet, 2008: 4). As such the economy of the Eastern Cape is structurally different to that of the rest of the country due to the non-existence of a local

mining sector, and a higher percentage of a tertiary sector consisting primarily of the public sector (ECSECC, 2012: 3). Even so, most jobs in the province are listed in the low pay, semi-skilled sectors. “The stark fact of the matter is that, even if the jobs were to become available today, the vast majority of the workforce of the Eastern Cape would lack either the necessary employment skills or the physical means to access those opportunities or both” (LED: Information Booklet, 2008: 4). Another contributing factor is the loss of skilled people who choose to leave the province seeking better opportunities in more developed and affluent areas.

The population of the Eastern Cape is mostly Black, with Black households occupying 88%, and White and Coloured households occupying 6% respectively in 2010 (ECSECC, 2012: 3). The Human Development Index (HDI), in terms of life expectancy, literacy, education and standard of living, of the province was estimated at 0.513 in 2010, lower than the 1995 estimate largely because of the effects of the HIV/AIDS pandemic on life expectancy; and also lower than the 2010 0.556 of the entire country. High inequality is also a challenge for the province because according to the Gini coefficient, inequality worsened in South Africa between 2007 and 2010, and this corresponds with that of the Eastern Cape’s Gini coefficient drop from 0.636 in 2007 to 0.646 in 2010. Only 27% of the province’s population was economically active in 2010, a decline from 1995 estimates, and still lower than the 33% of the country as a whole. There has been a general improvement in service delivery (such as an increase in access to electricity from 35% in 1995 to 68.6% in 2010), although much still needs to be done (ECSECC, 2012: 3).

The main initiator of LED in the Eastern Cape is the Department of Development and Environmental Affairs (DEDEA), which is a provincial institution primarily mandated with defining and driving LED policy in the province. Its LED unit is largely funded by the Municipal Support Grant Fund (MSGF). The objectives of the LED unit within the DEDEA

are set by national, provincial and local policy aims such as the NSDP, ASGISA, PGDP, and IDP's. The main mandate for the Local Economic Development unit is "to promote and support" LED projects in the province, to manage the distribution of funds to municipalities, assist with project application, and monitor and evaluate the effect of those programmes; essentially to work together with district and local municipalities (LED: Information Booklet, 2008: 5).

The Provincial Growth and Development Strategy (PGDS) and Plan (PGDP) of the Eastern Cape Provincial Government outline the detailed development conditions of the province. The PGDS is designed to "provide the strategic framework, sectoral strategies and programmes aimed at a rapid improvement in the quality of life for the poorest people of the province" (LED Funding Criteria, 2008: 9). The DEDEA provides a significant amount of grant funds which are structured to encourage and reinforce the economic base of the province. These include "programmes to promote SMME start-up and expansion, to build sustainable and competitive tourism, agri-processing and manufacturing sectors" as the main sources of revenue in the province, and also to motivate "the emergence of enterprises, including cooperatives" as the major sources for economic action especially in rural areas (LED Funding Criteria, 2008: 9). The central manager of these programmes is the DEDEA, Eastern Cape Development Corporation, and the Eastern Cape Tourism Board. Funding is also provided in terms of LED projects to encourage partnership-based actions to establish new economic prospects and jobs, and to stimulate an environment for enterprise and ingenuity in the local economy. LED initiatives have been supported by the DEDEA in all six districts and the metro since 2003-04, and "over the last five years, a total of R87 million has been provided as a significant contribution to some 118 LED projects" (LED Funding Criteria, 2008: 10).

The DEDEA in partnership with the Department of Local Government and Traditional Affairs (COGTA) and the Thina Sinako programme, undertook several consultations in 2008 with local government and regional offices of the province across the six districts and the metro with regards to a review of progress made on LED and its challenges. Participants in the consultations were largely concerned with “the lack of correlation between provincial spending priorities, plans and programmes and those formulated at municipality level”, the need for more consultation in development investment plans, the perceived limited say of local people in district driven LED programming, and delays in project implementation because of issues such as a lack of capacity and the mismanagement of funds at municipal level (LED Funding Criteria, 2008: 10).

4.5) Amathole District Municipality's LED role in the Eastern Cape Province

According to a Cooperative Governance and Traditional Affairs (COGTA) publication, the role of a category C District Municipality is mainly to help coordinate local municipalities within its jurisdiction by means of providing planning, capacity building strategies and training, and to encourage equitable sharing of resources (COGTA, 2011: 1). As such Districts are officially mandated with the: “coordination of district-wide planning”, with regards to preparing district-wide integrated development plans; “providing services to end users”, with regards to delivering services such as water provision structures, health services and waste-water and sewage removal structures; “support function for local municipalities”, such as directly assisting local municipalities and to improve their capacity; “redistribution of resources”, in terms of encouraging equitable sharing of resources among the various local municipalities; “direct governance of DMAs”, with regards to the district taking over the responsibility of a local municipality in District Management Areas; “bulk supply of services”, this tends to be a bulk supply of electricity in order to ensure economies of scale; “district wide services”, with regards to providing services and facilities for the use of the

whole district such as district roads, fire fighting services, and markets; and “intergovernmental purpose”, in terms of representing municipalities in intergovernmental relations with the province (Community Law Centre: Cage Project, 2007: 24). The authors of the Cage Project (the Conflict & Governance Facility of the EU and National Treasury working within the Community Law Centre at the University of the Western Cape) state that district local governments across South Africa have not successfully performed their responsibilities, and rather than coming closer to completing their functions, a significant amount of these functions has been delegated to local municipalities since 2003 (Community Law Centre: Cage Project, 2007: 4). The influence of provinces has also played a role in this with regards to them either upholding and supporting the legislative role of districts, or disregarding it and using districts as merely their service delivery extensions.

Local Economic Development has become a priority for the Amathole District Municipality in recent years in its struggle to combat poverty and unemployment, and to fulfil its mandated sustainable development responsibilities to its municipalities. The vision of the Amathole District Municipality states that it is focused on social and economic development, and the district aims to improve the lives of community members by employing a participatory development process that will guarantee an improvement in their socio-economic circumstances (Amathole District Municipality, 2015: 1). Similar to LED processes in South Africa as a whole, the district’s projects and programmes involve a multitude of institutions and players. In 2007 the Amathole District Municipality implemented the Amathole Regional Economic Development Strategy (AREDS) which resulted from a multistakeholder process. AREDS is coordinated by Aspire, the Amathole Economic Development Agency, and its implementation consists of different actors at local, district and provincial level (Sulzer, 2008: 3). Local government is mandated not only with LED, but with service delivery and social development as well. As such, because the local sphere is confronted with challenges

of capacity, municipalities tend to prioritise service delivery and neglect other responsibilities such as LED that are deemed less important. The consequence of this is that LED becomes “the worst performing indicator of development at municipal level” (Sulzer, 2008: 3). A way to address this issue is to improve the growth of local and regional economies by creating a specialised delivery tool that reduces the division between the public and private sectors. Such tools tend to be Economic Development Agencies (EDAs) which are designed to direct economic growth programmes in a particular province, district or local municipality.

Municipalities are provided with financial and technical assistance by the Industrial Development Corporation (IDC), which is a development funding body established by the Department of Trade and Industry (dti), to create and administer EDAs. In 2000/01 the Amathole District Municipality established an LED Unit dealing with tourism, enterprise development, agriculture, and also heritage and environment. In addition, the district municipality established a development agency, Aspire (Industrial Development Corporation (IDC), 2011: 2). Aspire was created in 2005 as a Proprietary Limited Company and is exclusively owned by the Amathole District Municipality to manage LED within the district (Industrial Development Corporation (IDC), 2015: 1). Aspire has placed itself in the position of being a “trusted advisor, stimulator and partner in the regional economic environment” and its mission is to “stimulate locality development, with the objective of regenerating small town economies” (Aspire, 2013: 1). This approach is based on the belief that the rejuvenation of deteriorating small towns will increase their capability to contribute economically to the Amathole Region, and will add value to the life of the people who live in it (Aspire, 2013: 1). Aspire’s mandate is the “promotion and implementation of development policies in areas of economic production and investment in the Amathole Region” (Aspire Five Year Review, 2005-2006: 7).

Aspire is essentially tasked with supporting the aims and objectives stipulated by the Amathole District Municipality for its economy. Aspire's particular duty is to "assist municipalities to „do“ economic development" by assisting with the establishment of partnerships, the attainment of funding, the delivery of technical assistance, and the coordination of project management (Aspire Five Year Review, 2005-2006: 8). Aspire is tasked with facilitating the progress of LED, and thus its role is quite „elastic“ because it is basically to „make development possible“; making Aspire heavily reliant on the contribution of others to the development process (Aspire Five Year Review, 2005-2006: 7). Aspire is a self-titled leader in rural economic development; and aims to make sure that the rural communities within the district are self-sufficient so that they can curb the consequences of outward migration of skilled people by enhancing the area's potential for job creation and increasing household income (Aspire Annual Report, 2013-2014: 4). Aspire was also established to address challenges the district was experiencing regarding LED. These include trying to overcome the „silo-mentality“ the various LED stakeholders in the district were displaying, and their confusion regarding their designated roles. These challenges frequently resulted in duplication of projects and programmes (Industrial Development Corporation (IDC), 2011: 2).

The programmes that Aspire focuses on can be categorised according to: „Town-centre development“, with regards to enhancing town centres (such as building business partnerships, upgrading physical structures and marketing the town) in order to improve the town's competitiveness; „Growth point or node development“, in terms of pinpointing the particular areas of a town where specific kinds of businesses are motivated to setup shop, and these growth nodes will then become the main outlet for growth and employment; „Corridor investments“, is concerned with the extension of growth from a place with greater economic activity potential to an area facing more challenges; and „Developing markets“, with regards

to establishing interventions that prioritise socially and economically disadvantaged groups (youth, women, disabled people, and unemployed semi-skilled men) (Aspire, 2013: 1). In its small town regeneration programme Aspire focuses on infrastructure development within the Amathole District. This takes the form of a series of beautification projects and the construction and renovation of public buildings catering to the implementation of different community initiatives directed at social cohesion and economic development (Aspire Annual Report, 2013-2014: 30). Another focus of Aspire is on the creation of local market centres which are spaces established for the sale of goods made locally. The objective here is to support the expansion of the economy of the district, particularly from side of agricultural and tourism sectors (Aspire Annual Report, 2013-2014: 32). Lastly, another Aspire LED initiative is the establishment of Rural Community Clusters. These are intended to produce sustainable rural communities through working together and sharing, and to decrease the rate of migration to urban areas.

This chapter has fulfilled its aim which was to set the context on the town of Stutterheim. It has briefly discusses the character of small towns in South Africa and the challenges they face. The chapter has also outlined the socio-economic profile of Stutterheim. It has then discussed the Amahlathi Local and Amathole District Municipalities, their relationship with Stutterheim and their socio-economic profiles. The chapter has then briefly discussed the general application of LED in the Eastern Cape Province, and the LED role of the District Municipality in Stutterheim.

5. Historical background and application of LED in Stutterheim

5.1) Introduction

Initial LED action in Stutterheim may be traced back to the late 1980's and early 90's. According to Wotshela, "there are very few South African small towns that received admirable media and written coverage as Stutterheim of the Eastern Cape did, in the midst of the widely popularised 1990s national political transition" (2009: 156). During this period, the town was under the spotlight for its "miracle" transition from grave political tension and violence to the establishment of an integrated development strategy and political reconciliation (Wotshela, 2009: 156). This chapter aims to critically explore the history and evolution of LED in Stutterheim; from the inception of the Stutterheim Development Foundation to the establishment of the post-apartheid local government system.

5.2) A brief general history of Stutterheim

Stutterheim was founded in 1857 and named after Baron Richard von Stutterheim, a Major-General in the British Army (Van Ryneveld, 2011: 14). The area was declared a municipality in 1879 when the population was large enough (after the arrival of Dutch and English settlers). The town is located roughly at the centre of the „border corridor“ which divides the former Bantustans Ciskei and Transkei (Nel, 1999: 176). The town officially recognised its first Black „location“, Mlungisi, only in 1959, approximately a century after interracial settlement in the territory, during which most of the Black population lived as tenants or „squatters“ on the Black and White owned smallholdings of Kubusi Valley, Cenyu Hill and Ohlsen located in the Stutterheim municipal area, or on surrounding farms such as Isidenge near the south of Stutterheim. The town also had one coloured area situated north of the white town area. After the Frontier War of 1877-1878, Stutterheim became a mostly White owned stock-farming area, restricted to the east due to the Black populated Transkei, and to the west by the territories of Ciskei; the result of conquests which predate colonial expansion (Van

Ryneveld, 2011: 14). During the apartheid period, “the Stutterheim area was distinguished by „pockets“ of Black owned and Transkeian and Ciskeian land in „White“ South Africa” (Van Ryneveld, 2011: 14). This corresponds with segregation across South Africa as a whole from the early 1900’s, till it was formalised into policy by the Nationalist Party in 1948, and further strengthened from 1960.

In 1967 the Stutterheim Municipality applied for the Group Areas Act against the Kubusi settlement located at the border of the town. This meant that Kubusi would be moved to the east near Mlungisi. From 1985 Stutterheim was characterised by violent uprisings by Black residents responding to the intensified segregation approach by the Stutterheim Municipality; such as protests resisting to the proclamation of Kubusi as a „White Area“, and subsequent forced removals and relocation. The Kubusi protests escalated to such a point that the Stutterheim mayor, Nico Ferreira, reached the conclusion that it would not be politically possible to relocate the Kubusi settlement. Uprisings were further intensified by the influence of similar incidents occurring in other border towns such as East London, Queenstown and King Williams Town (Wotshela, 2009: 168).

In Mlungisi the unrest had peaked against the poor servicing of the location, and politically the situation in the whole of Stutterheim was getting worse. The conditions in Mlungisi were horrible, “housing at the poorest possible standard with almost no fresh water and sewage facilities” (Birkhölzer, 2005: 4). The *Daily Dispatch*, a local East London based newspaper, reported in 1977 that Mlungisi represented the “shame” of Stutterheim: “It is a slum and for ten years all development has been frozen in the township while government decides whether to build a new one. Twenty five taps serve water to 4000 people of the township and yet Bantu Affairs Administration board intends to spend only R240 on washing facilities in the coming year” (Stutterheim Development Foundation, 2004: 1). Black Local Authorities (BLA’s) were created by the apartheid government for the segregated black township. These

structures were generally not recognised by the Black residents of Stutterheim, and there were numerous calls for their councillors to resign (Stutterheim Development Foundation, 2004(a): 5). Protests took a turn for the worst, with necklacing, “which heartlessly involved tyre-burning around victims’ necks and killing” became a norm in the township; and three state security members were killed during September/October 1989 (Wotshela, 2009: 168). At the same time state security and anti-liberation groups went on pursuing and threatening leading members of civic organisations. Due to this harassment by state security, a new consumer boycott was launched by Stutterheim’s civic organisations in 1989, and represented a continuation from that of 1985. This boycott lasted nearly seven months and resulted in the closure of around 14 local stores and significantly hampered the commercial trade and farming processes within the Stutterheim region (Nussbaum, 1997: 1-16). According to Birkhölzer, “the white community was for the first time confronted with the possibility of economic breakdown and the perspective to be forced to leave the area” (2005: 4). Nel supports this view and states that “the suffering and economic hardship had become so intense in all communities, both Black and White, that both sides realised that the situation had to be defused or the town’s entire future was in jeopardy (1999: 181).

Some of the demands outlined by the Mlungisi Civic Association (MCA) with regard to the boycott were consistent with those made by other South African townships and the liberation movement more broadly. These demands included: releasing detainees and lifting restrictions on their release, the recall of state security from townships, restriction on state security from harassing township residents, the acknowledgment of trade unions, the termination of grazing fees and forced removals, the improvement of rural and urban residential areas, the establishment of a living wage for domestic workers, the racial integration of Stutterheim, and the amalgamation of local government structures (Wotshela, 2009: 169). There were also calls for lower rents administered by local government, the improvement of labour practices,

and the delivery of a better standard of health and educational services (Nussbaum, 1997: 1-16). In 1990 the White Stutterheim Municipality concentrated on this list of grievances, and Mayor Ferreira was increasingly sympathetic to the plight of the Black residents of Mlungisi, Kubusi and Cenyu within Stutterheim. As such, “Nico Ferreira was convinced that the only way out of the economic crisis that had engulfed Stutterheim was to start talking to the leaders in the township” (Stutterheim Development Foundation, 2004(a): 4).

5.3) The origins of the Stutterheim Development Foundation (SDF)

The LED initiative in Stutterheim in the early 1990’s generated quite a lot of attention as many observers interpreted it as a „role model“ of racial reconciliation and bottom-up development that changed the lives of many people who had been disadvantaged by the previous regime in South Africa. Also, although applied LED was still limited in South Africa in the 90’s, “the town of Stutterheim has gained the reputation of having the most well-developed, long-standing case of LED” (Nel, 1999: 175). Palframan states that the most amazing thing about Stutterheim is that what “was once the epitome of everything wrong in South Africa ... has developed into a model of everything that can go right when people are committed to building a life and a future together” (Nel and McQuaid, 2002: 3). Lewthwaite added to this sentiment about the town by stating that Stutterheim had achieved an impressive accomplishment in overcoming its racial conflict and transitional insecurity, and was now “a community that [had] stolen the lead from the policy-makers in Pretoria” (Bond, 1998: 161). Triegaard also comments on the notable hard work of the Stutterheim Development Forum in their attempt to achieve racial reconciliation and development, and states that it “clearly served as a model for similar public-private community ventures elsewhere” (2007: 7). This achievement by the town’s leaders had enticed much attention and published commentary in a lot of domestic and international newspapers. Nussbaum contributes to this praise by claiming that the town had managed to positively change the course it was moving towards,

from a place overcome by “violence, poverty and racial tension”, to a town where leaders from the White and Black groups cooperated in a quest for socio-economic development (Bond, 1998: 161).



Figure 5.1 One of the early meetings concerning the future of Stutterheim (Nussbaum, 1997: 65).

The work towards the transformation of Stutterheim began in the late 1980's, “during one of the darkest periods in South Africa's history- a time when the country was consumed by political violence, industrial unrest and bitter mistrust between South Africans of every walk of life” (Stutterheim Development Foundation, 2004(b): 1). In 1990 the town of Stutterheim was in trouble. “Political unrest was endemic, unemployment and poverty rife, crime rates were increasing, living conditions of many were extremely poor and the social climate was characterised by suspicion and distrust, between races and between communities” (Dewar, 1994: 75). In addition the consumer boycott of white-owned businesses “crippled the town's economy, police brutality had spawned bitterness and resentment in the black community, and thus it was a divided society without much hope for the future” (Triegaardt, 2007: 7). It was during this period that the mayor and his deputy dedicated themselves to a process of

discussion, negotiation and development with leaders of the Black community. The discussions were initially kept secret due to political reasons and fear of violent responses from both the Black community and White conservatives. At first this prospect was met with mistrust and suspicion between the local civic organisations, and as a result the dialogue process was disrupted and terminated many times and restarted every time until development became a priority and partnership was built (Dewar, 1994: 75). Later the meetings became publicised and were regular large community meetings with a representative body (Scott, 2004: 4). One of the main resolutions that were met during the negotiation period was the need to strive towards a single town council and a single municipality and to work together to better the living standards of the whole community (Stutterheim Development Foundation, 2004: 4). Between 1991 and 1994 remarkable progress had been made in the pursuit of development and reconciliation in Stutterheim.

From mid-1990, representatives coming from of all the Black and White communities in Stutterheim and affiliates of local government regularly conducted meetings, and they came to be called as the Stutterheim Forum (a loose association of such leaders) (Nussbaum, 1997: 3). The forum came to the conclusion that although they could not fix bigger national-level matters of politics at those meetings, the local boycott needed to end and plans needed to be made to change and better the conditions of the poor within the Stutterheim area. Nel and McQuaid state that “critical to the success of the reconciliation process, and later to LED, was creating a spirit of trust between people of very different backgrounds, operating the forum in a democratic and “non-party-political” fashion, mobilizing local resources and achieving early concrete results” (2002: 10). After the forum was created, four neighbouring rural communities, Mgwali, Wartburg, Isedenge and Heckel, applied and were given membership into the forum (Dewar, 1994: 75). The result of these meetings was the development of trust between the different actors, the creation of representative structures for

the various areas within the Stutterheim municipal area, management systems to coordinate the different developmental initiatives, and a trust fund which became known as the Stutterheim Development Fund in 1992 (Triegaardt, 2007: 7).

The Stutterheim Development Foundation (SDF) was formed as a non-profit agency (registered as a section 21 company with regards to the Finance Act) to coordinate and run the LED initiative created by the negotiating forum (labelled as the Stutterheim Forum by the press) in 1990 (Stutterheim Development Foundation, 2004(b): 5). It was formed as a legal vehicle that would be able to formally drive development and implement the plans of the Forum. It is important to note that the main concern of the Foundation at the beginning was purely developmental (the objective was to address the development shortages left behind by the apartheid government in the Black residential areas). It was only after the Foundation had conducted a survey in the townships and the demand for jobs was the most significant from the residents, that the Foundation started thinking along entrepreneurial lines and closer to the ideals of business development and LED. Essentially, when the Stutterheim Development Foundation was started, it did not characterise itself as an LED driver; it was only later when job creation and business development were prioritised, international interest in the Foundation and international networks had been built, and the influence of international literature was stronger that the work of the Foundation was categorized officially as LED (Magwanqana, Personal Communications: 2015). Therefore the Foundation did not intentionally set itself up as an implementer of LED initiatives, but rather as an entity run by ordinary people to help develop the town by any means necessary (be it through education, housing, public works etc.) even if those means were not strictly LED.

The Stutterheim Development Foundation was essentially a “local partnership” which was equally created, “owned and controlled by representatives” of both the Black and White communities (Birkhölzer, 2005: 4). The primary responsibility of the Stutterheim

Development Foundation was to act as a legal unit for the Stutterheim Forum, and to be the fundraising body for its development programmes and projects (Stutterheim Development Foundation, 2004(b): 5). There has been general consensus among members of Stutterheim that credit for the reconciliation should be directed at the “numerous charismatic community leaders” from the town’s community (Nel, 1999: 181). These leaders are the „social entrepreneurs“ that Nel refers to, including: Chris Magwanqana, Nico Ferreira, Max July, and Hamish Scott, amongst others. These individuals were able to move beyond conflict and inspired their communities to rally behind them in their quest for social and economic change; this is also related to their ability to create social networks and to utilise their human capital towards a goal that would benefit some of the most disadvantaged people in South Africa. According to the members of the Stutterheim Forum, when the Stutterheim Development Foundation was created, “there was no map to follow, few road signs and many potholes. But we set our compass in the direction of building a future we could share” (Stutterheim Development Foundation, 2004(b): 1). Another metaphor was presented by Chris Magwanqana who stated that “we had met and we had managed not only to build bridges, but we had walked across them and joined hands as the people of the town” (Stutterheim Development Foundation, 2004(a): 1).

5.4) Stutterheim Development Foundation’s LED Programmes and Projects

When the Stutterheim development programme was launched in 1990, it made an effort for broad-based, multi sectoral development to better the social as well as economic circumstances of all the residents of Stutterheim, but particularly those residing in the disadvantaged townships. The Stutterheim Development Foundation’s developmental philosophy is based on the following elements: South Africa’s rural areas are dependent on the welfare of rural towns, thus the Stutterheim Development Foundation must ensure that urban and rural functions compliment and supplement one another; Development needs to be

people-centred, and its focus must be on bettering the lives of people in the long term and enhancing human capacity; Development must not be top-down and depend on government and external institutions, Greater Stutterheim is a single community, and developmental initiatives must treat it as such; and lastly, development ought to be holistic and encompass social, economic and environmental concerns (Dewar, 1994: 79). The main principles of the Stutterheim Development Foundation that its members were working to abide by were: “to listen to people, keep an open mind, beware of bogging down in formality, to not let other agendas take over, the right leadership is important, funding is important but not dominant, and to achieve things- create momentum” (Scott, 2004: 5).

To realise these developmental principles, a total of nine working groups were created in order to manage the actions of the local community groups, the local governing structure and the Stutterheim Development Foundation which oversaw the whole process. The committees include: *„The Constitutional Committee’*, which was tasked with researching the logistics of establishing a single municipality; *„The Planning Committee’*, which was established to primarily focus on drafting the Urban Development Plan, and also assisting with the programme’s on-going planning and implementation; *‘The Economic Committee’*, is based on ideas of entrepreneurship with regards to achieving long-term development based on economic growth and the idea that economic growth in rural areas and small towns will depend on self-generation and small business support (one of its greatest contributions has been the Stutterheim Business Advice Centre which provided a variety of services such as skills development, advice, premises, credit, technology and marketing to new and existing entrepreneurs); *„The Education Committee’*, was a response to the interest of a group of Stutterheim town women in education in association with the African National Congress (ANC) Women’s League (various informal education projects and programmes were created such as the Pre-School: The Amakhayas home-based educare centres designed to address the

poor standard of pre-schooling in the townships); *'The Health Committee'*, was responsible for coordinating between Stutterheim community members and health authorities in order to enhance responsiveness to community needs (as a result a member of a local civic association was appointed to the Hospital Board); *'The Agricultural Committee'*, was tasked with implementing an agricultural support programme to assist rural farmers with the transition from subsistence to commercial farming and livestock farming; *'The Recreation Committee'* and *'The Tourism Committee'*; and lastly the *'The Works Committee'*, had the duty of identifying and implementing physical projects created to better the quality of life of community members (Dewar, 1994: 79-87). The Works Committee was very important for the people of Stutterheim, particularly those who lived in the black townships and rural areas, since there was virtually no investment in the physical environment in these places; and service delivery backlogs characterised the democratisation period. The public works projects that the Committee was in charge of were purposefully labour intensive to yield the most employment opportunities, and relied on the use of local contractors and the purchasing of building material from local manufacturers (Scott, 2004: 7). This shows how the physical projects were used for both economic and capacity building objectives. In completing its role, The Works Committee was trying to "capture as much income which is invested in the built environment as possible within the local community, thereby increasing income circulation, minimising income leakage and maximising multipliers" (Dewar, 1994: 79). At the peak of the Stutterheim Development Foundation this amounted in a 15% growth in the local economy (Scott, 2004: 7).

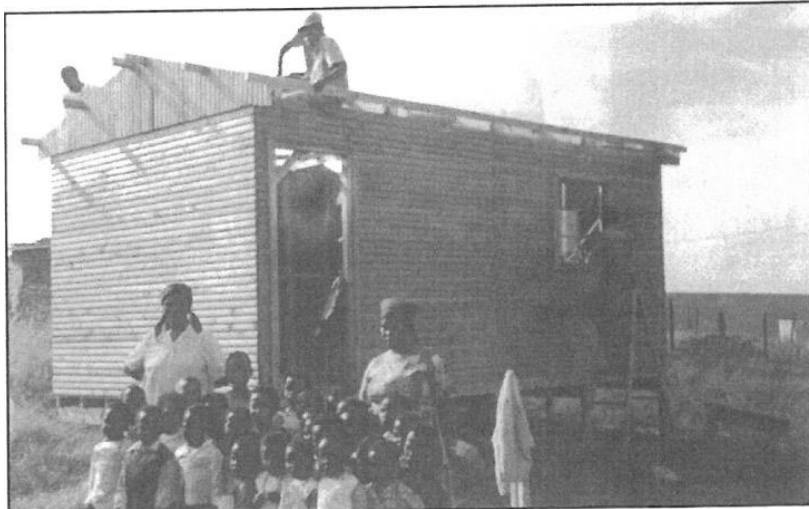


Figure 5.2 One of six Amakhaya's completed by local builders (Nussbaum, 1997: 66)



Figure 5.3 Construction of sewerage lines in Mlungisi (Nussbaum, 1997: 73)



Figure 5.4 Mgwali Market (Nussbaum, 1997: 71)

5.5) Stutterheim Development Foundation achievements and successes

In the time frame between 1991 and 1994, much progress had been made in Stutterheim in terms of approximately 35 projects being implemented across-the-board and an estimated R11 million having been raised and invested. The Stutterheim Development Foundation has received funding through grants and not loans in an attempt to avoid dependence and to be self-sufficient (funders include: the Independent Development Trust, Barlow Rand Foundation, German Consulate, US Aid, Anglovaal, Liberty Life, Shell, Caltex and the European Community) (Nel, 1999: 189). The Stutterheim Development Foundation made such progress that “the period from 1990 to 1995 was clearly a halcyon one for the LED initiative” (Nel and McQuaid, 2002: 64). One of the first successes celebrated by the Stutterheim Development Foundation was when it obtained a R6.5 million grant from the Independent Development Trust (IDT) to establish 896 serviced stands in the township of Mlungisi (Stutterheim Development Foundation, 2004(c): 5). This project was the cornerstone on which Stutterheim’s upcoming development approach would be based, and its success re-established trust and support for the town’s LED initiative. This project involved the utilization of local contractors and their training in building as well as business skills in accordance with the standards set by the newly established Works Committee. Another significant contribution made by the Works Committee in improving infrastructure and bettering the lives of local people was the construction of a school in Kubusi worth R2.4 million, and also a community hall in Mlungisi (Stutterheim Development Foundation, 2004(c): 5). Infrastructure development was prioritised in Stutterheim as part of its LED initiative due to the immense infrastructural backlog inherited from the apartheid period. Other achievements of the Stutterheim Development Foundation relate to education, economic development and communication. With regards to economic development, the Stutterheim Business Advice Centre has been instrumental in entrenching an entrepreneurial

culture in the town, providing essential business training, providing needed business grounds and marketing; in terms of education, the Stutterheim Development Foundation was helpful in establishing about six pre-school home-based centres in the Mlungisi Township, an English literacy programme which involved 6 000 primary school children and 180 teachers across the whole of Stutterheim, and constructing a technology and computer centre to be used by school and also adult learners; with regards to communication, the Stutterheim Development Foundation has prided itself with regards to accountability and transparency with the residents of Stutterheim, from community meetings to a monthly publication (*Community Self-Reliance News*) for the rest of South Africa and visits from domestic and international representatives.

Nussbaum has outlined a list of success indicators of the Stutterheim Development Foundation. With regards to job creation, small business development yielded approximately 73 jobs (which were business persons who most likely created more employment in their businesses). Building development brought in a total of 405 jobs, the markets in Mgwali, Wartburg and Kei Road created 31, and the Stutterheim Development Foundation office created 12 jobs (1997: 62). In the period between 1990 and 1995, there was a significant drop in the levels of political violence (Nussbaum, 1997: 29-34). This is supported by police figures which showed a „remarkable“ decline in resistance against normal policing to the point that a local policeman commented that: “at this stage political violence does not exist. Police move freely and are welcomed by all communities. The rate of solutions to criminal acts is well above average, standing at seventy per cent” (Stutterheim Development Foundation, 2004(d): 5). In the Mlungisi, Kubusi, Cenyu and Cenyulands Townships in 1990, 196 people were sharing a single tap but by 1994 that number was reduced to 29 people per tap. This reduction was a direct result of the introduction of the site and service scheme which ensured that Mlungisi residents were receiving 44.88 litres of water a day, above the

international standard of 25 litres a day per person (Stutterheim Development Foundation, 2004(d): 5). Service delivery had also significantly improved in the case of electricity because before 1992, all of the townships and villages situated around Stutterheim town had no electricity. In 1995 the percentage of people with electricity was 55 in Mlungisi and Cenyu (Nussbaum, 1997: 29-34). This also resulted in a notable decrease (about 50%) in fuel costs for those households. With regards to education, there was a marked rise in the amount of residents obtaining formal education between 1985 and 2000, and this increase is directly linked to the efforts of the Stutterheim Development Foundation. In 1985, the number of learners in pre-school, primary school and high school were 120, 2 667 and 780 respectively, and in 2000 these figure had risen to 1 295, 6 950 and 4 200. What contributed to the increase is the fact that six new schools had been constructed between 1993 and 2000, and the construction of 4 out of these 6 schools was funded through money raised by the Stutterheim Development Foundation (Stutterheim Development Foundation, 2004(d): 5). In addition, the number of pre-school going children increased by 280% between 1990 and 1995 (Nussbaum, 1997: 29-34). In terms of training and development in Stutterheim, 296 people received technical skills, 156 in agriculture, 12 in tour guiding and hospitality management, 60 in pre-school education, and 30 in tendering. This training was largely made possible by the different courses offered by CEFE Network for Micro Enterprises, International Labour Organisation, Business Skills for SA, and Business Outreach (Stutterheim Development Foundation, 2004(d): 6). Other qualitative indicators for the work of the Stutterheim Development Foundation include: „empowerment“, which relates to “development of confidence, control over the future and the ability to provide technical support to others”; „community participation“, with regards to the significant high levels of community participation in programmes and projects of the Stutterheim Development Foundation; and „extent of reliance“, in terms of the ability of businesses to depend on themselves to complete

their work and to not rely on outside support (the general agreement is that the Stutterheim Development Foundation was fairly successful in this regards) (Stutterheim Development Foundation, 2004(d): 6-7).

What is interesting about discussing the Stutterheim Development Foundation's achievements and successes is that it becomes clear that the role played by the Foundation was much broader than just that of LED. That is, if LED is understood in the strict sense of being based primarily on entrepreneurial and employment generation ideals as advanced in the literature on industrialised countries. The Foundation implemented a number of projects and programmes that fall outside the confines of LED, such as the various educational and infrastructural programmes. This suggests that the Stutterheim Development Foundation was operating at a much broader service delivery level for all Stutterheim residents, a role that was not yet performed by a formal local government structure. This sentiment has been echoed by former Foundation members who have been interviewed in this dissertation. They have stressed the idea that their work was designed to address the imbalances of the apartheid period and to help the disadvantaged areas of Stutterheim catch up with those White areas that were previously prioritised; by means of securing much needed development.

This historical background chapter has traced the development of LED in Stutterheim. It has provided a brief history of the town and has outlined the events leading up to the creation of the development initiative. It has discussed the history of the Stutterheim Development Foundation, its programmes and projects, as well as its achievements and successes.

6. Establishment of a formal post-1994 local government system in Stutterheim and its effect on the town's LED initiative

6.1) Introduction

One of the most impressive elements about the Stutterheim LED initiative is that it was able to remain active for a relatively long time period since it managed to adapt to a changing environment; although the adaptation came at quite a cost. This chapter aims to critically explore the evolution of the Stutterheim LED initiative in the period between 1996 and 2007 when the new local government was established and when the Stutterheim Development Foundation formally came to an end. It also seeks to build on the work of Nel, E and McQuaid, R (2002), who were one of the first scholars to conduct research in the town and whose work has been the primary point of reference for scholars conducting similar research on Stutterheim's LED. As the authors have noted, the Stutterheim Development Foundation took on a different, and drastically reduced, role in the community from 1995. These authors have highlighted a few reasons for this change in character of the Stutterheim Development Foundation. This chapter will focus on just one, perhaps the most important, reason for this transformation: the creation of a new post-apartheid local government system and the formalisation of LED policy by the new democratic government in the country. The argument presented in this chapter is that when the new local government assumed responsibility for LED and service delivery, it did not build a mutually beneficial partnership with the Stutterheim Development foundation or offer it sufficient support, and thus eventually rendered the foundation expendable. Apart from referencing existing literature on the subject, this chapter will also rely on key informant interviews with a few former Board of Directors and members of the Stutterheim Development Foundation, the first democratic Mayor in Stutterheim, one of the first post-apartheid Councillors in the town, as well as the current Municipal Manager of the Amathole District Municipality, the Municipal Manager of the

Amahlathi Local Municipality, and the Director of Local Economic Development in the Amahlathi Local Municipality.

6.2) Changes in the Stutterheim Development Foundation from 1995

Prior to 1995, the Stutterheim Development Foundation had occupied a monopoly role in LED initiatives in the town. This meant that the duty of regularly meeting with community members to inform them about LED matters, and also that of directly delivering services and infrastructure lay with them. As a result, “the SDF had enjoyed widespread support and legitimacy through its high profile in the community” (Nel and McQuaid, 2002: 13). This monopoly was the result of a vacuum created by the absence of a popularly accepted and unified local government as an outlet of public participation and fair allocation of resources and the delivery of services. Another contributing factor to this monopoly and legitimacy of the Stutterheim Development Foundation is that the initiative had secured the participation and support of all of the different politicians representing various political parties and races in the town (Nel and McQuaid, 2002: 13). After 1995, a new reality had dawned for the Stutterheim Development Foundation, one where a new local government was taking over most of LED planning and implementation. The creation of a new local government system in the town had adverse consequences of the Foundation.

In 1995, it was six years since the Stutterheim Forum was initiated, and at this point different “external and internal forces [had] shaped the evolving form and nature of the Forum” (Nel, 1999: 190). The most significant of these changes was certainly the extent to which the national political transition was now „catching up“ to the reconciliation process that was taking place in Stutterheim. When the previously racially divided local authorities existing in specific designated areas were integrated into single governing structures, Transitional Local Councils (TLCs), this assisted in legitimising similar initiatives that had already been instigated in areas such as Stutterheim. From a different perspective, since the work that was

previously being completed by members of the Stutterheim Forum was now similar to that which was legislated for local government councillors, questions were raised concerning which body would be charged with in completing this work (what then would be the future role of the Forum and the Foundation?) (Nel, 1999: 190). A major concern here was that unlike the Stutterheim Development Foundation which had successfully managed developmental initiatives and gained valuable experience over the years, the council had no experience in enacting and implementing development programmes, nor did it have the financial capacity to support its implementation. As a result, the decision taken at the time was to keep the Stutterheim Development Foundation as “the unofficial development arm of the TLC, which [had] powers to raise and utilise funds which [were] not generally available to the TLC” (Nel, 1999: 190).

6.3) The creation of a new local government system and its relations with the Stutterheim Development Foundation

When the new local government and Council were created, the effect was not very positive on the Stutterheim Development Foundation. According to Hamish Scott, a former Chairman of the Stutterheim Development Foundation, “right from the beginning, there were tensions” (Personal Communications: 2015). This sentiment was also echoed by the former Vice Chairperson of the Foundation, Tom Dyantyi, who stated that the Stutterheim Development Foundation was largely side-lined and from the beginning it was already clear that the role of the Foundation as a development agency would be significantly reduced (Personal Communications: 2015). The SDF had been set up as a body which could later be used by the Stutterheim Municipality as a specialised and more effective channel for development and resource distribution (to make use of the networks that had already been created by the Foundation from 1992). The new council did not view the role of the Stutterheim Development Foundation in the same light, rather, according to the general interpretations of

Foundation members; the local government perceived the Foundation as a “real threat” or an external structure taking up the opportunities and “all the glory” that should normally be enjoyed by the Council (Scott, Personal Communications: 2015).

In order to build a partnership with the new local government, the foundation wrote and presented a proposal on how the two structures could work together and continue the work that had been implemented prior; this attempt was unsuccessful. Max July, one of the founders and marketing manager of the Stutterheim Development Foundation and former Chairman of the Mlungisi Civic Organisation, stated that the Foundation was “selling” or trying to convince the new local government that it needed to become its fully established development arm, the role Aspire now plays in the Amathole District Municipality and indirectly in Amahlathi, but they could not “penetrate” (get local government committed to the idea) instead became a side-lined ill-established extension to the local government (Personal Communications: 2015). The rationale here according to July was for the Foundation to coordinate most LED functions as they had done in the past. This included both past and newly implemented and future programmes. The aim was meant to lighten the load for the new, fairly inexperienced local government which was dealing with a lot more other governmental issues. Magwanqana has stated that the Foundation understood the role of local government as that of creating “an enabling environment in which a partnership can operate. Local government does not need to implement everything. That is one clear division and it is critical. The other is that partnership should evolve through discussions” (Stutterheim Development Foundation, 2004(e): 3). It appears that the new local government did not completely meet these expectations.

According to Dyantyi, the new post-apartheid local government did not make any notable contributions to the Stutterheim Development Foundation’s LED work; it also did not provide the foundation with any substantial support during the period between 1995 and 2000

(Personal Communications: 2015). Dyantyi also alluded to a sense of local government competing with the Stutterheim Development Foundation for precedence and recognition over efforts towards reconciliation and development. In initial meetings with local government representatives, hostility and resistance towards working together with members of the Foundation was apparent (Personal Communications: 2015). According to July, there was a feeling of local government wanting “to grab, to own and to politicise development” while excluding the Foundation (Personal Communications: 2015). It is clear that the main challenge that was being faced by the Stutterheim Development Foundation was a struggle for inclusion in future LED initiatives in Stutterheim, and also to safeguard the continuation of LED work that the Foundation had been implementing prior to 1995. Nel and McQuaid also highlight this issue by stating that “many of the new town councilors argued that development activities should be taken on by the new local government and should not be the preserve of the SDF” (2002: 14).

As the first Mayor of Stutterheim in the new democratic South Africa and one of the founding members and a former Chairperson of the Stutterheim Development Foundation (currently Amathole District Municipality Municipal Manager), Chris Magwanqana was placed in a position to “seal the relationship” between the Foundation and the local government by utilising his considerable political clout (Magwanqana, Personal Communications: 2015). This assisted in easing the relations between the two structures, and the direct result of the new-found cooperation was the appointment of a director by the local government onto the Board of the Foundation to formalise dealings between the two. As a result, Magwanqana states that the first major structural development job after 1995, the construction of more sewerage lines in the Mlungisi Township, was characterised by a sense of partnership whereby the Foundation and the local government worked together (Personal Communications: 2015). Magwanqana was instrumental in establishing communication

between the two structures, and this again emphasises the importance of good leadership in LED initiatives. This improved relationship between the Stutterheim Development Foundation and the new local government was short lived though, because by 2000 and when Magwanqana's term as Mayor had finished, the role of the Foundation in LED was even more reduced (July, Personal Communications: 2015).

6.4) Reduction of Stutterheim Development Foundation's LED role

The Stutterheim Development Foundation's function in Stutterheim's LED initiative was significantly downscaled from 1996. According to the Interim Constitution (and later the 1996 Constitution), the local sphere seized to be a public entity responsible for carrying out delegated powers from a higher authority; and its Council was designed as a deliberative legislative assembly with constitutionally recognised policy and executive powers (Pimstone, 1999: 16). Local government was also constitutionally mandated with the provision of basic services including: water, sanitation, transportation, electricity, primary health care, security etc., and also to promote social and economic development (Pimstone, 1999: 16). As such, the new powers granted to local government by the Interim Constitution rendered the Stutterheim Development Foundation's role in the town redundant. It would appear that the void that was once filled by the Foundation was rapidly shrinking. The new local government became involved in LED and took control of "planning, public works, constitutional, recreational, and tourism matters", while those duties that lay outside local government's constitutional obligation were left to the Foundation (Keal, 2008: 95). With this takeover, in maintaining its LED vision, the Stutterheim Development Foundation was left with the running of the Business Advice Centre, The Kei Development Trust and the Stutterheim Education Trust (some of its most successful and viable committees, and most closely related to conventional LED and human development rather than direct service delivery) (Nel and

McQuaid, 2002: 16). This represented a more defined role for Foundation, a major step-away from its former pre-1995 role.

6.5) Implications for LED; particularly with regards to funding, capacity and public participation

The Stutterheim Development Foundation had been the initial creator and driver of the Stutterheim LED initiative for about six years before the democratic local government was enacted. Thus, it had built quite impressive local and international, public and private institutional donor networks to fund its LED projects and programmes (millions had been raised in a matter of a few years as discussed earlier). As such, fundraising was a critical component for the Foundation mainly because small rural towns tend to struggle financially and depend on external help to get their developmental programmes functioning (being located within the Eastern Cape Province on the border between the former Bantu Homelands of Ciskei and Transkei and battling a tremendous delivery backlog, Stutterheim was no exception). It was these generous investments into the Stutterheim Development Foundation that enabled it to implement its infrastructural and socio-economic development initiatives. Financial systems had been developed and implemented, and independent auditors had been appointed to manage all auditing requirements for funding immediately after the Foundation had been formalised (Stutterheim Development Foundation, 2004(e): 5).

The direct involvement, with limited formal partnership with the Stutterheim Development Foundation, of local government in LED severely hampered the Foundation's post-1996 fundraising for LED (money that could have also benefitted the LED efforts of a cash strapped local government in a context of transition from apartheid racial spatial planning, poverty and inequality). When local government was created and legally mandated to carryout economic development within municipalities; donors generally accepted that local government would provide ample funding for local initiatives (July, Personal

Communications: 2015). It was also widely assumed that the Stutterheim Development Foundation would be directly connected to the local government as its official development arm. As such, according to July, “we [the Foundation] were losing funding which is a critical part” because funders were likely to link themselves with an independent developmental organisation (as they had in the past with the Foundation) as opposed to any political party associated government institutions such as a local government development unit which the Foundation was now widely deemed to be (Personal Communications: 2015). This means that the Foundation was now linked to the local government by funders, although no official linkages existed. Another important point that is raised by July and supported by the other interviewees is that prior to 1996, the Foundation contacted and received funds directly from the donors (both domestic and international) now funds that they had managed to secure had to be channelled through the municipality. The issue here is that the Foundation no longer enjoyed the financial freedom to do what it willed with funds, it had to obtain the permission of the local government’s LED office and needed to consult the local government’s LED office for funding related matters; as a result its members felt that they had somewhat “lost touch with the programmes that they had been working on prior to 1995” and local government was using funding to control development activities (July, Personal Communications: 2015). Scott states that the Foundation was set up to become a body the municipality could use to channel its own money for LED to operate more efficiently, and for LED not to be treated as secondary to the vast demands placed on the new local government post-apartheid (Scott, Personal Communications: 2015). Not only did these funding related issues threaten, and eventually cripple the Stutterheim Development Foundation in terms of sustainability, they also hindered progress made on LED in the town as a whole due to the limited funds that would be available for existing projects.

In an analysis of Stutterheim's LED initiative post-1995, Bond (1998) stated that ever since local economic development came under the control of local government, not much success was recorded, but the role and effectiveness of the Stutterheim Development Foundation was gradually "eroded" (in Keal, 2008: 95). To add to this, the new local government had been hindered by capacity and resource limitations, and this had negatively affected its ability to move the LED initiative forward. Koma provides a definition for capacity: it refers to the "availability of an access to concrete or tangible resources (human, financial, material or technological) and having knowledge to implement policies and the delivery of public services" (2010: 114). Brynard and De Coning add that capacity also includes resources that are not tangible like the "commitment and leadership" towards the practical application of policies and the provision of services (2006: 1999). Small rural municipalities tend to be weaker and more vulnerable with regards to service provision as they face complex rural development problems such as huge infrastructure backlogs that demand funding and institutional capacity, and human resources of skilled and dedicated public servants (Koma, 2010: 114).

As such, during the transitional period (and the period up to 2000), the new local government was already stretched out trying to accommodate a myriad of demands such as immense deficits in payment on many municipal accounts, cut-offs and attempts to get residents to pay, and a growing housing backlog (Isandla Institute, 1998: 105 & 114). Local economic development was thus not at the forefront of the local government's priorities, and the local government lacked institutional capacity to maintain it. At this point the role of the Stutterheim Development Foundation in LED had been declining and there was no input from local government or signs of a potential partnership (Magwanqana, Personal Communications: 2015). The new local government failed to capitalise on the expertise,

human resources, leadership and networks built by the Foundation to focus specifically on LED and ensure it receives sufficient attention and continued success.

In a Newsletter published through the South African Local Government Association (SALGA), it was found that although LED had been officially carried out by the local sphere of government since the mid-1990's, general results and outcomes have been disappointing (2000: 4). The Isandla Institute undertook a study of nine LED cases representing big and small cities, small towns and a rural area for the DPLG in 1998. The result was that LED was sufficiently understood and implemented by the relevant local authorities, but in terms of poverty alleviation, there was very little evidence to prove that the lives of the poor were improved (1998: 122). Although the Stutterheim Development Foundation has been generally celebrated quite optimistically by development scholars on the subject, the main criticism against their work was advanced by Patrick Bond (1998). Bond has highlighted the difficulties and internal weaknesses faced by the LED initiative. The main criticism presented by Bond is that the racial divide in Stutterhem has actually remained consistent with apartheid spatial design, to the point that Stutterheim has "reseggregated itself after an initial movement towards ending the apartheid urban form, and now consists of a mainly "white" area, a mainly "coloured" area and an "African" township" (Bond, 1998: 2). Another major criticism is that the LED initiatives coordinated principally through the Stutterheim Development Foundation have largely been project based, while a number of which have proven unsustainable (for instance the skills training provided to some residents enabled and sometimes encouraged them to leave Stutterheim because of looking for better opportunities outside the area) (Bond, 1998: 2). In addition, Mcwabeni and Bond state that poverty has persisted even after the establishment of a formal local government, particularly for the low-income population, and therefore LED interventions have been limited in addressing this issue (Rogerson, 1999: 26). As such, few local governments have the capacity, particularly

with regards to finances and skills, to implement wide-ranging LED projects in South Africa. In rural areas LED projects are largely coordinated by community based or non-governmental organisations as opposed to local government; this represents an urgent need for capacity building at local government in order to enable it to successfully implement LED initiatives (SALGA, 2000: 4).

Public participation is another fundamental element of LED. One of the major celebrated aspects of the Stutterheim Development Foundation was the importance it placed on the contributions of Stutterheim residents. According to a post-1995 former Councillor of Stutterheim and an active member of development oriented initiatives Anna-Marie Mayekiso, public participation in LED declined significantly after the local government takeover. Mayekiso stated that “she still weeps” for the Foundation as the main outlet to listen to her developmental needs and find ways to address them, regardless of whether the demands were brought forward by an individual or a group representative, and regardless of class and race; the Foundation would be enthusiastic about any developmental opportunity (Personal Communications: 2015). Mayekiso stated that even in 2015, the participation gap left by the Foundation is still felt; even in development initiatives she has since been involved in. In post-1995 local government directed LED, decisions were no longer made in consultation with community members as was the case with the Stutterheim Development Foundation; therefore a sense of exclusion from development was evident (Mayekiso, Personal Communications: 2015). The town council that was formally put in place as a platform for public participation tended to be politicised and development was no longer prioritised in discussion as it once was (Scott, Personal Communications: 2015). According to July, the new local government politicised community participation rather than to use it for developmental decision making, and ordinary community members now had limited say, and “this is where they have robbed the community” (Personal Communications: 2015).

In principal, in the period between when the local government assumed the LED role in Stutterheim up until 2000, the Stutterheim Development Foundation continued with some of the programmes that it had established prior (Scott, Personal Communication: 2015). The local government as well did not implement any new major LED programmes at the time. Essentially, the Stutterheim Development Foundation went on to play a much reduced role in LED, and by post-2000 the Foundation was crippled by sustainability challenges as funding and support had dried up, most LED projects had been handed over to the local government, and most of its key founding members had moved on. The Foundation came to an official close in 2007, and by then it appeared to be largely a shadow of its former self.

The Stutterheim case study presents a good example of how a small town local economic development initiative created by local people according to bottom-up, people-centred principles is taken over by a government institution (generally hampered by financial and capacity issues) that is characterised by a neglect of the organisation's inclusive ideology, has quite negative consequences for the sustainability of the original organisation. July has stated that the local government did not "value" the work of the Foundation, especially after 2000 when the gap between the two structures had widened; and "it is a pity" because some of the other towns, such as Port St. Johns, that had used Stutterheim as an example have LED programmes that are still operational due to continued local government support and its dedicated leadership (Personal Communications: 2015). Essentially, according to July, local government "failed dismally to sustain what the Foundation had started in its quest to dominate development and their lack of vision" of the importance of people-centred development in the developing country context (Personal Communications: 2015). Upon questioning the current Municipal Manager of the Amahlathi Local Municipality and its Head of Local Economic Development about the legacy of the Foundation in subsequent LED initiatives, it was clear that there is no institutional memory regarding the work the

Stutterheim Development Foundation (as these municipal representatives themselves did not appear to know much about the Foundation and were reluctant to discuss it) nor is there an explicit attempt to draw lessons from the experience.

6.6) LED initiatives in Stutterheim after 2000 and Post-Stutterheim Development Foundation

A few LED initiatives have been implemented in Stutterheim after 2000. The most notable of which have been tourism and youth related. The Vukani Youth Centre is one such LED initiative that has been implemented in Stutterheim. The Youth Centre was established in 2001, and is primarily a business advice and training centre. This centre has been crippled by a lack of capital (it is unable to provide loans and start-up capital), and this has translated in the sustainability and success of the businesses created through the project, and the limited number of those which have been able to get off the ground. Some of this skills gained through the Vukani Youth Centre training include sewing and carpentry. The project manager and former Stutterheim Development Foundation member, Max July stated that the Youth Centre represents a continuation of the Stutterheim Development Foundation and aims to ensure the self-reliance of young people by training them according to principles of entrepreneurship and providing them with business support (Personal Communication: 2015). Vukani Youth Centre is no longer operational; its doors were closed in 2014. A major challenge that was highlighted as a hindrance to the success of the Youth Centre is the lack of support from local government, and the absence of a partnership between its coordinators and local government representatives in the implementation process. Local government has worked with the Youth Centre on specific programmes such as those relating to HIV/AIDS awareness, but not on the entire administrative functioning of the project (July, Personal Communication: 2015). As a result, local government has not contributed to the funding of the operational costs for the Youth Centre, including office maintenance and entrepreneurial

and business programmes (the primary objective of Vukani Youth Centre). Vukani has had to rely on the support from the Small Enterprise Development Agency (SEDA) (an agency of the Department of Small Business Development). Again, SEDA has largely funded specific programmes and opposed to the running costs of the non-profit office (July, Personal Communication: 2015). The Youth Agency had consistently applied for funding to cover such running costs from the local government, but was unsuccessful. Thus July links the decline and eventual closure of the youth development initiative to the lack of support from the local government.

Stutterheim is naturally beautiful, and capitalising on this resource has generally been supported. Tyelela Meander (name change to eEscape route during implementation) is another LED initiative implemented in late 2007 and based on the idea of route tourism: the coordination and joint marketing of the tourist potential of an area. The project has involved various stakeholders within the Amahlathi Local Municipality region. eEscape route has been, for a short period of time, a project managed by Hamish Scott, a founding member of the Stutterheim Development Foundation. This tourism project is run by the Amahlathi Tourist Association (ATA), which was previously called the Stutterheim Tourism and Publicity Association for many years since its launch in 1989. The ATA operates on a voluntary basis (it a non-profit Section 21 Company) with a small membership fee, and its primary aim is to “represent its members in the promotion of tourism and is open to all involved in tourism in the area” (Amahlathi Tourist Association, 2008: 4). The tourist industry in Amahlathi is characterised by a number of challenges such as: poor coordination between the various independent tourism players, independent small business marketing which produces limited impact, the part time and voluntary run character of most tourism businesses in the area, and the tourist industry is not fully utilising the resources that are available to them. The main objectives of the route tourism project is to: create a formal, well developed tourist office

which is in charge of coordination, marketing, business development, identification and facilitation of new businesses, the training of people involved in the industry, the development of the route and map for the project, and to assist existing businesses to improve the quality of the services provided (Amahlathi Tourist Association, 2008: 4).

The eScape route project aimed to “contribute to improved economic activity in the Amahlathi region through Tourism and to assist in addressing some of the major socio-economic problems faced such as unemployment, HIV/AIDS and the marginalization of vulnerable groups” (eScape Close Out Report, 2010: 2). Some of the items related to the improved and created projects are: mountain bikes, canoes for the beautiful dams around Stutterheim, archery and forest paths, amongst others. Partners in the project included the Amahlathi Local Municipality, and also Sakhisizwe Consulting Services appointed for project management (eScape Close Out Report, 2010: 2). When the project was still operational, it supported 21 businesses (11 of which were new businesses). 28 permanent jobs and 768 temporary jobs were created by the project.

With regards to the overall success of the eScape route project, Scott states that the success has been partial (Personal communication: 2015). According to Scott, “the real disappointment is that the municipality never really embraced it and therefore what went forward was quite minimal” (Personal communication: 2015). The hope when the project was created was for the municipality to provide an opportunity for the project administrators to set up a tourism office for the municipality to later take over and run. This was never realised, and the challenge is that the tourism industry in Stutterheim is small and cannot fund an office on its own. The Tourist Association is still operational but in a relatively small way, and a few local businesses implement odd little projects but none that attract people in any significant way. The eScape route project has not been entirely sustainable as some of its

elements have fallen away because of a lack of funding and key individuals moving away. It has not reached its potential, nor has it achieved many of its objectives.

6.7) LED initiatives in Stutterheim through Aspire

The Amathole District Municipality, through Aspire (its development agency), has implemented a number of LED related initiatives in Stutterheim. The first major project that has been implemented in Stutterheim is the Abenzi Woodhouse Company (designed to be an independent entity with limited fundraising support from Aspire) which was initiated in 2006 in partnership with the Amahlathi Local Municipality (Aspire Annual Report, 2012-2013: 25). The project was created to diversify the local forestry sector through timber downstreaming opportunities, and is primarily concerned with the creation of wood furniture. The company consists of a training centre, a mini factory, and a business incubation centre. The training offered is a 2 year programme, the first part (NQF level 1) is 8 months, and the second (NQF level 2) is a learnership programme that focuses on furniture production. The second major project is the Central Business District (CBD) upgrade project that was completed in 2011 and officially handed over to the Amahlathi Local Municipality in April 2013 (Aspire Annual Report, 2012-2013: 24). To complete this project, Aspire partnered with the town and its stakeholders in an effort to enhance the town's appeal to its residents and visitors, and also to make it more accessible for pedestrians, vehicles and taxis. The focus was on improving the main roads of the town (those with the highest concentration of pedestrian traffic and commercial activity), the busy square, and the main taxi rank and its surroundings to attract investment. The construction of 68 new hawker stalls benefitted informal traders in the CBD. The upgrade cost a total of R29 million funded by Aspire; and about 170 jobs were created through the project. Another Aspire project implemented in Stutterheim was the construction of the Mlungisi Community Commercial Park (Aspire Annual Report, 2012-2013: 25). This project cost R49 million, and was implemented in 2011

with the object of providing Mlungisi residents and surrounding areas with basic community-based retail services, and also entertainment and sports facilities. Another primary benefit of the Park is employment opportunity for Mlungisi residents. The Park has been completed, and from 2013 lease agreements had been signed with 18 tenants. Aspire, in collaboration with the Eastern Cape Development Corporation (ECDC), the Eastern Cape Department of Economic Development, Environmental Affairs and Tourism (DEDEAT) and the Small Enterprise Development Agency, has made available business support to approximately 8 local emerging entrepreneurs operating within the park.

Most of the local economic development work taking place in the Amahlathi Local Municipality, specifically in Stutterheim, is work that is implemented by the Amathole District Municipality through Aspire in collaboration with the local government. In casual communication with some of the town's residents, in discussions specific to the post-Stutterheim Development Foundation period, the most visible and well established LED initiatives have been those initiated in partnership with Aspire as opposed to the local government operating independently. As such, it is clear that the District has filled an LED void in Stutterheim, and the local government is highly dependent on Amathole to drive and fund developmental projects. The local government is seemingly still struggling with financial and capacity challenges to maintain economic and social development on its own, and this is an obstacle facing many local governments particularly in the poorest provinces surrounded by rural areas. Mayekiso commented that the work of Aspire has made her "look up" once more to see drastic changes in the town reminiscent of the Foundation days (Personal Communication: 2015). July and Magwanqana have contributed to this sentiment by pointing out that Aspire closely resembles the Foundation's developmental model to the point that it might be said that Aspire borrowed its structure from the Foundation (Personal Communication: 2015). It appears that continuation of the work of the Stutterheim

Development Foundation has been taken up more by District government rather than the local government. It may thus be argued that the success of Aspire, relative to the performance of the post-1995 SDF and the other post-2000 LED initiatives, can be attributed to it being more entrenched institutionally in a way that the SDF and the other LED initiatives implemented in the town never were. Aspire enjoys a level of local government institutional support and cooperation that the SDF and the other post-2000 initiatives did not have.

This last chapter has looked at the effect that the establishment of a formal local government system in Stutterheim has had on the LED initiative after 1995, and the changes that such an effect has produced on the role of the Stutterheim Development Foundation. It has discussed relations between the local government and the Foundation concerning LED work in the town. The chapter has gone further to discuss the implications for LED with regards to funding, capacity and public participation as a result of the changes that took place after 1995. Lastly, the chapter has discussed LED initiatives after 2000 and after the Stutterheim Development Foundation formally closed its doors. It also discussed LED projects driven by Aspire (the development agency of the Amathole District Municipality).

Conclusion

Although the local economic development approach is a development strategy originally implemented by industrialised countries, developing nations have recently been pursuing the approach. This is because it offers an alternative to top-down, centralised development thinking, towards a more community based, bottom-up philosophy. This is attractive to developing countries because it complements their democratisation, decentralisation and public participation at local level ideals. Literature on LED also provides locally founded solutions to challenges of poverty and inequality in communities that may also assist in alleviating these problems at a much broader national level. South Africa is one such developing country and its post-apartheid government has constitutionally and legislatively mandated local government with LED. LED implementation in South Africa has generally not been a success, and small rural municipalities have been struggling the most. It is this poor LED implementation result in South Africa's rural municipalities that has motivated this paper to analyse the evolution of LED implementation in the town of Stutterheim.

The pre-1995 Stutterheim LED initiative has received wide-spread praise mainly because its major development accomplishments in a small rural town in South Africa cannot be taken lightly. One has to acknowledge the fact that the Stutterheim Development Foundation took on an immense challenge and played a fundamental role in helping a town riddled with violence, protests, a dying economy, and racial tension transition into democratic South Africa out of its own solidarity. Also, the Stutterheim LED initiative was very instrumental in encouraging responsiveness to the plight of the towns Black community which had been ignored for so long. It was the actions of the individuals involved in the Stutterheim Development Foundation that encouraged a town deeply divided to work together to rebuild Stutterheim. It was this group of Stutterheim residents who decided to make a change from the bottom up and not wait for others to implement development for them. As such, the

Stutterheim LED initiative does offer important information regarding the implementation of local economic development (particularly with regards to bottom-up, people-centred development principles and practices) as it evolves over quite a long period of time in one of South Africa's economically challenged small towns. This stance and approach to analysing the Stutterheim case has been supported by quite a few scholars, as referenced in the text. According to Wotshela, "the Stutterheim Development Foundation had therefore contributed significantly in transforming a particularly uneasy political climate to a positive social and economic initiative" (2009: 171). Nussbaum also noted that:

"If Stutterheim is a microcosm of what a reconstruction and development programme in South Africa can be, may all communities be inspired by its example and its people! May all communities discover their own particular magical rainbow that is created by their own particular chemistry, skills, talents and vision in order to create a prosperous future and to inspire people to better serve their communities" (1997: 55).

The establishment of a formal post-apartheid local government system in Stutterheim has had a negative effect on the town's LED implementation and the operation of the key LED driver (the Stutterheim Development Foundation). From the period between 1995 and 2000, the role of the Stutterheim Development Foundation in the implementation of LED in the town was drastically reduced. This was primarily because the new local government resisted forming a lasting partnership with the Foundation for development purposes. This lack of support for the Foundation by the local government had adverse consequences for the agency's funding and role as a platform for community participation. It also had negative consequences for the implementation of LED in the town as a whole due to the lack of capacity by the local government to drive LED independently.

By 2000 no new major LED projects had been implemented by either the Stutterheim Development Foundation or the new local government. The role of the Foundation had been so reduced; it struggled to rebuild its former prominent standing. During the period between 1995 and 2000 the Foundation continued with the running of LED projects that had been implemented prior to 1995. There has been limited institutional memory of the LED work of the Foundation in the Stutterheim local government's approach to LED. A few LED projects were implemented in Stutterheim after 2000; the most notable were eScape Route and Vukani Youth Centre. These projects experienced similar challenges as the Stutterheim Development Foundation with regards to their relationship with the Amahlathi Local Municipality. As a result, they have generally struggled with sustainability.

LED implementation in Stutterheim is now occurring in association with the Amathole District Municipality. The District's LED agency, Aspire, is working in cooperation with the Amahlathi Local Municipality to implement a variety of LED related projects. The most prominent have been the Abenzi Woodhouse Company and the Central Business District Upgrade project. These have received quite positive reviews from the town's residents with regards to the visibility of development work in the town and job creation. Former members of the Stutterheim Development Foundation have gone further to say that the work of Aspire in Stutterheim closely resembles that of the Foundation. As such, there is hope that LED work will continue in Stutterheim. Although the involvement of a District municipality has been received positively in Stutterheim, there is still concern about too much dependence on its guidance and support at the cost of local ingenuity, independence and sustainability, and also the potential for disconnection with local needs.

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Appendices

Appendix 1

Masters Dissertation interview questions

Questions for the Stutterheim Development Foundation Representatives:

- The first part of the interview will focus briefly on the creation of the SDF and its role prior to local government formalisation:
 1. What was the motivation behind the establishment of the SDF?
 2. What objectives did the SDF set to achieve with its work?
 3. Did the SDF characterise itself as an LED driver?
 4. What was your role in the SDF?
 5. Why did the SDF believe that its projects and programmes were important for Stutterheim?
 6. What were the main funding sources for the SDF?
 7. What role was civil society or community members intended to play?
 8. What challenges did the SDF face?
 9. Which of its goals did the SDF achieve?

- The second and core part of the interview will focus on the transformation of the SDF after the formalisation of a local government system in Stutterheim and LED policy in South Africa:
 1. What was the effect of the creation of a local government in Stutterheim on the SDF? Was this effect positive?
 2. How did the role of the SDF change during the local government transition period?
 3. How did your role in the SDF change?
 4. SDF projects and programmes were reduced during this period; did the creation of a local government influence this process in any way?

5. What was the relationship dynamic between the SDF and the new Stutterheim local government?
6. How did the new local government contribute to the work of the SDF?
7. What was the effect of the creation of a local government in Stutterheim on your funding and resource system?
8. What was the effect of the creation of a local government in Stutterheim on your relationship and interaction with community members?
9. What led to the eventual end of the SDF?
10. Does the current LED Office have any projects and programmes that are a continuation of SDF work?

Questions for the Amahlathi Local Municipality representatives:

1. What was the LED role of the new local government in Stutterheim?
2. What was the relationship dynamic between the SDF and the new Stutterheim local government?
3. Was there any competition between the SDF and local government for the LED mandate, community support, resources and funding?
4. What did the new local government administration view as the role of the SDF?
5. What support systems were set up by the local government for the SDF, if any?
6. Did the new local government have any influence in the restructuring and eventual end of the SDF?
7. Does the current LED Office have any programmes or projects that are a continuation of the former SDF?

Questions for the Amathole District Municipality representatives:

1. What LED role has the Amathole District Municipality played in Stutterheim?

2. Has this been somehow a continuation of the Stutterheim Development Foundation?
3. What is the relationship like between the District and the Amahlathi Local Municipality regarding LED?

Questions for the eScape Route and Vukani Youth Centre representatives:

4. What LED role has the Amahlathi Local Municipality played in the project?
5. Has this been somehow a continuation of the Stutterheim Development Foundation?
6. What are the aims and objectives of the projects?