

**An Assessment of the Experience of Small Town  
Local Economic Development in the Eastern Cape  
Midlands**

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## ABSTRACT

This thesis is an assessment of the experience of small town local economic development in four towns namely Graaff-Reinet, Somerset East, Aberdeen and Pearston situated in the Eastern Cape Midlands, South Africa. It aims firstly to provide a critical overview of these selected small town economies before evaluating their local responses to the changing economic climate. The study is contextualized within the framework of locality development and emphasizes the heterogeneity of small towns with regards to physical, socio-economic, demographic and historical elements. From this, the original economic reasons for existence of these small towns are ascertained and then the major changes that occurred are identified. Amongst other aspects, the changes in the agricultural sector, the demographic changes particularly with regard to the significant increase in the urban population and the fluctuations in the quantity and types of businesses have all played a part in transforming the small towns' economies. As a result of these changes and many external driving forces such as changes in the regional and national economy, there are many severe challenges facing these small towns especially regarding the high unemployment rate, the associated poverty, HIV/AIDS and the low volume or absence of private investment into these localities.

The responses of these small towns to the daunting challenges that they face have been considered in terms of Local Economic Development (LED) strategies that have been implemented. The LED initiatives in each town are examined in the context of their general characteristics, objectives, achievements and challenges. Emphasis is placed on Somerset East as it is the only town in the study area that has a development agency actively promoting various forms of LED. What has ultimately been established is: in all four towns, LED is not making a

significant or meaningful difference and that natural market and economic forces play an important role in shaping and dictating the local economy. Somerset East is the only town where the economy could potentially be restructured with the proposed mega market-led approach to tourism and planning in the form of the Boschberg Development node.

Four sectors perceived to be required for locality development are considered in this study, namely the export sector, the human resources, the local service sector and the government agencies. It is ascertained that although these sectors need to be part of a symbiotic relationship to promote and enhance economic development, they are not present in all the towns and as a result development, at both a household and a macro town level, is further hindered. Ultimately, these small towns in the Eastern Cape Midlands defy the notion that they are dying. 'Growth' and 'decline' have been two central features throughout this thesis and one of the biggest contradictions and challenges that these small towns face is the population growth with a declining or stagnant economy that cannot accommodate the increased number of people.

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## CHAPTER ONE

### INTRODUCTION: SETTING THE SCENE

#### 1.1 Introduction

This study examines and provides a critical overview of economic change and development interventions in selected Eastern Cape Midland small towns in the context of a changing geo-economy. It is acknowledged that external and internal forces have influenced small towns and as a result it is necessary to observe how small towns have reacted to these changes over time. It is in relation to Massey (2005) and Griffin's (2003) notion of uneven development that this study seeks to assess how the local economies of small towns in the Eastern Cape Midlands have developed and to ascertain how their roles have changed to adapt to the shifting market forces.

The primary theoretical context for this research regarding small town economies in the Eastern Cape Midlands is provided from the perspective of economic geography whereby uneven development is recognized as a key feature of the spatial economy (Nel, 2005; Courtney and Errington, 2000). The uneven development referred to in this thesis is considered from two perspectives. Firstly, the broad nature of change in the local economy is looked at and secondly Local Economic Development (LED), which as described by Camagni (2002: 2397) is "a localized development strategy integrated by different networks to achieve a variety of assimilated social and economic goals", is considered as a response to changes and contemporary challenges. This is in accordance with the views of Lemon (2001) and Henderson *et al.* (2001), who acknowledged that the most striking feature about the economic geography of the world is the uneven spatial arrangement of human settlements and the subsequent uneven distribution of the economic activity and challenges.

In recent years Hambleton *et al.* (2002) and Savitch (2002) pointed out that localities ranging from small towns to global cities have had to assume new roles within an increasingly integrated and changing global economy. As a result, small towns have

experienced differing growth trajectories from experiencing economic stagnation or slow growth to either gradual or swift decline, and in many cases, alternating phases of decline and growth (Ouharon, 2006; Geyer, 2003). This study focuses on four small towns in the Eastern Cape Midlands, with a small town being defined by Nel (2005) and Pederson (1997) as being a place of under 50 000 people. According to Myburg (1978) the small towns that were selected for this study were all established in order to provide various services to the farmers in the district yet have developed along different trajectories over time and this is observed when small town demographic and economic trends are examined. It is in this context that this study seeks to assess the development of the local economies.

Associated with the changes that occur in the space economy are contemporary challenges and the need to urgently address them (Geyer, 2003). In terms of government responses, according to Rogerson (2000) and Wong (1998), the shift in the responsibility for economic development from the national to local level government in post-apartheid South Africa has led to the promotion of Local Economic Development (LED) planning in small towns. LED, according to Parhanse (2006), relates to local control by stakeholders, focusing on local development initiatives that should benefit local people by taking advantage of local resources, skills and other assets. It is inevitable that different towns respond differently to changes depending, significantly, on their existing economy, the town's history and the availability of resources, whether it is the financial or human resources, to implement development initiatives or natural resources to attract tourism and/ or industry and other economic activity. This reiterates the idea by Nel (2005), Ashley and Maxwell (2001) and Henderson *et al.* (2001) that development, not withholding LED, presents itself in different shapes and sizes within the spatial context of small towns in the Eastern Cape Midlands and it is within this context that this study seeks to assess how the selected small towns have been responding over recent years.

## **1.2 Importance of Small Towns**

In light of the key roles that small towns have played and continue to play in rural economies and as the lowest level of the urban hierarchy, a study into small town features

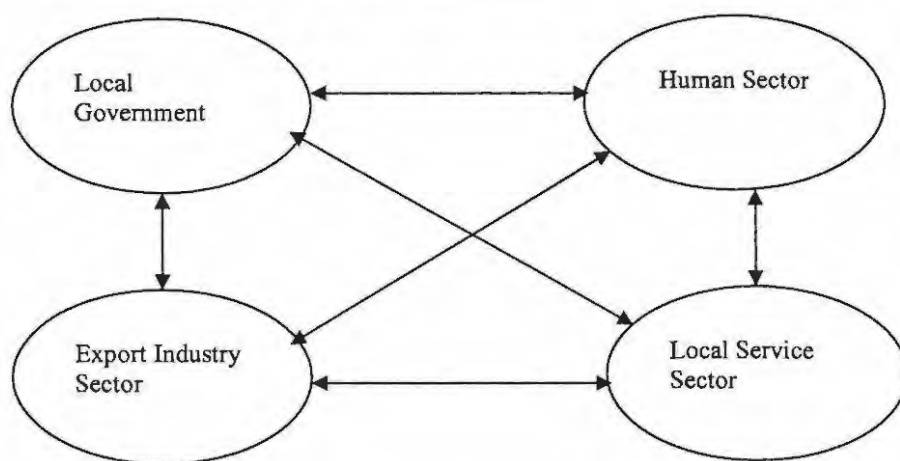
and development options is of relevance. Despite the apparent decreasing viability of many small towns, and the frequent loss of their initial establishment reasons, it is recognized that small towns still represent a fundamental link between their rural hinterlands and with higher order urban economies (Xuza, 2005; Jouve and Black, 2002; Ashley and Maxwell, 2001). Additionally, they continue to play an important role in development planning as service providers, centers for product processing, are home to small businesses and are potential future launching pads of small businesses.

In contrast to the well-developed international urban literature focused on cities (Bridge and Watson, 2003; Jouve and Lefevre, 2002; Sassen, 2000), small town research has been largely neglected in the past, despite the fact that they represent important social and economic entities to a large number of people around the world (Savitch, 2002; Sassen, 2000; Pederson, 1997; Rondinelli, 1991). As Nel (2005) observed, a limited pool of small town research in South Africa exists. However, what is known is that the trends in South African small towns follow international patterns in terms of issues such as a wide divergence in size and composition, with varying economic conditions. These aspects serve to justify a wider contextual analysis of small town processes and a focus on literature ranging from development approaches to locality-based development in the form of local development in centres beyond the urban cores, and these issues will be further dealt with in the review of literature.

### **1.3 Conceptual Framework of the Study**

According to Nixon and Gerhardt (1964) there are four main sectors involved in the economic development of a locality, which are the population / human sector, the export industry sector, the local service sector and lastly government agencies, which serve the public needs of an area. Co-operation amongst all these sectors, although not necessarily easy to achieve, is essential in the process of local development (Nel, 2005; Nustad, 2001). Therefore, this research study incorporated these elements and has studied each one of them independently, and in relation to each other. The case study considers these sectors and associated linkages and places them in the context of promoting or hindering local development.

It is recognized that a community's export industries (agriculture / industries) are critical in shaping the local economy. The human sector contributes skills and efforts to all the sectors and benefits both materially and in terms of the quality of life and therefore population dynamics over time (number of people, age profiles, racial profiles, education) were considered throughout this study. Local governments and their role in local development were regarded as important stakeholders in promoting development. It is in the context of these four sectors and the associated interplay (Refer to Figure 1.1), that this study lies. If one of the systems is out of synchronization or not as effective, the relationship between the systems changes, which affects the town's local dynamics, potentially precipitating local challenges.



**Figure 1.1:** Relationship between the four sectors involved in the economic development of a locality

**Source:** Adapted from Nixon and Gerhardt (1964)

### 1.3.1 The Changing Geo-Economy

The focus of this thesis is broadened by the fact that geo-economies are constantly changing and this therefore partially facilitates the changes that small towns are undergoing. Recently Woodhouse (2006) and Nel (2005) noted that, from an international perspective, traditional extractive and productive industries that usually characterize small towns, such as mining, agriculture and manufacturing are changing, and often declining in importance. In the Eastern Cape Midlands, changes in the structure and focus of farming in the district has played a major role in small town economic

transformation, as have the increased government expenditure on services, the broadened social welfare programmes, and the subsequent enhanced purchasing power amongst the black and coloured population. The small towns studied here naturally display symptoms of difference with regards to the economic development that has taken place, which will build on Nel and Humphrys (1999) description of development as taking on a mosaic pattern with characteristics that differ from place to place.

Traditionally agriculture has been recognized by authors such as Woodhouse (2006), Nel (2005) and Xuza (2005) as being the main economic sector of these small towns in the study area, however with the changes that have taken place through reduced traditional agricultural output and increased game farming, the relationship between the farming community and the towns' economies has been altered (Vorster, pers. comm., 2007). Associated with the changes in the agricultural sector, is the decreased number of labourers on the farms (Department of Trade and Industry, 2005). It has therefore been conceded that the agricultural sector cannot absorb all the labourers, while the urban centres' economies are not growing fast enough to provide for these people. Small towns' economies are affected by the decline of the farming market and therefore experience major economic changes, often to the detriment of the small town economy. The scaling down or changes in the business sector activities in the form of heightened incidences of localised business failure and the frequently observed out-migration of the skilled labour force has meant that many of these agricultural small towns have undergone major economic transformation (Magzwalisa, pers. comm., 2007).

Small towns were predominately established as central places for providing goods and service to the surrounding farmers. However, as time has gone by, and technology and communication has changed, so have the roles of the town and smaller towns are often bypassed by rural people (Hendrikse, pers. comm., 2007). The changes in some of the economic sectors of small towns have retarded economic diversification and caused the loss of functions, which are negatively affected by the problem of the high levels of structural unemployment (Fouché, pers. comm., 2007). Furthermore, there exist high

dependency ratios of economic inactivity relative to the economic active population, which automatically accentuates an array of problems.

While out-migration of skilled labour may characterize many small towns in South Africa, they still depict population profiles that indicate absolute growth in the population. This growth pattern is usually associated with the black and coloured populations. The dynamics of the population profile has major implications on the economy and the market related aspects of the town as the majority of the black and coloured population generally have a lower purchasing power and earning capacity relative to their white counterparts (Harsch, 2001). These aspects all represent fundamental catalysts in transforming the characteristics, the associated roles / functions and subsequent challenges faced by small towns. This study therefore seeks to identify and evaluate how small towns in the Eastern Cape Midlands are reacting to these economic changes, especially since the decentralization of government development responsibilities and the widespread acceptance of LED has come under the spotlight.

### **1.3.2 Responses to Change**

According to Nel and Binns (2003) globalisation and associated changes, as partially mentioned above, have been accompanied by changing perceptions of the role of the locality within an increasingly integrated global system, which reflects on the search for innovative ways to participate within a redefined global economic context. Influencing responses to these changes is the concept of LED, which relates to the increased level of control exercised over economic development by local stakeholders. In South Africa, there has been enhanced local autonomy in a context where localities being faced with a new developmental mandate (Cheru, 2001). As South African localities grapple with this new responsibility, as described by authors such as Dewees *et al.* (2003), Maharaj and Ramutsindela (2002) and Gibson (2001), this study aims to look at the small towns' responses to change and all the daunting challenges, which exist within the areas under their jurisdiction.

Small towns in South Africa have, to varying degrees, adopted the strategy of LED in response to decentralization mandates as provided for in the White Paper on Local Government (1998), and it has been recognized, in theory, that LED is generally a cost-effective and community empowering process, which has the potential to yield benefits for participating small towns (Rodríguez-Pose and Tijmstra, 2007; Nel, 2001). Over the years, however, authors have continued to identify various issues that tend to restrict and undermine LED initiatives, such as inadequate capacity within local government, limited resources, inadequate investment partnerships between public, private and non-profit actors and the sheer extent and depth of poverty that exists in many small towns (Xuza, 2005; Helmsing, 2003; Rogerson, 1999; Nel and Humphrys, 1999). Furthermore, Helmsing's (2001) research has indicated that, in reality, the capacity to develop successful LED initiatives in small towns varies widely depending on the diversity of resources and the level of economic development. This study seeks to extend and help clarify this level of analysis with particular reference to small towns in South Africa.

#### **1.4 Aims and Objectives**

It is with these arguments in mind that this thesis seeks to investigate unfolding economic development trends and activities in the small towns of the Eastern Cape Midlands and to examine local responses in these small towns to the contemporary challenges. This section will outline in greater detail the aims and objectives of this particular research investigation.

This thesis aims firstly to provide a critical overview of the development of the selected small towns' economies and secondly to evaluate the local responses to the changing economic climate. In order to achieve these aims, the following objectives have been identified.

1. To contextualize the study within a theoretical framework provided by relevant national and international literature regarding small town development and LED.
2. To investigate the economic reasons for the existence of the small towns and their changing economic roles and functions over time.

3. To ascertain the contemporary challenges the small towns are facing and to identify existing driving forces of change.
4. To examine the nature of the local responses of small towns with regard to strategic choices that local stakeholders are making about their town's economic future, in relation to local realities and national policies.
5. To determine whether LED can make and is making a meaningful difference in small town development.
6. To identify key trends that can be learnt from the experience of these small towns' local development with a view to contributing to small town development and research.

### 1.5 Research Study Sites

The four towns namely Aberdeen, Graaff-Reinet, Pearston and Somerset East that were selected for this study are all situated in the Eastern Cape, west of the Fish River. The Eastern Cape Midlands (Refer to Figure 1.2) is defined as that area including most of the upper and middle sections in the drainage basins of the Sundays and Great Fish Rivers, the southern boundary being taken as the Klein Winterberg and Suurberg ranges (Myburgh, 1978; McL. Daniel, 1975).



**Figure 1.2: Eastern Cape Midlands**  
**Source: Adapted from Myburg (1978)**

Not only is the Eastern Cape Midlands a logical geographical unit and the area has been previously studied (Atkinson, 2006; van Skalkwyk, 2006; Minnaar, 1987; Myburg, 1978; McI. Daniel, 1975; Smith, 1975; Cook, 1971), but also, the area is of considerable interest in terms of studying the towns' economic development over time, since it incorporates some of the oldest inland towns in the country. Somerset East was established in 1825, Aberdeen in 1856 and Pearston in 1859. From a historical point of view, Graaff-Reinet, dates back as far back as 1786, and it reveals some factors that were important in pioneer town formation (Myburgh, 1978).

From a local municipal perspective, Aberdeen and Graaff-Reinet are both situated within the Camdeboo Municipality, while Pearston and Somerset East are located within the Blue Crane Route Municipality (Refer to Figure 1.3). Both the Camdeboo and the Blue Crane Route Municipality are part of the larger Cacadu District Municipality.



**Figure 1.3:** The local municipalities within the district municipality  
**Source:** South African Chief Director of Survey and Mapping (2001)

One of the rationales behind this selection of the towns in this study was to assess how four small towns, lying in generally close proximity, which originated at approximately the same time and had the same primary functions and establishment reasons, could change so drastically in relation to each other over time. Jefferson (1931:454) noted that localities “do not grow by themselves...countrysides set them up to do tasks that must be performed in central places”. It is evident that, excluding such factors as the discovery of rich mineral deposits, which could have led to the formation of mining settlements, the need for urban centers would only have arisen after a considerable local rural population evolved. Furthermore Mcl. Daniel (1975) described the Eastern Cape Midlands economy as being dominated by the Merino sheep and wool production for most of the 20<sup>th</sup> century. This makes the area particularly interesting, as there has been a perceived change in the focus of the economy over the past few years, as well as a parallel decline in the rural population. This study aims to assess what is currently happening in the small towns and their hinterlands, to highlight the main driving forces of change, the towns’ local responses, and to identify what local stakeholders approaches are to the development challenges.

Although extensive demographic, economic and physical information regarding the study sites are provided in chapter five and chapter seven, a brief introduction to some of the towns’ characteristics is necessary to illustrate some of the fundamental differences. Spatially, demographically and economically – the number and functional level of the businesses – Pearston is the smallest. Aberdeen is the second smallest, followed by Somerset East with Graaff-Reinet being the biggest of the four towns. Other differences include their natural resources endowments, economic focus and investment opportunities. This alone indicates the divergent characteristics between these small towns, which will serve as a platform for investigating the divergent development characteristics of these towns.

## **1.6 Thesis Outline**

The following sub-sections within this chapter serve to briefly outline some the key concepts that will be developed in greater detail in the following chapters. There are seven chapters in this thesis including an introductory chapter.

### **1.6.1 Chapter Two: Methodology**

The chapter explains that the study utilized a predominately empirical-idealistic framework of scientific enquiry, which employed a mixed-method approach, gathering predominately qualitative data through interviews, questionnaires, observation and documentary analysis.

### **1.6.2 Chapter Three: Literature Review: Small Town Economies**

This chapter provides a context for the study of small towns and the associated economic and demographic dynamics that characterise small towns both internationally and in South Africa.

### **1.6.3. Chapter Four: Literature Review: Responses to Economic Changes – Laying the Basis for Local Development**

The international context for the study of local development that is being pursued in South Africa, and more specifically in South African small towns is presented in chapter four.

### **1.6.4 Chapter Five: Case Study of Small Towns in the Eastern Cape**

The results of the findings from the research undertaken in the four small towns in the study area, namely Pearston, Aberdeen, Somerset East and Graaff-Reinet are presented in chapter five.

### **1.6.5 Chapter Six: Local Economic Development in Small Towns in the Research Study Area**

This chapter focuses on local development in the context of local initiatives and challenges that the small towns face.

### **1.6.6 Chapter Seven: Discussion and Conclusion**

Chapter seven wraps up the discussion on the development of small town economies in the Eastern Cape Midlands and the local response to these economic changes. The case study will be placed in the context of the broader literature discussed in chapter three. Discussion will emphasize how these small town economies have changed over time and consider their contemporary challenges and the associated driving forces of these changes. Associated with this, local responses will be discussed, to determine whether LED can make a meaningful difference in small town development.

### **1.7 Conclusion**

A primary purpose of this study is to try and contribute to the relatively limited knowledge on South African small towns challenges and their local responses to changing economic dynamics, as it is acknowledged that there is a lacuna regarding this subject in academic research (Nel, 2005; Xuza, 2005). There is a coherent idea in academic literature that South African small towns have changed demographically and economically due to changes in the broader economy and in political courses that the country has adopted. Furthermore, the four main sectors involved in the economic development of a locality, as described by Nixon and Herhardt (1964), serve as a basis for this thesis, emphasizing the relationship between the sectors and the effects of the broader towns' economies, if one or more of the sectors change. This enables this study to identify relevant trends and responses, historically and currently, and to ascertain the current state of the town with regards to contemporary challenges and future development focuses (MacGregor, 2003).

Since conventional thought associates population growth with economic growth, it is interesting to examine small towns that appear to defy this hypothesis. South African small towns appear to be an anomaly, due to the unique situation whereby the state grants and state investments act as incentives for people to stay in small towns, despite the absolute decline in any formal employment in the towns (Parhanse, 2007; Rodríguez-Pose and Tijnstra, 2007). It has been noted that the sustaining factor of many small

towns has been the injection of capital for the expansion of services by government agencies. Therefore, while there may be a decline and even a drastic change in the economic function of many centers due to the departure of the middle-class entrepreneurs, there has been a substantial increase in the population. It is in this context that this study seeks to examine these distinctive trends and assess the repercussions in relation to the response of the small towns, the new role they play and the impact of the local stakeholders.

With the relatively new mandate of South African local municipalities being responsible for creating an environment that is economically prosperous and able to facilitate economic growth (Niksic, 2004; Cecora, 2001; Cheru, 2001) it is interesting to examine how these four municipalities and local stakeholders are coping in the face of accelerated pressures and financial and human capacity constraints. These municipalities are under enormous pressure to produce results in an environment that is challenging, with few guidelines and inadequate monitoring capacity. However, in the “new system” of decentralized government in South Africa, there are many stakeholders that, in theory should work together with common goals in an effective partnership that is beneficial to all.

## **CHAPTER TWO**

### **METHODOLOGY**

*“Knowledge is, after all, constructed through how we investigate and examine the world” (Kitchin and Tate, 2000:6).*

#### **2.1 Introduction**

According to Murphy *et al.* (1998), the validity of research depends upon being able to form a judgment about the research process and therefore a detailed record of methods is required from the researcher. This chapter serves to provide a detailed overview of the design of the research methodology and shows how all the key aspects of the study were designed and applied in order to address the central aims and objectives of the thesis. Essentially, this chapter expands on the research process regarding the research aims, the underlying theoretical propositions and the methodology used in the collection and analysis of data and the presentation of the findings. An empirical case study serves to provide the research design for this thesis, with its focus on “empirical questions that concern how things are in reality” (Kitchin and Tate, 2000:7). Through a comprehensive study of small town development, it was anticipated that key trends would be identified, with the view to contributing to further research on small town development.

Diverse strands of research methodology were drawn together, which as Alexander *et al.* (2006:218) acknowledged “although being different, [they] have complementary roles to play in the research process in facilitating that the research outcomes are being met”. Therefore, due to nature of the aims and the research constraints which existed, a pragmatic multi-method design was used, which consisted of analysis and interpretative research based on gathered fieldwork data in the form of a case study enquiry, integrating documentary material and survey data, and yielding predominately qualitative data.

#### **2.2 Linking Theory and Practice**

Silverman (1994:1) stated, “without theory, there is nothing to research”. Research either takes the form of assessing the validity of a theory (a deductive approach), or trying to construct a theory (an inductive approach). This thesis used an inductive approach, which

implied that 'practice' was turned into 'theory' by making theoretical inferences in the form of deductions and a conclusion from the data generated. A deductive approach, on the other hand uses a hypothesis to assess the validity of a theory, as explained by Kitchin and Tate (2000). These ideas from the literature review provided the context for the research that supported the construction of the theory and identification of key issues. The main aspects regarding the research methodology of the theory (literature review) and practice (case study) will now be considered.

### **2.3 The Time Dimension**

This study took place over a two-year duration, whereby a longitudinal study was set up for the study of selected small towns and the associated LED interventions. A combination of primary and secondary data was gathered, and collated for the case study research over a period of 18 months (February 2006 to August 2007). Seven trips in total were made to each of the research sites during the 18 months of data collection, which also allowed for a cross sectional analysis to compare the four small towns at set points. Data were collected predominately through interviews with key informants, the administration of questionnaires, observation, and analysis of relevant documentation. It must be emphasized that the majority of the time was spent in Somerset East and Graaff-Reinet, which was justified by two main reasons. Firstly, from a practical point of view, the larger size of Somerset East and Graaff-Reinet compared to Aberdeen and Pearston meant that there were more people and businesses to obtain data from. Secondly, the local Camdeboo Municipality is located in Graaff-Reinet and therefore the municipal authorities and documentation for both Graaff-Reinet and Aberdeen was available there. Similarly, the local municipality and development agency for the Blue Crane Route Municipality is situated in Somerset East, which oversees both Somerset East and Pearston.

The first year of the study was devoted to the collection of literature pertaining to the research subject as well as visits to the sites whereby familiarization with the towns local initiatives, the local development stakeholders and key informants took place. The majority of the relevant documents were collected during this time. The second year of

the study focused on the collection of primary data in the form of questionnaires and surveys, the subsequent analysis of the results and finally the write up.

#### **2.4 The Case Study: The Research Setting**

A case study involves “studying a phenomenon within a real-life setting...a specific example within time and space” (Kitchin and Tate, 2000:225). This thesis utilized multi-research methods that produced predominately qualitative data and the inductive research style determined that the literature review and the case study be the support material on which the construction of key issues and trends would be identified and presented. The various elements of the case study will now be presented in terms of the research setting, the time dimension, data collection, data analysis and the presentation of the findings.

The four small towns in the case study, namely Graaff-Reinet, Somerset East, Aberdeen and Pearston, were selected because they are in a defined geographical area – the Eastern Cape Midlands, as defined in chapter one, which sets the spatial context for this particular study. In addition, these four small towns are in generally close proximity to each other and originated at approximately the same time, with the same primary functions (providing goods and services to the farmers in their rural hinterlands). However, they all show diverse characteristics with regards to the changes that each small town has undergone and their contemporary economic wellbeing. These differing attributes lay the foundations on which to assess the small towns in the context of the study’s research aims and objectives.

The manner in which the qualitative and quantitative data were collected, analysed and presented will be discussed in the remainder of this chapter.

#### **2.5 Research Aims and Objectives**

When looking at the research methodology, it is fundamental to briefly re-visit the research aims and objectives, as they lay the foundation, directing the core research questions and influencing the research methodology. This thesis aims, firstly, to provide a critical overview of the development of the small towns’ economies and secondly to

evaluate the local responses to the changing economic climate. In order to achieve these aims, a number of objectives were identified and this chapter sets out to describe the research methods that were deployed in order to obtain the stipulated objectives.

The interactive nature of qualitative data collection in this case study, included interviews, questionnaires, being a careful observer and obtaining data from documents, which are methods described extensively by Merriam (1998). The mixed-method approach that was adopted incorporated a triangulation approach characterized mainly by interviews and questionnaires, two research methods that have become increasingly popular in human geography according to Winchester (1996).

### **2.5.1 Objective One:**

**To conceptualize the study within a theoretical framework provided by relevant national and international literature regarding small town development and LED**  
Every scientific study begins with the researcher examining reports of previous studies related to the topic of interest, and as a result, objective one was to contextualise the study within a theoretical framework provided by relevant national and international literature regarding small towns and LED. A literature review, as described by Kitchin and Tate (2000), is a critical appraisal of all the main theories and findings relevant to the topic as it provides a balanced picture of the various thoughts, over time, relating to the research topic. In this study, accounts of past research were a necessary condition for knowledge building and this provided a theoretical framework, providing a wide breadth of information from various national and international authors.

In this research study, importance was placed on the critical reading of diverse literature from peer-reviewed journals, books, government documents and other relevant publications, which allowed for in-depth assessment of the context underlying the topic (Hart, 1998). The review of literature took place continuously over the two-year study period in order to keep up with the most recent pieces of work, as well as to find a broad literature base. The identification of key ideas and methodologies regarding small towns and local economic development research was needed in order to create a platform from

which additional contributions to knowledge could be made through the case study of this research. Research methodologies for the review of literature incorporated in this research, included reviewing, interpreting, analyzing and interpreting secondary literature from various sources as Babbi (1992) and Nachmias and Nachmias (1990) explained, in order to contribute to the empirical-idealism framework of scientific enquiry that was adopted for this thesis.

A review of literature was undertaken in this study, which facilitated and promoted a better understanding of relevant issues pertaining to the geographical coverage of small town economies both nationally and internationally (chapter three) and the local response of small towns to economic change, with specific reference to LED (chapter four). These chapters introduced different theories, collectively serving as a basis from which to explain and analyze the ensuing case study material presented in chapters five and six. The review of literature was not only necessary, but it was fundamental in serving to justify the need for the study, as well as providing a broader context in which the study was grounded.

### **2.5.2 Objective Two:**

**To investigate the economic reasons for the existence of small towns and their changing economic roles and functions over time**

#### ***Documentary Analysis***

Relevant books that focused on small towns with relevant information that focused on the small towns such as *Aberdeen of the Cape: A Retreat of the Future* (Van Skalkwyk, 2006), *Graaff-Reinet: 1786-1986* (Minnaar, 1987), *Survey of the Cape Midlands and Karroo Regions: A Geographical Analysis of Farming* (McI. Daniel, 1975), *Somerset East 150:1825-1975* (Smith, 1975), *Survey of the Cape Midlands and Karroo Regions: Towns of the Cape Midlands and Eastern Karroo* (Cook, 1971) were utilized extensively as they provided broad overviews of the study area during different periods. Documentary analysis as described by Heaton (2004:39) is “a research strategy, which makes use of pre-existing quantitative or pre-existing qualitative research data for the

purpose of investigating new questions or verifying existing data” and proved to be very useful in terms of obtaining information about the small towns.

The South African Business Directories (1888-2007) were consulted in order to get a longitudinal perspective of the number of businesses in each town over time. The business numbers were used as a proxy for the economic health of the town as other forms of assessment, such the Rand / Pound value, were too difficult to track over time. The number of formal businesses were counted and graphed and a general indication of the economic health and viability of the town was gauged. The survivalist informal sector was omitted in this study as it was anticipated that the formal businesses would offer better and more reliable long-term indication of trends pertaining to business and the towns’ economies.

Due to the fact that all these towns have strong agricultural links, extensive research into agricultural issues took place. In order to obtain quantitative data, statistics were provided by Agricultural Census data (1904-2001), which provided significant evidence of the changes in the agricultural sector with regards to the changing number of farms and the number of farm labourers.

### *Interviews*

In order to obtain additional information regarding changes in the agricultural sector a group discussion style interview was used to interview farmers after a *Farmers Association* meeting held in Graaff-Reinet. It was noted that people felt safe expressing themselves in public, because often the majority of the other people in the group felt the same way as described by Burch (2005). Other agricultural specialists such as Mr. Chetu the deputy director / managing coordinator of the Regional Department of Agriculture, Mr. Vorster the manager of Merino SA and Mr. Hendrikse, the area manager for the Farmers Brokers Co-Operative Limited (BKB), were also approached and questioned with regards to the changes within the agricultural sector and the possible economic implications for the small towns.

### *Questionnaires*

Questionnaires were designed with the intention of generating bulk information with precise answers that were relatively easy to compare and was a less time consuming method than interviewing, as described by Kitchin and Tate (2000). A mixture of discussion style-open questions with more rigid closed questions was incorporated in order to obtain both descriptive (what) and analytical (why) information, which would supply factual and subjective data. In order to obtain a profile of the towns' economies, business surveys were administered (Refer to Appendix One). The main objectives of the questionnaire were to ascertain the fluctuations in specific business sectors and the towns' economies over the past ten years. Focus themes included the trend of "out-shopping", identifying the primary customers and employment fluctuations over the past ten years. Perceived causes of changes in the small towns were investigated as well as the perceived future of the towns' economies. This questionnaire proved to be very useful in not only determining growth / decline patterns of individual shops and business sectors, but it also placed the business structures and the changes in the town's economy into perspective.

In Pearston, a hundred percent sample of the ten formal businesses was attempted, however, only seven of the ten businesses were willing or able to complete the questionnaire. These businesses included a general dealer, the hotel, a café, the bottle store, the petrol station, a funeral directory and a 'cash and carry' store. In Aberdeen 15 of the 38 existing formal businesses were surveyed (39% sample). While walking through the town, every second business was approached and asked to complete the questionnaire. The following shops were therefore surveyed: a café, a gift and book shop, an art gallery and restaurant, two retail shops, an agricultural shop, an estate agent, a furniture shop, a bakery, two general dealers, a butchery, a green grocer, a home industry and a coffee shop. In Somerset East, a total number of 40 formal businesses were surveyed (just over 30% of the total). Seven different economic sectors, namely wholesalers, manufacturers, agricultural orientated businesses, tourism businesses, financial businesses and 'other', were purposefully selected and then a random sample of businesses, within these sectors, were questioned. All the questionnaires were

administered personally, face-to-face and a mixture of open and close ended questions were asked. In Somerset East, emphasis was placed on the occurrence of the number of unique large-scale industries that exist in the town. Here, the same questionnaire was asked however, a great deal of probing and additional discussion style questions were asked particularly with regards to the employment opportunities, relationship with the local municipality and the impact of external, macro-forces on the industry.

In order to obtain an overview of the Graaff-Reinet economy, a slightly different and strategically selective approach was utilized. The business directories indicated that from 1894/1895, the economy of Graaff-Reinet increased substantially and furthermore, concentrated growth in the number of formal businesses in the town was evident from the 1990s till the present day. As a result, questionnaires were limited to three large-scale industries because of the large volume of businesses (in excess of 300) and additional information was accumulated from interviews with informants who were very involved in the occurrences and changes within the local economy (agriculturalists, educational and regional government officials, representatives from the chamber of commerce, numerous estate agents, tourism-orientated people and local school headmasters).

### **2.5.3 Objective Three:**

**To ascertain the contemporary challenges that small towns are facing and to identify existing driving forces of change**

#### ***Interviews***

In order to obtain a broad understanding of the small towns and the contemporary challenges that they face, it was necessary to make contact with key local development personnel and visit the small towns in a personal capacity. Initial meetings were set up telephonically with local development authorities, using purposive or convenience-sampling methods as described by Kumar (1999) and Clark (1998). This took place in February 2006 and the names and positions of the first interviewees are listed in Table 2.1. The first meeting was crucial in identifying key informants, as this was the starting point from which “snowball sampling”, as described by Campbell (2000) and Kitchin and Tate (2000), could take place. The informants made referrals to other key stakeholders

who could be contacted and on their recommendation, more contacts in both the private and the public sectors were identified.

**Table 2.1:** Names and positions of initial interviewees

<b>Blue Crane Route Municipality</b>	<b>Camdeboo Municipality</b>
<ul style="list-style-type: none"> <li>• Mr. A. Ntshundu (IDP/LED Co-ordinator)</li> <li>• Mr. Crous (Municipal Manager)</li> <li>• Mr. R. Beach (BCDA)</li> <li>• Mr. Z. Tesani (BCDA)</li> <li>• Mr. N. Lombard (BCDA)</li> <li>• Mr. C. Wilkens (BCDA)</li> </ul>	<ul style="list-style-type: none"> <li>• Mrs. L. Fouché (IDP/LED Co-ordinator)</li> <li>• Mr. Knott-Craig (LED Committee Member and Councilor)</li> <li>• Mr. Jacobs (Councilor)</li> </ul>

On the first trip to each town, emphasis was placed on informality, which enabled the individuals to speak freely, as it was anticipated that further precise details could be ascertained later through a more structured interview process. Informal conversational interviews were deemed important at this stage, since as Kitchin and Tate (2000:214) noted “the unstructured format allows respondents to talk about a topic within their own ‘frame of reference’ and thus provides a greater understanding of the interviewees’ point of view... and thus the salience and relevance of questions increases as they emerge within the natural flow of conversation”. These key informants were interviewed using predominately the interview guide approach and the informal conversation style. This was necessary in order to gain a better understanding of the general dynamics in the town. Furthermore, these initial interviews provided a pilot for formulating relevant questions for additional interviews and questionnaires.

Through the process of “snowball sampling”, additional names of people who would be useful informants were revealed. In total six tourism-orientated informants, three agricultural specialists, three Graaff-Reinet businessmen, four Somerset East businessmen, four LED initiative informants, and four regional Government Department officials were interviewed in the second and third round interviews. They were all interviewed using a semi-structured, open and close ended questions and asked personally face to face. Each set of questions differed in relation to the focus of interview

(i.e. agricultural / tourism), however, in general questions all pertained to trends over time, key characteristics of their specific field, challenges they face and the relationship with the town's economy. The answers were recorded and after each interview set, answers were analyzed and categorized into specific components for further use during the write up stage of the thesis.

### *Documentary Analysis*

Secondary sources (the books mentioned above) as well as the district and local Integrated Development Plans (IDP) were studied to ascertain the already identified challenges that small towns are facing. Analysis of documentation is regarded as a highly flexible research method characterized as a systematic, rigorous approach to analyzing documents obtained during the course of the research (White and Marsh, 2006).

Quantitative data in the form of population statistics were extracted from the South African Census and graphed in order to illustrate the population growth patterns, rural and urban inhabitants and racial profiles of the various towns. This was a fundamental component of the thesis as not only provided a demographic background to the study area, but also it indicated some of the main demographic trends that are evident. Furthermore in order to ascertain the towns' challenges, employment and poverty statistics were graphed and compared to national statistics in order to place them in a national context, which was comparable. Recent statistics were obtained from Global Insight: Southern Africa, a socio-economic statistical database.

### *Questionnaires*

A small town LED questionnaire was administered to a purposefully selected sample group in the form of the various development facilitators in the small towns (Refer to Appendix Two). This questionnaire was presented to a total of twelve individuals (municipal officials and development agency staff) in both the Camdeboo and the Blue Crane Route Municipalities. The in-depth questionnaire related firstly to small town changes, challenges and implications of changes in the small towns. It was anticipated

that the individuals who work directly with development related issues would be in a good position to provide accurate descriptions of the challenges in the small towns.

The estate agent questionnaire (Refer to Appendix three) was incorporated to provide well-informed and representative information regarding property, both in the housing and the business market. These data was perceived as valuable information regarding the spatial and economic growth of the towns as the estate agents deal directly with the sale/rent of businesses and the dynamics of the economy and housing market. The estate agent questionnaire was administered to seven of the nine Estate Agencies in Graaff-Reinet who represented a purposeful sample group. This questionnaire could not be administered in Pearston as no estate agency exists in the town. In Aberdeen, the single estate agent was approached and in Somerset East, the two estate agencies were questioned. The main aim of the questionnaire was to obtain an overall economic picture of the town. The objectives therefore were to ascertain whether houses / businesses have come onto the market, who the people are that are moving into the town, who are the people permanently leaving the town and to determine whether the housing development market in the town has grown or remained stable over the past few years.

#### **2.5.4 Objective Four**

**To examine the nature of the local responses of small towns with regard to strategic choices that local stakeholders are making about their town's economic future, in relation to local realities and national policies**

##### ***Questionnaires***

The LED questionnaire that has already been introduced was designed in order to also obtain information regarding the local responses of small towns. In addition to enquiring about the challenges, focus was also placed on local development, definitions, contextual classifications, and various LED strategies/interventions (finances, partnerships, community involvement, challenges). Lastly, local development was probed from the perspective of key successes, impact on the town and future interventions. This questionnaire was of utmost importance in trying to ascertain the dynamics of each town;

contemporary challenges and development interventions that are taking place or are being planned.

The museum questionnaire (Refer to Appendix Four) was administered to all the museums in Somerset East and Graaff-Reinet in order to obtain relevant information regarding tourism in the town. Tourism is a difficult concept to measure and as a result it was anticipated that museums, which generally keep records of visitors, would be able to provide information pertaining to the number of national and international visitors that they have each had over the past ten years. In Graaff-Reinet six museums (Reinet House, Urquhart House, The Old Library, The Old Residency, Pierneef and Hester Rupert Art Museum) and in Somerset East, the only museum - the Old Parsonage Museum – were questioned. The supervisor/administrator or curator of each museum was approached and they provided answers to the questions.

### *Interviews*

Follow up interviews with municipal officials and staff at the Development Agency was undertaken during the following trips with the intention of retrieving more information, which was more focused. The interview style changed to a semi-structured open-ended interview style, because the base line knowledge had already been obtained. The open-ended aspect was useful in that it promoted further probing. Limited informal conversation interviews with the abovementioned key informants continued to take place in parallel, which proved useful, as the interviewees felt comfortable and relaxed talking, for example, in the car on outings to project sites in Graaff-Reinet and Somerset East.

A group discussion style interview took place with the beneficiaries from the *Irhafu Block Brickmakers* in Graaff-Reinet after an official meeting that they had attended. Questions regarding the history, finances, current position and challenges of the project were presented to the beneficiaries. In order to obtain information about the New Horizons Sewing Co-Operative, an interview was set up with Hannah Makoba (the woman who initiated and currently manages the co-operative). A semi-structured, open-

ended interview took place at the New Horizons building where observation of the premises, equipment and organizational arrangements could also take place.

### *Documentary Analysis*

Further documentary analysis took place in the form of analyzing minutes of meetings, the Business Plan for the *Agave Americana* Processing SME in Graaff-Reinet and various application letters for funding, newspaper clippings and progress reports. The Cacadu District Municipality's assessment of capacity for the 2005/2006 period report and government documents such as the Municipal Systems Act, the Constitution of South Africa, the White Paper on Local Government, the National Spatial Development Perspective (NSDP) and reports from the Department of Trade and Industry (DTI) were also utilized for a better understanding of LED in the small town context.

#### **2.5.5 Objectives Five and Six**

##### *Data Analysis and the Presentation of Findings*

According to Copper (1998), data analysis involves reducing the separate data points collected by the enquirer into a unified statement about the research problem. Due to the inductive nature of the research in this thesis, the data analysis and presentation provided the blueprint for the identification of key findings. Qualitative research generates large amounts of data and as David and Sutton (2003) acknowledged, a significant part of the data analysis process involves the attempt to reduce the volume by means of selection and organization. The predominately qualitative data became comparatively more difficult to analyze than quantitative data and therefore data were recorded and analyzed to form synthesized text. The interpretative approach used in this thesis emphasized the role of patterns, categories, and basic descriptions. Emphasis was therefore placed on fully understanding the generated data and making the data meaningful to others, as described by Patton (1990). Interpretative analysis, which entailed more than just identifying the similarities or differences between the various research categories, was incorporated in the research methodology and explored the relationships and associations between different aspects in this thesis and it was anticipated that the descriptive-style

presentation, would assist the reader to understand the nature of the variables and the associated relationships.

Thorough annotation of the transcripts took place, which was important as the interviews / questionnaires / documents were studied, facilitating and encouraging lateral thinking and allowing the process of analysis to begin. The data had to be analytically useful in terms of relating it back to the aims of the study and the data had to be placed in the context of the broader theoretical and practical frameworks. Thereafter, interpretation and explanation in the form of a discussion led to final concluding remarks, which basically accomplished objective six.

The findings are presented in synthesized text in a narrative form in chapters five and six. Quantitative data were predominately presented by graphs although; these graphs were often used in association with qualitative data. Thus, it was assumed that a more certain and accurate portrayal of the research subjects could be obtained as the independent measures were used to strengthen or validate points. A diagrammatic conceptual model was designed and incorporated, which demonstrated the processes, concepts and relationships amongst businesses in the small towns studied. Data were also presented in tabulated form, which facilitated the smooth flow of data presentation and analysis. Tabulation of both qualitative and quantitative data was used.

## **2.6 Conclusion**

It has to be acknowledged that this study ultimately provoked more questions than it provided clear and simple answers for. This chapter has detailed the theoretical and practical techniques that were used in this study. The literature review provided a general comprehensive set of statements that placed the research aims into both an international and a national context. From the perspective of the research techniques that were used in the case study, a predominately qualitative approach was adopted acknowledging what Murphy *et al.* (1998) emphasized - namely that there are strengths and limitations to qualitative approaches - as there are to quantitative methods. However, despite the complex and contested nature of research methodologies, the case study demonstrated the

benefits of using a multi-research method design in yielding both practically and theoretically relevant notions on small towns and the associated local responses to contemporary challenges, which was aimed to improve the body of knowledge on the abovementioned subjects.

## CHAPTER THREE

### LITERATURE REVIEW: SMALL TOWN ECONOMIES

#### **3.1 Introduction**

This chapter provides an international context for the study of small towns and the associated dynamics and trends that characterize both international and South African small towns. Within this context, uneven development is a key feature of the global spatial economy, of which small towns are a part. The spatial economy, as described by Massey (2005) and Henderson (2001) is characterized by the uneven spatial arrangement of human activity and settlements and the associated uneven distribution of economic activity. As a result, small towns, portray a diverse set of characteristics amongst themselves as well as individually over time. Earlier literature, including that of Daniels (1989) and Armstrong and Taylor (1985) and more recent writings such as Hinderlink and Titus (2002) and Murray and Dunn (1996) have all indicated that small towns around the world are not homogenous in size, economic make-up or social composition and that the small town settlement variation has resulted from a complex set of external and internal factors that interact over time and space. This is an important concept as it conceptualizes the fundamental context of this study by emphasizing that small towns fulfill a diverse range of functions and that they are constantly evolving.

Small towns, according to both local and international authors, such as Xuza (2005) and Lin (1993) respectively, have been perceived as distinctive social and spatial entities, although as Courtney and Errington (2000:282) noted, “no economy is spatially bound, and the economic relations and processes occurring in particular localities are connected through a myriad of links to the wider world”. Therefore it is fundamental to investigate the economic trends that occur in these distinctive spatial entities in relation to the changing economic environments in which they develop. There are two distinctive main trends in the academic inquiry about small towns and subsequently there appears to be a conflict in the theory regarding small town development, which will be looked at in this chapter. This conflict is fueled by the occurrence of flourishing economic growth in some

small towns, while other small towns have stagnated and still others have economically deteriorated in the face of broader changes. The parallel concepts of growth and decline are very important as they parallel international patterns. In developed countries, population growth is synonymous with economic growth (Ouharon, 2006). On the other hand developing countries can experience small town population growth in the absence of substantial economic growth (Ouharon, 2006). In the middle, South Africa possesses many qualities and characteristics that make it, at the same time, a First World or developed country as well as being very much a Third World or developing nation (Kessides, 2007; Travis *et al.*, 1999; Beck, 1990). Therefore, this study will examine South Africa, which typifies these conflicting characteristics in its small towns.

In order to achieve a holistic understanding of small towns in South Africa, this chapter examines some of the main trends of small town development in response to the changing geo-economy. Furthermore, settlement variations, the role that small towns play and an overview of small town challenges, will be examined. The review of this literature is important as it provides the viewpoint that numerous authors, over time, have had and the different ideologies pertaining to the role of small towns in relation to their hinterlands and national economies.

### **3.2 Changing Geo-Economies**

In recent years Griffin (2003) and Savitch (2002) have pointed out that localities ranging from small towns to global cities have had to assume new roles within an increasingly integrated global system, as one of the key features in the global economy is the redefinition of the role of place and settlements. It is within the perspective of the changing global economy that this study seeks to establish how small towns are interpreting and responding to the general changes in their role and obligations brought about by continual global, national and regional flux, through the medium of a case study in the Eastern Cape Midlands region, of South Africa.

### **3.3 Small town Settlement Variations**

According to Xuza (2005), Courtney and Errington, (2000), Pederson, (1995) and Lin (1993) small towns represent an integral part of the local economic landscape of the urban hierarchy. To fully recognize this, it is fundamental, from an Economic Geographers perspective, to caution against the dangers of stereotyping small towns, as there exist a wide diversity of small towns in terms of distribution, population size, economic base, social composition and functions (Nel, 2005; Murray and Dunn, 1996; Lin, 1993). In the literature on small towns, there is a lack of consensus as to what qualifies as a small town and there does not appear to be a universally accepted definition of the size limits of a small town. As result a clear definition of what a small town is does not exist in Africa – partly because statistics are scarce and unreliable and partly because the statistical definitions of small towns have tended to vary both from country to country and from census to census (Satterthwaite and Tacoli, 2003; Pederson, 1990).

Small town variations exists because settlement forms and functions today depend upon the patterns created in the past and are molded by social, political and economic environments differing significantly from those found today in the same area (Collits, 2001; Everson and FitzGerald, 1969). It is without doubt that the settlement size, form and function of small towns transforms over time in response to the impact of macro-economic forces and strategies, the operation of the market, various government policies, migration patterns and the availability of local resources (Satterthwaite and Tacoli, 2003; Lin, 1993).

### **3.4 The Role of Small Towns**

The divergent character and the differential impacts of local, regional, national and global conditions explains the observed variations in the roles/functions that small towns play (Hinderink and Titus, 2002). However, it is apparent that worldwide, many small towns originated in order to provide services to their surrounding rural/agricultural communities. Furthermore, authors such as Xuza (2005), Lemon (2001), Pederson (1997) and Lin (1993) noted that generally small towns, worldwide, act as local providers of administrative services, basic health, educational, recreational and social facilities and as

a mechanism for organizing economic activity in space. Small towns, in addition, constitute a critical junction between the rural and the wider economy as the flow of goods, people and information pass through them in both directions. Tacoli (1998) and Rondinelli (1991) have, in addition, described small towns as centres for marketing, services, commerce, processing, transportation, distribution and communication and as centres for small-scale manufacturing. It has been noted by Rondinelli (1993) that some small towns have the potential to offer rural income diversification opportunities as they can help transform the economies of rural areas by providing non-agricultural employment opportunities. Small towns have also been recognized as being possible counter-urbanisation mechanisms by serving as labour reservoirs for absorbing a significant number of rural migrants who would otherwise be part of a mass exodus to already congested cities (Lin, 1993; Pedersen, 1990).

From a functional perspective, one of the most important points to consider when examining small towns was made by Chambers (1989:4) when he acknowledged that “small towns signify bounded space, encompassing territory that is made up of both physical and social elements that serve the people that call the small town *home*”. Additionally, controversy surrounding the role and place of small towns within the national and global economies and their importance to the rural hinterlands they notionally serve has been hotly debated (Nel, 2005; Simon, 2003; Hinderink and Titus, 2002). Therefore it is without surprise that the dynamics of small towns, which Hinderink and Titus (2002:383) regarded as being “the overlooked and frequently misunderstood components of the urban hierarchies” need to be studied as key aspects of contemporary research. Further insight into the dynamics of small towns has been provided by authors such as Xuza (2005) and Pederson (1997) who pointed out that greater attention has generally been focused on issues concerning metropolitan and rural areas, bypassing almost entirely the small towns, which are still very much part of political and economic space, a gap that urgently needs to be addressed.

The vastness of Africa and its cultural pluralism defies a typology of small town settlements and the role they play and “it would be futile to attempt any classification of a

small town” (Anderson and Rathbone, 2000:2). Although different academic opinions do exist, in most of the recent literature, the focus on the role of African small towns is still linked to the putatively crucial role they play in rural development. There is widespread consensus that the central feature of African small town discourse is that they act (or should act) as vehicles for growing the local economy and promoting sustainable rural development as illustrated by authors such as Xuza (2005), Tacoli (1998), Murray and Dunn (1996). In addition emphasis is generally placed on small towns as playing an important intermediary role in rural-urban interactions given the potentially strong and complementary relationship they share with their rural hinterlands.

### **3.5 Growth and Decline: Contemporary Theories of Small Towns**

#### **3.5.1 Introduction**

Through the decades in the small town literature, there have been two broad views: firstly that small towns are “dying” and secondly that small towns are growing and doing well economically (Zietsman *et al.*, 2006; Nel, 2005; Collits, 2001; Fugutt, 1965). Already in the 1960s, Fugutt (1965:403) acknowledged that “some small towns grow and some decline, losing activities to larger places nearby, making for more concentration of population and activities in larger cities”. For many years now, small towns worldwide have shown great variety and diverse trajectories from experiencing economic stagnation or slow growth to either gradual or swift decline, and in many cases alternating phases of decline and growth can be observed (Geyer, 2003; Collits, 2001; Baker, 1990). There is widespread evidence that many small towns are in economic trouble, where it appears that the wealth-creating capacity has, for some or other reason, been eroded. On the other hand some small towns are not losing population nor business and are doing well economically, as they thrive on their popularity for aspects such as business investment, tourism, recreation or retirement (Collits, 2001).

Performance indicators, such as growing or declining populations and changing unemployment levels, for example, are important factors to study in order to assess the economic health in small towns (Collits, 2001; Murray and Dunn, 1996). These performance indicators, although not perfect, are generally used as criteria to assess the

state of small towns and to further analyze the nature and causes of small town problems. It is therefore, in this context, that an attempt will be made, through case studies of a few small towns in a specific geographical region namely the Eastern Cape Midlands, to show that development of a small town's economy depends on a complex set of mechanisms exerting influence from both the local and the macro level.

As illustrated below, globalization, economic restructuring, innovation in farming and the diminishing friction of distance fostered by communication and transportation improvements all have implications for present and future demographic and economic trends of small towns. Temporary fluctuations in small town economies, made up of cycles of growth and cycles of decline exist and an attempt to explain why some small town localities suffer persistent economic decline while others continue to grow, has to be made (Geyer, 2003; Kenyon and Black, 2001; Hugo and Smailes, 1985). The following section in this chapter will exemplify the two main general trends that small towns follow: small town growth and small town decline.

Attention is focused on small towns in the North for two reasons. Firstly, significantly more literature is available pertaining to small towns in the north. Secondly, the literature on South Africa discussed in the next chapter shows that the economic core and factors affecting the economic well being of South African towns appear to resemble small towns in the north comparatively more than the small towns in the south. However, at the same time, small towns in South Africa do partially share characteristics of small towns in the South and therefore this literature, albeit limited, will also be presented.

### **3.5.2 North: Small Town Decline**

#### **3.5.2.1 Introduction**

It has come to the attention of economic and urban geographers that many small town communities, particularly in the North, are continuing to lose population and businesses, a trend that has intensified over the last two decades (Daniels and Lapping, 2002; Collits, 2001; Broadway, 2000). There are many factors that have facilitated the decline of small

town economies, which are often a result of a spiraling decline of small town economies and these will now be looked at.

### **3.5.2.2 Globalisation**

The continuing globalisation of economic activities, increased mobility of the population and the advent of new information and communications technology, such as the economic efficiencies of electronic banking, telecommunications and broadband have, in some ways, had a negative impact on small town economies (Courtney and Errington, 2003). New transport technologies and changes in retail patterns, for example, have facilitated access to larger regional centers as more and more people in the hinterland are accessing services elsewhere, bypassing their local businesses – referred to as “outshopping” and causing a decline in local firm patriotism (Nel, 2005; Camagni, 2002; Collits, 2001). The combination of these factors has reduced the ability of smaller towns to service their populations, thus undermining their positions as traditional service centres (Collits, 2001). Globalisation, as described here, has posed a threat to localism, and there are many small towns that have become victims of this phenomenon.

### **3.5.2.3 Demographic Changes**

Some of the most prominent problems that small towns facing include population decline, the out-migration of skilled labour and heightened incidences of localized business failure (Nel, 2005; Ashley and Maxwell, 2001; Kenyon and Black, 2001). Depopulation is compounded by the escalating outmigration of the youth and this has caused a change in the demographics of small towns. Not only does this leave these small towns in a volatile position but also presents a set of unprecedented challenges for the small towns to face in the future. Fugutt (1965) postulated the theoretical statement that urbanization has made small town decline a stage in the evolution of population concentration and predicted the ultimate decline of the importance of small towns. Furthermore, mass urbanization in America, described by authors such as Rees (2004), Wright (2000) and Jakle (1999), has in their academic opinion, contributed significantly to the impending demise of the American small town as a distinctive social and cultural form, a trend that has been confidently predicted since the late 1950s. Often, because of

the cumulative impact of many decisions: individuals leave, businesses consequently close down and services are withdrawn from small towns and this has a major impact on small town economies. As soon as the business and service base shrinks, the quality of life, measured in terms of access to essential and higher value goods and services, declines. The consequence of these interlinked processes that exist in small towns has been described by authors such as Nel (2005) and Dewees *et al.* (2003) as leading to economic collapse, which endangers the continued provision of essential services and technical and financial resources. Out-migration of the youth and skilled labour has taken place in the context of job loss on commercial farms and industries and results in an aging population and a changed economic profile.

#### **3.5.2.4 Agricultural Changes**

Globally, many small towns evolved as service centers for surrounding farmers in their hinterland. However, the extensive changes that have taken place over the past few decades in the agricultural sector, including commercial farm consolidation, economies of scale, technological advancements and altered agricultural foci, appears to have a major impact on small towns. The pressures caused by the economic decline of agriculture, the changed environmental conditions and precarious agricultural yields have moved agriculture production on to fewer and larger farms, and this has increasingly become a central characteristic of small towns and their rural hinterlands (Kenyon and Black, 2001; Courtney and Errington, 2000; Broadway, 2000). Over the last one hundred years there is a general trend in many countries, documented particularly in Australia and North America, that farms have become increasingly mechanized, resulting in a reduction in farm labour and the surplus unemployed labourers have often migrated to the small towns, which puts increased economic pressure on these urban centres (Collits, 2001). The implications of the reduced interdependence between farming and their small service towns has given rise to the increased concern regarding the continuing viability of small towns as there is diminished attachment of farmers to their local small service centers as larger, better resourced centers become the preferred points of sales and purchases for the more mobile, capitalist farmers. Norris-Baker and Scheidt (1991) first described the chronic economic and population declines, which dramatically changed rural small towns

in the American Midwest. Daniels and Lapping (2002) later described the situation in the same area, which a decade later still depicts small town decline that has been caused predominately by a depressed farming economy in the region and subsequent rural depopulation. All these aspects have the capacity to facilitate negative ripple effects for small towns and their economy as their function as traditional agricultural service centers is placed in a volatile position.

### **3.5.3 North: Small Town Growth**

#### **3.5.3.1 Introduction**

The bulk of small town literature focuses on the decline in population and/or businesses, however evidence exists that there are small towns that have displayed remarkable persistence and economic stability and growth (Nel, 2005; Collits, 2001; Keyon and Black, 2001). In a market economy, it is inevitable that growth will not be evenly distributed as the migration of various resources takes place between regions. There exist widespread causes for small town growth and this should not surprise us, because the development of small towns is the result of complex processes taking place in very diverse geographic and socio-economic settings. The potential driving forces promoting small town growth will now be explored.

#### **3.5.3.2 Advanced Communication and Transport Technologies**

Space reducing technologies in communications and transportation in the geo-economy, particularly in the North have given people and businesses more flexibility to locate to certain small towns (Helmsing, 2003). Infrastructure such as road networks, expanded tele-communications and data transmission capacity and the internet have dramatically reduced the “friction of distance” that has long limited business, institutions and people to locations near metropolitan centers. In addition, the economies of scale and geographical proximity that had long provided a significant competitive advantage to locating in an urban core have, according to Johnson (2006), been eroded by congestion, high housing costs and densities, land shortages and high labour costs.

### **3.5.3.3 Non-Economic Preferences**

There has been a trend of small towns growing as a result of natural urban-push factors that steer people away from the stresses and hazards of cities. Stead and Hoppenbrouwer (2004), although trying to promote an “urban renaissance”, recognized that there are small towns that are more attractive in terms of a better environment, lower levels of crime and greater sense of ‘community’. Leland (2007) agreed with this, adding that small towns are often considered ideal living environments based on their locational advantages or eminent geographical elements that offer attractions such as that found in coastal towns or small towns that have extended service fields and a diversified economy. The impact of “non-economic preferences” is also clear in the increased focus in recreational, retirement and high amenity areas. Rees’s (2004) study on internal migration in industrial countries verifies this and shows that there is high migration rate to cities from towns amongst young adults, however, there is a trend whereby small towns attract an older age cohort with people leaving the largest cities at retirement. Thus, it has been acknowledged that small towns with significant natural amenities, recreational facilities, retirement opportunities or high quality of life advantages have prospects for growth and development.

### **3.5.3.4 Business Investments in “Sponge Localities”**

As mentioned before, economic development occurs unevenly across space, and a positive “spread” effect is created for the “sponge locality” who absorbs positive attributes and negative “backwash” effects occur at the origin (Marshall, 1969). According to Helmsing (2001) once people move into towns, then facilities and businesses are required to service the people and the ramification is a snowball effect as “business attracts business” with the economic notion that firms locate in areas where there is a large demand. With relatively cheap labour, cheap land and infrastructure capacity, these authors agreed that some small towns do have certain economic advantages within the national setting.

## **3.5.4 South: Small Towns Growth and Decline**

Over the years it has been recognized by a number of authors (Parnell, 2007; Anderson and Rathbone, 2000; Pederson, 1995; Rondinelli, 1991) that, to give a precise account of development of small towns in Africa is not possible. Important empirical gaps exist regarding literature on small towns in the South, which is generally fragmented and reveals differing opinions regarding contemporary occurrences (Parnell, 2007). Part of this could be explained by the fact that Africa's towns take on many different spatial formats; "some are highly visible with clearly demarcated boundaries, such as the villages found in parts of East Africa, whilst others amount to little more than a heap of huts", what Anderson and Rathbone (2000:5) described as "clusters of scattered settlements interspersed with tracts of cultivation and pasture". The literature on African settlement patterns according to Spear (2000) has focused almost exclusively on primate cities and urban social processes rather than smaller towns, which follows Pederson (1995:76) observation that "the existing statistics and case studies on small towns are scant, fragmented and often problematic". Much of the existing literature on small towns concerns their putative role in economic development in the hinterland and few deal with specific population and economic interaction and ... "the history of town development or the struggles to control and socialize the new spaces that towns create" (Spear, 2000:110)

Literature, as already suggested, regarding small towns in the South more generally, is neither as recent nor as extensive as small town literature in the North. However, Pederson (1995; 1990) made known that the available evidence, albeit limited, does show that many small towns in Africa have been growing rapidly. Although most of the migrant rural people move to the largest towns, in many parts of Africa, the small towns have been growing demographically relatively more rapidly and it is predicted that small and medium-sized towns would be likely to receive a growing proportion of these migrants in the future (Pederson, 1997). This notion of African small town growth adds to the observations by Jamal and Weeks (1988), which drew attention to the inability of the urban economy in the cities of the developing world to engineer sufficient economic opportunities and service delivery to the masses. As a result it was predicted that counter-urbanisation would take place and that people would migrate to the smaller towns and rural areas. Anderson and Rathbone (2000), several years later added to this by saying

that Africa has and still is witnessing dramatic urban growth on a massive scale, but that towns remain an important area around which societies have organized themselves: as centers of trade, economic activity and wealth accumulation; and as foci of political action and authority.

### **3.6 South Africa Small Towns**

#### **3.6.1 Introduction**

Kessides (2007) and Parhanse (2007) recently pointed out that small towns in South Africa are not demographically and economically static, nor are they homogenous in size, economic make-up or social composition and there is strong internal heterogeneity amongst them. Nel (2005) also established and indicated that small towns vary tremendously across South Africa from the relatively affluent coastal towns, such as Hermanus, to the economically declining interior towns such as Nouport, to the artificial small towns situated in the former homelands<sup>1</sup>. Small town trends in South Africa are indicative of the challenges confronted by many small towns all over the world and there has been a major change in the economic structures of many of the country's small towns. Krige *et al.* (1998) found that criteria such as settlement type, demographic and economic trends of individual towns are critical in trying to understand a small town and the potential economic future of the town. Geyer (2003) went on to explain the importance of considering and understanding local circumstances and the history of population and economic growth and decline patterns over time.

#### **3.6.2 Growth and Decline**

Small towns in South Africa, according to Zietsman *et al.* (2006) and Geyer (2003), can potentially sustain regional development and are vital to the national spatial economy, but because not all small towns contribute or participate equally, they do not grow at the same rate – some flourish, while others have experienced economic decline. As a result, radical economic changes have taken place in small towns and in their hinterlands, which Parhanse (2007) and Nel (2005) have summarized. They noted that many small towns

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<sup>1</sup> Homeland: territory set aside for black inhabitants of South Africa as a policy of apartheid for the purpose of concentrating their members of designated ethnic groups

have lost their “original purpose” such as the collapse of once prosperous mining centers and the effects of the reduced role of rail / transport towns. In addition small agriculture service centers have also been dramatically affected as increasingly, shopping is done in the larger centers as transport technology has become increasingly efficient. Agricultural changes have also had a major impact on many small towns, as there has been a significant national decrease in the number of farms. Kessides (2007) also acknowledged that that one of the main changes that small towns are experiencing is the increased population in small towns. This demographic transition poses many developmental challenges as Parhanse (2007) pointed out that many small towns in South Africa are experiencing economic decline and need an impetus for responding to economic decline.

### **3.6.3 Structural Composition**

According to Lemon and Clifford (2005), the post-apartheid transition in South African small towns has received little attention and one of the most fundamental aspects to consider when studying small towns in South Africa is the bi-polar categorization of the towns. Nel (2005) and Travis *et al.* (1999) explained that the parts of towns formerly zoned for white ownership only generally resemble small towns in Australia and the USA, economically and in terms of advancing human age profiles. Most of these small towns owe their origin to religious, defence, agricultural settlement, rail and mining causes. However, right next to the former white residential area exists a larger area where the bulk of the economically weaker non-white population resides, informally known as a township (Nel, 2005). There are significant differences between the “white” town area and the former coloured and black townships, particularly regarding the economic status of the households and the age structure of the population and it is emphasized by Kessides (2007) that this is where bulk of the small town challenges lie.

### **3.6.4 Small Town Challenges: Former “White Areas”**

It has become apparent that many small towns in South Africa are facing an array of complex problems, as described below, that need to be addressed and it is critical that small towns in South Africa are studied in order to obtain a better understanding of the town’s economic and demographic profile. In the former “white area” of the town, many

of the challenges resemble those faced in the north. An aging population amongst the white population often characterizes many of these small towns, as out-migration of the white youth has become a popular trend (Cheru, 2001). The multi-dimensional restructuring of the local economy resulting from changes in the local and global demand for goods and services and the subsequent investment shifts out of agriculture, mining and manufacturing into the service sector have caused localised job losses (Nel, 2005). Demographic changes in the form of out-migration of the skilled (usually white) labour force have had major economic implications on the town as the local tax base and purchasing power decreases.

### **3.6.5 Small Town Challenges: Former Townships**

On the other hand a whole different array of challenges exist for many more people, particularly in the former townships, which are characterized by a youthful population. A majority of these people live with little or no infrastructure and in social conditions, which perpetuate the country's problems of violence, poverty, HI/Aids, illiteracy and a plethora of related issues (Travis *et al.*, 1999). Privatization and increased reliance on advanced technology has restructured the economy in ways that have not accommodated large sections of the potential work force that are generally unskilled (Tomlinson, 2003; Tsheola, 2002; Cheru, 2001). Many South African small towns face a diverse and complex economic structure of unemployment and consequent poverty, which has been acknowledged as being a major challenge and a very real problem in the country (Nustad, 2001; Rogerson, 1999).

Since 1994, however, government has devoted large sums of money to the social sector as a consequence of the re-prioritization of the budget. Social assistance in the form of social grants remains one of the most extensive forms of redistribution in South Africa (Cheru, 2001). It is recognized that there is economic dependence on state welfare on the part of the majority of people of many towns and thus a portrait of the artificial economic circulation of money in the weaker smaller centers in South Africa exists, as there has been a loss of many formal sector job opportunities, burgeoning poverty and the out-migration of the skilled labour force (Nel, 2005). Social grants provide an important

safety net for the poorest households; however, the need to address the symptoms of poverty through sustainable development strategies is becoming increasingly important (Cheru, 2001; Helmsing, 2001). Although the social grant programme has given impetus to poverty reduction and income redistribution according to Mlambo-Ngcuka (2006), there remain many South African households not yet able to benefit from South Africa's recent relative economic success.

### **3.6.6 South African Small Town Synthesis**

Small towns in South Africa do display strong internal heterogeneity such as the bifurcation of the towns and the differences between the first and second economies. The social composition, economic structures, natural endowments, population size and town history are different. The recognition of the place-specific conditions, as Camagni (2002) emphasized, are especially prominent in South Africa because of the wide array of differences. South Africa, which is the most industrialized country in Africa, is often referred to as a first-world country in a third-world continent according to Travis *et al.* (1999) and therefore it is fundamental to refer to a wide array of applicable literature. As mentioned, some South African small towns such as Hermanus and Jeffreys Bay are growing and doing well economically, while on the other hand, many other small towns such as Noupoort and Tweespruit are experiencing severe economic decline in the face of a growing population. As a result the wide array of challenges that these towns face have been presented in order to gain a better understanding of the complex social and economic composition of these small towns.

### **3.7 Conclusion**

From the preceding it is evident that the emerging global economic playing field has offered economic opportunities as never before to some small towns whilst other have experienced rapid decline (MacGregor, 2003). As a result different challenges, prospects and sustainability issues have emerged over time, depending upon regional and local factors. An examination of the theoretical discourse on small town economic and population structures has indicated that small towns are fulfilling many roles in society, as they are perceived in different contexts by different authors, over time. This chapter

has described the intricacy of studying small towns in the absence of a uniform definition and the added pressure created from the diverse set of characteristics that shape small towns. Small towns are subject to many internal and external factors and the accelerated changes in the geo-economy, facilitated by factors such as globalisation and changes in the regional/national economy, which are continuing to reshape the role and structure of small towns. These changes have facilitated trends, which are evident in small towns around the world and these trends will be looked at in detail as they make up a very important component of this thesis. There does appear to be a consensus amongst authors that small towns are changing and that there is a need to accept the inherent heterogeneity amongst small towns and consider locality-specific characteristics in order to fill in the gap that exists in the academic study of small towns.

## **CHAPTER FOUR**

### **LITERATURE REVIEW: RESPONSES TO ECONOMIC CHANGES - LAYING THE BASIS FOR LOCAL DEVELOPMENT**

#### **4.1 Introduction**

This chapter provides an international context for the study of local development that is being pursued in South Africa and more specifically in South African small towns. The concept and components of Local Economic Development (LED) and South African development responses to economic challenges will be reviewed in order to obtain a broad understanding of development approaches and trends through time and space. It has become exceedingly clear that there is no instant solution to local problems or a single way of ensuring a locality's economic future. Each country, region and locality has its own need for and has its own version of local development. LED's success depends very much on the nature of a locality's objectives and goals and the quantity and quality of available resources (Rogerson, 2003). The active participation of local stakeholders and the initiatives through which a locality has attempted to overcome local obstacles plays a major role in driving development success. Ultimately however, it should go without saying that what is meant by local development "is theorized, perceived, and engage in differently in developed countries than it is in developing ones" (Gibb, 2005:30).

One of the main arguments this chapter wishes to put forward is that the main differences between local development in developed and in developing regions is one of macro-economic and business development in developed nations versus basic needs provision and poverty eradication in developing nations, two seemingly difficult to reconcile goals with which South African localities have contemporarily been struggling (Cheru, 2001; Gibson, 2001). It has become necessary to look more closely into the variety of approaches that localities, especially small towns, in both developed and developing countries are adopting in order to better understand from where South African policy

makers and local development practitioners alike are gaining their motivation and insight into development.

This chapter will attempt to gain a better understanding of why economic revitalization through LED has become a dominant theme in contemporary social and economic development thinking about small towns by authors such as Xuza (2005), Nel and Binns (2003), Nel and Humphrys (1999) and Rogerson (1999). Furthermore, perspectives about small towns will be scrutinized, looking at various authors, amongst others Nel (2005), Ashley and Maxwell (2001), Lemon (2001) and Travis *et al.* (1999) who claimed that small towns are faced with daunting development challenges. It is acknowledged that the development potential of small towns is being praised by some and questioned by others, but ultimately it has to be stated that little is known about the dynamics of development patterns and the structural characteristics of small towns, as there is a lacuna in literature on the topic of small towns development, available statistics and case studies (Nel, 2005; Xuza, 2005; Hinderink and Titus, 2002; Dewees *et al.*, 2000; Pederson, 1995; Southall, 1979). Various definitions, characteristics and challenges of LED in the North and in the South will be looked at in this chapter. The decentralization of responsibilities to local government is then considered from the perspective of South African small towns, considering various development strategies and the associated challenges experienced with small town LED.

#### **4.2 Local Economic Development**

In recent years the concept and development strategy of Local Economic Development (LED) has gained widespread recognition around the world as a locality-based response to the local challenges posed by globalisation, devolution, and potential local-level opportunities and crises (Nel and Rogerson, 2005). Nel (2001) and Scott and Pawson (1999) suggested that LED can be described as being a 'slippery' concept, a term that defies both rigid definition and stereotyping as to what it precisely involves, and subsequently it has become a generic term used to describe the socio-economic interventions undertaken by local authorities and various stakeholders.

### **4.3 Defining Local Economic Development**

Different definitions of LED provide a broad insight into the overall orientation of the concept, which could be portrayed as “integrating different sectoral tools and stimulating local co-operation networks and partnerships to achieve a variety of assimilated social and economic goals in a localized spatial setting” (Camagni, 2002:2399). The South African Department of Provincial and Local Government (DPLG) policy for LED (2005:12) defined LED as being “a territorial concept and approach, which is based on the principles of synergy and partnership between stakeholders, operating within localities.... to achieve sustainable growth and development that brings an improved quality of life for all”. Damazière and Wilson (1996:xii) are more critical in their definition of LED, which amongst other things they see as being, “...a vast field of experiments”. Zaaiker and Sara (1993:129) described LED as being “essentially a process in which local governments and/or community based groups manage their existing resources and enter into partnership arrangements with the private sector, or with each other, to create new jobs and stimulate economic activity in an economic area”. Over the years, as illustrated here, there have been a number of definitions for LED and it is fundamental to acknowledge that LED is not a single theory or strategy, but rather a wide range of local initiatives designed to respond to local development needs at a specific point in time.

### **4.4 Pro-Poor and Pro-Growth Development**

The principal characteristics of LED have been described as being its multi-sectoral and multi-level nature, whereby various sectors of the economy can mobilize strategic actors and resources to enhance local systems for economic development, in a constantly transforming geo-economy (Deweese *et al.*, 2003; Helmsing, 2003). However, whilst the goals of LED strategies across international experience may share certain similarities, the range of LED initiatives and responses can take on different emphases, particularly regarding the application of pro-growth or market-led approaches on the one hand and of pro-poor or market-critical variants on the other (Rogerson, 2006). Recognized policy divergence exists between the pro-growth or market-led approaches, which stress market competitiveness and investment attraction, while pro-poor or market-critical approaches,

represents a bottom-up focus on issues of self-reliance, empowerment, participation and community development (Nel *et al.*, 2003; Scott and Pawson, 1999). Development at any spatial level also raises related issues of top-down versus bottom-up approaches (Krige *et al.*, 1998). Related to this, concentrating on the local scale, there are many regional/provincial, national and global forces that impinge on local economies (Tsheola, 2002). As a result, the dichotomy between inherently contradictory top-down and bottom-up strategies is essentially artificial, as both approaches are needed, the former to create an appropriate framework for the realization of the latter (Lemon, 2001)

#### **4.5 LED in the North and South**

Across the developing world, the extent and depth of poverty inevitably forces issues of poverty alleviation much higher on the LED policy agenda than in the contexts of Western Europe, North America or Australasia and this leads to an emphasis on pro-poor LED initiatives (Rogerson, 2004). In the past this approach relied far more on small scale and community-based initiatives, utilizing indigenous skills and seeking primarily to ensure survival, rather than seeking to expand participation in the global economy. It is acknowledged that the planning of coherent local economic development strategies have not generally advanced well across the developing world (Nel, 2001; Rogerson, 1999). In contrast to this, it is rare for anti-poverty measures to be the defining axis in LED planning in the North, where the focus usually alludes to issues such as responses to globalization, entrepreneurship, human capital interventions, business support and property-led development (Rogerson, 2006). However, a common theme in LED around the world has been “the role of local actors in defining their autonomy – in taking independent initiative as a response to the threats of global restructuring and sometimes even, to hostile national policies” (Department of Provincial and Local Government, 2006:4).

#### **4.6 Partnerships**

Despite the many definitions and the pluralistic of LED, it is noteworthy that virtually every definition refers to some sort of a partnership. Many authors, including Abrahams (2003), Sihlongonyane (2003), Pieterse (2001) and Wong (1998) agreed that the

characteristics of LED encourage a situation in which multiple agencies with multiple objectives should become involved in the various development activities and it would be short sighted for local government to pursue local economic development strategies without close collaboration with other actors. As LED operates at both the formal (structured) and informal (unstructured) level, it is within this overlapping context that LED has to be conceptualized as a form of coalition between the key actors in a locality and with convergence of partnerships between the private, public, non-profit organizations and civil society being a key feature (Rogerson, 2006; Helmsing, 2003; Nel, 2001; Nel and Humphrys, 1999). Partners should complement each other with a clear division of roles and functions within the development process as the partnership of local stakeholders characterize the essential social elements required to drive the LED process forward (Gibb, 2005; Emmett, 2000). Therefore, partnerships have been recognized as being a crucial element in trying to bridge the development gap that exists between the objectives of poverty alleviation and economic growth. In reality, literature indicates that while constructive local government-society relations have the potential to have a positive impact on development, they are not always easy to foster and sustain (Niksic, 2004). This study lies partially in the context of the recognized importance of effective partnerships, the operational difficulties that exist and the role that various stakeholders play in LED in a localized area.

#### **4.7 South Africa's Responses to Economic Challenges**

##### **4.7.1 Localised Development**

The assumption that national economic growth in itself would be beneficial and would automatically filter down to uplift the poor was challenged and has paralleled the enhanced status of the locality in the global economy. This all took place in the recognition that poverty reduction requires more than macro-economic benefits, which facilitated the acknowledgment of the dynamic role and place of local authorities as agents of transformation (Rogerson, 1999). As a result, increased emphasis has been placed on the process of decentralization and its potential ability to facilitate development at a localized level. Localised development has become a focal point in development thinking in South Africa as Rogerson (2003:211) specified, "given the impressive volume

of contemporary LED writing it is apparent that LED research represents one of the leading scholarly growth poles in both contemporary economic geography and South African urban studies”.

In an era of economic crisis, LED has been evaluated in terms of its potential to help address the challenges of poverty and unemployment and simultaneously encourage growth (Nel, 2001). In addition, Cheru (2001), Nel (2001) and Nel and Humphrys (1999) have recognized that development has a range of characteristics changing from place to place, and therefore a range of strategies along the LED continuum are required, incorporating both regional objectives and local effects, which must be recognized within the broad goals of decentralized development planning (MacGregor, 2003; Krige *et al.*, 1998). Authors such as Nel *et al.* (2003) and Williams (2000) have described the northern style urban entrepreneurial approach pursued by major cities through to the host of community and NGO initiatives that are more prominent in the developing nations. Although the official conception of LED in South Africa, described by Nel and Humphrys, (1999), accommodated the ideal dual focus, incorporating elements of both market-led and market-critical approaches, this has not always been the case (Nel *et al.*, 2003; Rogerson, 2001).

#### **4.7.2 South Africa: LED**

From a legislative perspective, it is stated in the National Constitution that local government is required to “promote social and economic development” and to give priority to the basic needs of the community (RSA, Act 108 of 1996). The White Paper on Local Government (1998: no page specified) introduced the concept of “developmental local government” which is defined as “local government committed to working with citizens and groups within the community to find sustainable ways to meet their social, economic and material need and to improve the quality of their lives. However, the same document (1998:no page specified) makes it clear that “Local Government is not directly responsible for creating jobs. Rather it is responsible for taking active steps to ensure that the overall economic and social conditions of the locality are conducive to the creation of employment opportunities”.

### 4.7.3 Decentralisation

According to Nel (2001) in South Africa under apartheid, Keynesian-style policies were rigidly applied to ensure that the central state gained control over all aspects of the society, which also led to the suppression of local economic initiatives and the erosion of local autonomy. Since the mid 1990s South African local government has been significantly transformed. By 1996, racially separated areas within contiguous urban areas had been amalgamated to form Transitional Local Councils (TLC). According to Nel and Binns (2003), in 2000 multiple TLCs were combined to constitute the new, enlarged Local and Metropolitan Municipalities. Post-apartheid legislation included the introduction of wall-to-wall municipal authorities and the consequent devolution of enhanced responsibility to municipalities to deliver services, which represented decentralization of control and the state's attempt to bring about development – not so much through direct intervention, but rather through facilitation (Rogerson, 2006; Nel and Binns, 2003; Tomlinson, 2003; Nel, 2001).

The devolution of powers and responsibilities from national to local levels of administration anticipated increased sensitivity to local conditions and increased citizen participation, particularly the greatly enhanced status of the local authorities, which were constitutionally mandated to promote social and economic development (Murray and Dunn, 1996; RSA, 1996). Now, in addition to their traditional role as infrastructure and service providers, local authorities are also responsible for supporting economic development and poverty alleviation (Tacoli, 1998).

It was hoped that decentralization would achieve greater performance efficiency, foster innovations in administration, improve economies of scale and enhance local government's administrative capabilities (Niksic, 2004). Rogerson (2006) concluded that decentralization - the participation of local actors and firms - leads to a better appreciation of specific needs and problems. While there are few doubts about the potential of decentralization to stimulate and support local development, current experience suggests that there are constraints that need to be addressed. It is in this



context that it is fundamental to establish how South African small town localities are responding to their relatively new decentralisation mandate and responsibilities and to examine the nature of the strategic choices they are making.

#### **4.7.4 Small Town LED**

LED does exist at various levels in small towns, incorporating elements from both pro-poor and pro-growth strategies. In theory local municipalities should promote the strengthening of the asset base of poor communities in an attempt to reduce their vulnerability (Rogerson, 2006; Maharaj and Ramballi, 1998). On the other hand, small towns should be actively involved in place marketing, offering incentives for new growth sectors and supporting small businesses in an attempt to attract and stimulate economic investment by competing or co-operating with other local territories to build a comparative advantage (Camagni, 2002; Nel, 2001; Williams, 2000). This is deemed fundamental by the Department of Provincial and Local Government (DPLG) (2006) that noted that the revenue to promote further LED should be generated through increased economic activity in the form of property taxes and the sale of municipal services. Small towns are also obligated to try and initiate LED to respond to crises and job loss or to take advantage of new growth opportunities however, success is not guaranteed.

LED represents a geographical intervention in which place and scale are critical and because communities are seldom, if ever, homogeneous and unified, the unique social and economic geography of each locality prevents a single formula being put forward to remedy development problems (Deweese *et al.*, 2003; Helmsing 2001). Poverty in small towns is entwined with a host of social and economic issues and this burden is exacerbated by limited access to basic services, poor housing, limited employment opportunities and inadequate infrastructure (Cheru, 2001). However, as the National Spatial Development Perspective (NSDP) (2003:6) stated: “in localities with low development potential, government spending should focus on providing social transfers, human resource development and labour market intelligence, which would enable people to become more mobile and migrate to localities that are more likely to provide sustainable employment or other economic opportunities”. In localities where there are

both high levels of poverty and development potential, fixed capital investment beyond basic services to exploit the potential of those localities should not be implemented. Furthermore, Rodríguez-Pose and Tijmstra (2007:526) pointed out “LED may not be relevant for the poorest and most remote parts... where existing conditions do not provide a strong enough base on which to build LED strategies”. Although this argument holds elements of practical realization and truth, the irony is that it is often these ‘poorest and most remote parts’ that desperately need the intervention.

It is evident that a number of small towns in South Africa are trying to incorporate a range of strategies in order to breathe new economic life into their societies. There has been an increased occurrence of towns that focus on tourism, trying to attract people with arts and culture (annual events / festivals<sup>2</sup>) and sport and recreation. Such vision and involvement has been regarded as very important but in order for LED to evolve there has to be some form of organizational network. These networks of relationships – both formal and informal – are recognized by Simon (2003) and Seethal (2002) as playing a fundamental role as they build the social capital necessary for a vibrant society (Friedman, 2001). Tourism routes according to Rogerson (2007) have emerged as a significant element for the promotion of tourism, especially in small towns and rural areas. However, Rogerson (2007) argued that whilst tourism routes extend the tourism growth potential of the locality, its wider impacts upon surrounding communities have been limited because of the weakness of local government to address issues concerning tourism planning. Other LED strategies or focus points include finding new industrial or other economic forms of livelihood whereby the economy is diversified, exploitation of natural attractions and more general actions by towns to address unemployment and service backlogs through a variety of community-based schemes and public-works type programmes (Nel, 2005).

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<sup>2</sup> Alexandra Chicory Festival, Biltong Festival in Somerst East, Portfees in Calitzdorp, Langkloof Blossom Festival, Kareedouw’s Karrie Witblits Festival, Somerset East Heritage Festival, Bielie Mealie Festival in Reitz, Harrismith Beerfest, Fouriesberg Asparagus Festival, Ficksburg Cherry Festival, Prickly Pear Festival near Pretoria, Valentines’ Country Fair in Muldersdrift, Peach Festival in the Magaliesburg, The wortelfest in Magaliesburg, Celtic Festival in Magaliesburg, Fling Ding in Eshowe, Sherwood Festival at Nottingham Road, Forest Festival in Eshowe, Pineapple Festival in Hluhluwe, Bethal Potato Festival, Forest Fair in Sabie, Trout Festival in Belfast, Hantam Meat Festival in Calvinia (Alexander, 2007)

According to Parhanse (2007), LED planning is providing an impetus for reversing economic decline in some small towns. However, there are still a magnitude of challenges regarding LED and small towns. Some of these challenges that South African small towns face in trying to adopt and implement some form of LED strategy are extensive and will now be explored further.

#### **4.7.5 Problems Experienced with Small Town LED**

The biggest challenge in trying to promote LED is the difference between the conceptual elements and actual implementation and progress in reality. It is evident that LED is not an instant cure or panacea for local problems as LED in many areas of the world is still in its incipient stages and has yielded only limited success (Donald, 2005; Gibb, 2005). LED, in theory, sounds like a simple concept however, there is no one recipe for success when it comes to LED, as every settlement according to authors such as Rodríguez-Pose and Tijmstra (2007), Nel (2005) and Murray and Dunn (1996) is different because of frequent changes in exogenous variables and therefore, it is understandable why results vary from place to place. One of the main LED challenges is the lack of a uniform definition and the diverse forms of LED (Park, 2005). From a global perspective, LED is a broad term that includes development aspects from across the spectrum from promoting large scale investment to basic needs provision and thus, it is a difficult concept to conceptualise and understand. Because of the extensive number of definitions, Blanchard (2007) argued that one of the main challenges of LED, in his opinion, is the lack of a basic understanding of local economic dynamics in the localised area. This is an important statement as it partially lays the foundation for the in-depth study of small town localities and the related desire for economic development at a localised level.

Nel and Rogerson (2007) have critically argued that a set of severe challenges face LED in South African small towns and that LED policy needs to recognize these challenges and take on a specific focus on the needs of small towns. Rodríguez-Pose and Tijmstra (2007) go one step further and pointed out that less favourable resource endowments, poor accessibility, and relatively weak civil societies can and do undermine the viability of LED in small towns. The capacity to expand LED networks and the associated success

rates have varied widely by regions and localities depending on the diversity of their economic structures, level of economic development and synergies between economic development and the local community (Lejano and Wessells, 2006; Helmsing, 2001). The responsibility of the new municipal authorities to assume responsibility for service delivery and local development initiatives in their areas has infused considerable complexity into the development landscape at the local level (Xuza, 2005). Although threats to LED have been felt across all levels in the South African hierarchy, they have are particularly severe in the case of initiatives dealing with poverty in the country's small towns, as a devolution of responsibilities without accompanying finances, an insufficient tax base or resources undermines local government's ability to properly execute them (Helmsing, 2001; Rogerson, 1999).

Maharaj and Ramballi (1998) appropriately questioned whether development objectives are actually being realized and whether the disadvantaged communities are benefiting from local economic development projects. One of the most challenging aspects hindering LED successes are capacity deficiencies, in terms of inadequate funding and a lack of trained and experienced personnel who are struggling to find concrete ways to integrate their LED initiatives with explicit anti-poverty strategies (Binns and Nel, 2002; Nel, 2001; Rogerson, 1999). Many local governments suffer from inadequate analysis, weak implementation and insufficient coordination, as well as being undermined by issues of legal constraints on the range of initiatives they can pursue (Lemon, 2001; Rogerson, 1999). Furthermore, inadequate local economic growth strategies, the long-term decline in manufacturing, rising unemployment and low skills levels are all major barriers (Department of Provincial and Local Government, 2006). Additionally, the role and place of partnerships has not been fully recognized and there are conflicting interests between different categories of residents, which further impedes the development process (Helmsing, 2001; Wong, 1998). Until these issues are dealt with appropriately, it appears that LED will struggle to fulfill its role in many localities, especially small towns.

#### **4.8 Conclusion**

This chapter has provided a broad overview of the national and local responses to economic change, which lays the basis for local development. It is evident that that a uniform definition for LED does not exist, but that there is a broad consensus on what LED basically is, both as a product and a process. Additionally, it has been ascertained that LED needs to be explored and managed according to local circumstances whereby local economic and social conditions are understood and competitive advantages are built on and weakness and threats are addressed (Swinburn and Yatta, 2006).

Literature indicates that it has become fundamental to consider LED as a priority in South Africa for a number of reasons. Firstly, as it has been recognized that national level macro-economic policies, although necessary, are not sufficient to achieve sustainable broad-based economic growth in all localities. Secondly, traditional, supply-side development strategies are not achieving once hoped for results and the focus has thus shifted to new forms of governance and decentralization, which is changing from traditional top down approaches to development and planning at sub-national (local municipal / district municipal) level (Niksic, 2004).

A lot of expectation and anticipation has been placed on localized development, which should be designed and delivered locally to address local priorities and unique competitive positions. However, despite LED being a mandatory feature in the local municipalities in South Africa, this chapter has highlighted many of the hindering development challenges that small towns face. Many development analysts have also made claim that the instances of LED that do arise are plagued with chronic problems, but that those which are successful, generally demonstrate common trends.

## CHAPTER FIVE

### **CASE STUDY OF SMALL TOWNS IN THE EASTERN CAPE MIDLANDS**

#### **5.1 Introduction**

Due to the dynamic nature of human settlements, it is acknowledged that small towns are constantly changing with regards to their physical features, demographics and socio-economic characteristics (Minnaar, 1987). This chapter will present the results of the findings from the research undertaken in the four small towns in the study area, namely Graaff-Reinet, Pearston and Aberdeen and Somerset East. This will lay the foundation for the following chapter that will focus on local responses to the below mentioned changes and contemporary challenges.

In this chapter, focus is placed on attaining information pertaining to objectives two and objective three. Emphasis is on the small town demographic and economic changes, which will initially be presented and examined in this chapter, through an investigation of the development over time of their populations from 1904 to 2004 and economies from 1888 to 2007. The economies are examined in the context of the functions that the small town provide as well as the number of formal businesses that have existed in the towns over time. Subsequent economic and demographic trends and challenges are then presented. It is recognized that there are potential data limitations with such an approach; however, emphasis is placed on the importance of trends. Some of the main catalysts of change within these towns and their hinterlands will also be identified. These catalysts are fundamental to study as they help explain why the towns have changed the way they have.

In parallel, the chapter seeks to identify any major economic transformations that have taken place within each locality through examining trends in the business profiles of the towns and determining whether the towns have grown or declined, both demographically and economically. It is acknowledged that each town and its hinterland would have developed or transformed differently due to local characteristics and altering distribution patterns that exist and furthermore it will be ascertained whether there have been significant changes in the structure, and the functions of the town. The contemporary challenges that the towns face will also be identified as these indicate the main factors

affecting their development potential. Initially each town is looked at separately before a collective analysis is made, focusing on small town trends and forces of change.

## 5.2 Hierarchy of Small Town Centers

Small towns in the Eastern Cape Midlands have, over the years, served a variety of functions including being key conduits in the spatial economy for channelling goods and services to and from their hinterlands and providing retail facilities and personal, business, medical, religious, social, cultural, agricultural, education and administrative services to the towns and their hinterlands (Atkinson, 2006; van Skalkwyk, 2006). However, not all small towns provide the same quantity and quality of services and therefore a hierarchy of central places has emerged, separating the larger and the smaller service centers. Cook (1971) classified the small towns in the region in the 1970s (Refer to Table 5.1) and, while the towns currently don't necessarily match this classification now (no towns based on telecommunications, tourism or transport nodes), it is an interesting categorization to look back to, to see how the towns have subsequently changed. It is also important to acknowledge that the towns were classified predominately by the functions that catered for the white population.

**Table 5.1:** Hierarchy of places in the Eastern Cape Midlands according to the functions they provided in 1971

<b>Name</b>	<b>Towns</b>	<b>Typical Function</b>
Major Country Town	Grahamstown	<b>Level 5, 6, 7, 8 functions plus:</b> regional legal and businesses headquarters, tertiary education
Country Town	<b>Graaff-Reinet Somerset East</b>	<b>Level 6, 7, and 8 functions plus:</b> roads department, library, other financial institutions, accountants, wholesaler, cinema
Minor Country Town	Bedford Willowmore	<b>Level 7 and 8 functions plus:</b> magistrate, hardware, engineer, estate agent, construction, bottle store, white high school, electrician, plumber, dentist
Local Service Centre	<b>Aberdeen Pearston</b>	<b>Basic functions plus</b> railway, butcher, white primary school, hotel, bank agency, church, clinic, doctor, speciality shop, insurance agent, lawyer

Low order service center	Nieu-Bethesda Klipplaat	<b>Basic functions:</b> Post Office, Police Station, general dealer, motor garage, tea room
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**Source:** Adapted from Cook (1971)

**Note:** Case Study towns are highlighted

The growth and decline of small towns is a central point in this thesis and therefore is important to look at how the four case-study towns have changed over time. If the towns were reclassified today according to this categorization, a few noticeable changes would be discernible. The most obvious change would be that Pearston, which no longer provides the services expected of a 'local service center', since there is no longer a doctor, a bank agency, an insurance agent or a lawyer, to name a few. The town would now be classified as a low order service center. Somerset East still performs the typical functions of a country town, although there has been an expansion in the provision of services and business accessibility, with the number of manufacturers, retailers and financial institutions increasing. Graaff-Reinet, on the other hand, could be reclassified as a major town as the expansion of the number of higher order functions has had major implications for the town. Aberdeen would, in general, remain as a local service center. These observations will be discussed below. However, when studying the characteristics of a small town, especially in the South African context, a distinction must be made between the demographic and economic growth of small towns. The relationship between the population and the economy needs special mention, as population growth appears to be occurring in the absence of substantial economic growth in some small towns in the country (Lemon and Clifford, 2005; Nel, 2005). In addition, there are also many external and internal factors contributing to the well-being or decline of small towns. Important factors that have caused dramatic changes in the towns' economies have been the modernization of agricultural practices in the hinterland, shifts in market-demand, dramatically changed government education policies, the increased reliance on social grants and the natural in and out-migration of people.

Not one of these small towns in this case study exists in isolation and each community is in fact, part of a complex system of trade areas, interacting at all economic levels and covering extensive wide spaces. The decline in the towns' functions, according to Cook (1971), can be linked to the 'threshold' of an establishment, which is the minimum support that a business requires in order to successfully exist. Towns with a population

(people that are in the financial position to make use of the service) lower than the threshold figure, generally do not provide that particular service. Therefore, as the number of wealthier people and purchasing power in small towns reduces (from out-migration or out-shopping), the threshold figure is unable to be maintained and the shop/business close. As a result the market dynamics in these towns have changed considerably over time.

The results from research undertaken in these four towns in the case study will now be presented focusing on the changes within the population structure and the market dynamics of the town and their rural hinterlands.

### **5.3 Graaff-Reinet**

#### **5.3.1 Introduction**

Graaff-Reinet is the first town in the study area that will be looked at (Refer to Appendix Five). Out of the four towns in this study, Graaff-Reinet is not only the biggest town, demographically, economically and spatially, but it also the oldest (Myburg, 1978). The town dates back to 1786 and some of the changes that have taken place, shaping this town and its economy, will be presented in the following sub-sections. The map below (Figure 5.1) gives a good indication of the spatial extent of the town, which is considerably bigger than the other towns in this case study.

Racial segregation no longer officially exists in South Africa, however it is evident that the town's residential areas are still divided. The former "white residential area" and the Central Business District (CBD) of the town are located within the inner boundary of the Sundays River: known as 'the horseshoe'. Umasizakhe and Eunice Kekana were the traditional settlement areas for the black people while Kroonvale and Asherville were the former coloured areas. These four areas are still predominately characterized by these racial groups. Adendorp is made up of predominately smallholdings and once used to be considered a separate town, however, now it is a suburb of Graaff-Reinet. Spandauville is the most recent suburb, which has experienced the most significant physical expansion amongst the middle-income bracket people in the past ten years (Knott-Craig, pers. comm., 2007). Despite the presence of the Nqwba Dam, the town still suffers from persistent water shortages and chronic droughts and it is not an uncommon sight to see the dam empty.

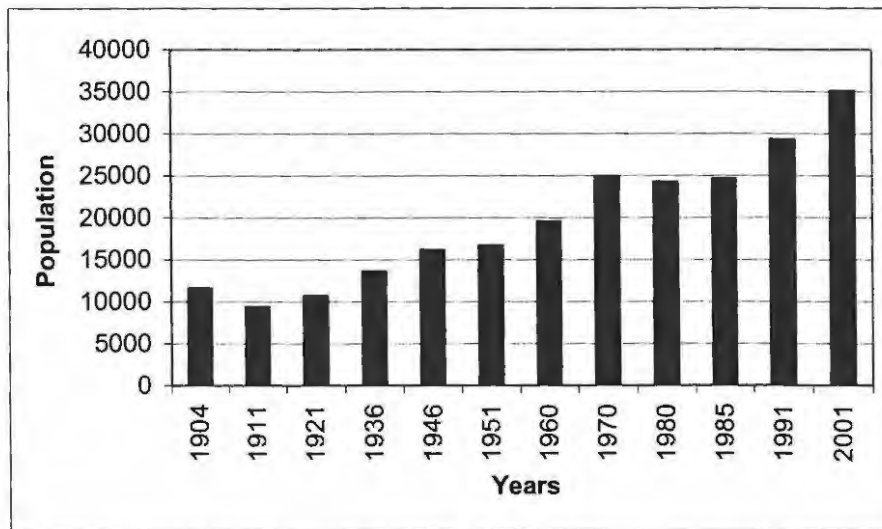


**Figure 5.1:** Map of Graaff-Reinet

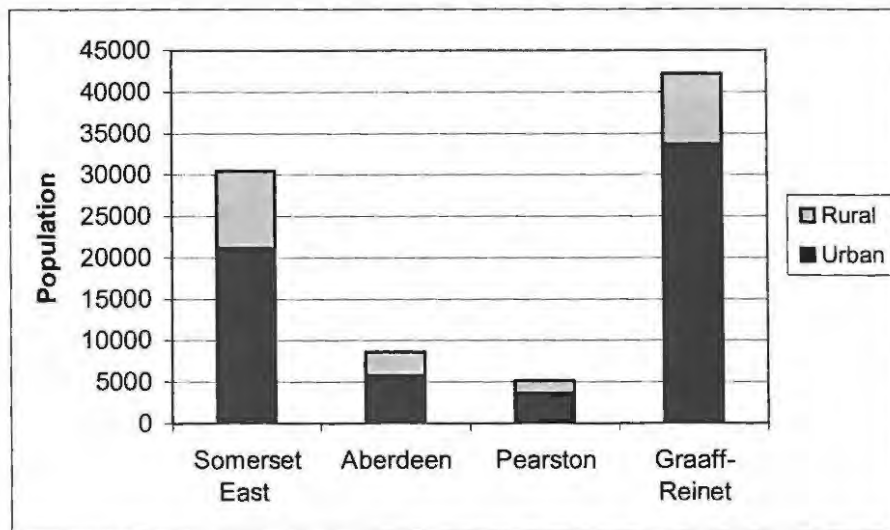
**Source:** Adapted from the Graaff-Reinet Map published by the South African Chief Director of Surveys and Mapping (1991)

### 5.3.2 Demographic Changes

Graaff-Reinet has experienced considerable population growth over the last century (Refer to Figure 5.2). Given that Graaff-Reinet is the biggest town in the study area, both demographically (Refer to Figure 5.3) and economically, it is interesting to examine by how much it has changed over the years.



**Figure 5.2:** The population of Graaff-Reinet (urban) between 1904 and 2001  
**Source:** South African Census (1904-2001)



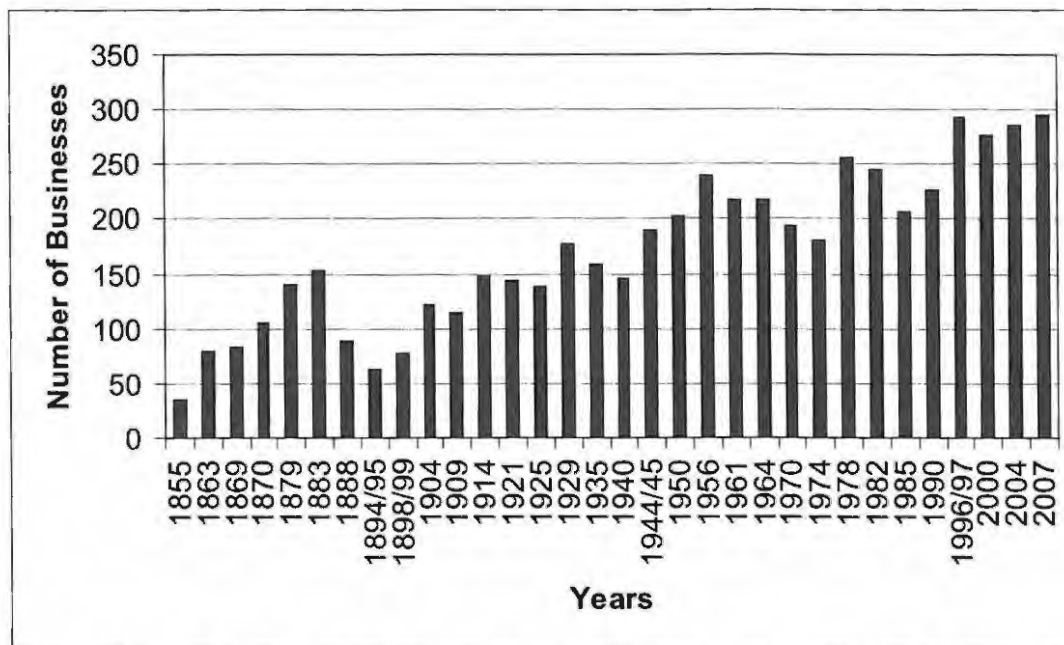
**Figure 5.3:** Total population of each town (rural and urban) in 2004  
**Source:** Global Insight: Southern Africa (2004)

What is evident however is that the coloured community constitutes the largest proportion of the population (62%), followed by the blacks (25%) and then the whites (13%). Graaff-Reinet's population in 2004 has been broken down into the various population groups. This provides some background information of the demographics and socio-economic characteristics of the town, however, at the same time it reveals much more about the economic implications regarding the town (Harsch, 2001). The increase or decrease in each racial group greatly affects the economy of the town, aspects that will be focused on in the 'economic section'.

### 5.3.3 Economic Changes

Economic trends in Graaff-Reinet's history can be traced back to as early as the 1850s, when there were already about 40 businesses in the town. According to the Camdeboo Municipality IDP (2007/08-2011/12) and du Plessis (pers. comm., 2007) Graaff-Reinet is acting as a "sponge locality" as it is playing an increasingly important central place function to nearby towns such as Aberdeen, Pearston, Murraysburg, Jansenville and Nieu-Bethesda, as well as the widespread farming community as Graaff-Reinet offers a wider variety of goods and services at often more competitive prices. When the bank closed in Pearston for example, all the staff members were relocated to Graaff-Reinet and as a result Graaff-Reinet gained skilled labour and increased purchasing power in the community (Fouché, pers comm., 2007). The increased consumer mobility and partial economic erosion of many of the surrounding small towns has definitely contributed to Graaff-Reinet's increasing economy (du Plessis, pers comm., 2007; McNaughten, pers. comm., 2007). Graaff-Reinet's status as being the major economic node of the district is attributed to the town being characterized by having high and low order retail and service requirements and associated agglomeration processes.

From the above-mentioned factors and the already established higher order functions, it is evident that Graaff-Reinet has experienced cumulative growth over the years as is depicted in Figure 5.4. Today in 2007, there are almost 300 formal businesses in the town and subsequently, over the past few years, Graaff-Reinet has boasted the highest number of formal businesses in its entire history.



**Figure 5.4:** Change in the business profile in Graaff-Reinet between 1855 and 2007  
**Source:** Business Directory (1888-2007) (See full details in the reference list); Minnaar (1987)

### 5.3.4 Industrial Survey Results

#### 5.3.4.1 Introduction

Graaff-Reinet, unlike Pearston and Aberdeen, has a few large industries but the small built-up area devoted to industrial uses in Graaff-Reinet reflects the limited significance of this economic sector in the town (Fouché, pers. comm., 2007). The hindering factor in industrial development is the severe shortage of water in the district as these towns are situated in the Karoo, which is a semi-arid area (van Sckalkwyk, 2007).

#### 5.3.4.2 Findings

The three biggest industries in the town, namely Motego Feeds CC, Camexo (trading as Camdeboo Meat Processors) and Agave Distillers Ltd., were interviewed. The main results are summarized below in Table 5.2.

**Table 5.2:** Main results from the industrial survey in Graaff-Reinet

	<b>Montego Feeds</b>	<b>Camexo</b>	<b>Agave Distillers</b>
<b>Started</b>	2000/2001	2004	2000
<b>Produces</b>	Manufactures dry pellets for pets	Slaughter animals and exports the meat	Produces an alcoholic beverage
<b>Distribution</b>	Throughout South	Exclusively export	Nationally and

	Africa. Produces 12% of South Africa's pet pellets	orientated	internationally
<b>Employment</b>	100 permanent staff	Approximately 100 (65) permanent staff	25 permanent staff
<b>Potential expansion</b>	Definite expansion in the near future	Running at full capacity, unable to expand	Expansion is a long term goal of the company
<b>Challenges</b>	<ul style="list-style-type: none"> <li>○ Water shortages</li> <li>○ Transportation and the increase in the fuel prices</li> <li>○ Reliant on the export market – dependent on the value of the Rand</li> <li>○ Unskilled labour force, which needs to be trained</li> <li>○ HIV/Aids having an effect on the businesses (absenteeism from work and deaths)</li> </ul>		

**Source:** Data Collected, Graaff-Reinet, 2007

What becomes apparent is that industrial activities in Graaff-Reinet play a role of some importance in the town's economy compared to Aberdeen and Pearston, where there are no industries at all. These industries create employment opportunities and provide valuable income for the municipality. Most importantly however, the industrial sector serves to diversify the economy of the town and helps to strengthen its higher order position. It is evident that all three of these industries are relatively new and that there has been a slight shift away from agriculture as being the only main economic sector in the town's district although two of these industries rely heavily on the agricultural sector for raw materials and inputs (Neethling, pers. comm., 2007; van Jaarsveld, pers. comm., 2007). The link between the agricultural sector and the industrial sector in this town is important as it implies that the town's economy is not just producing raw materials from primary economic sectors, but producing and distributing value-added products, absorbing agricultural products. However, for the industrial sector to become more prominent in the town, extensive expansion is necessary, because as it stands only 225 jobs are being created by these three industries relative to the town's population of approximately 35000 people. The inability of the town to attract further significant volumes of economic investment is related to the shortage of water and the position of the town relative to larger markets, harbours and airports (van Jaarsveld, pers comm., 2007).

### **5.3.5 Property Survey Results**

#### **5.3.5.1 Introduction**

The second set of questionnaires that were administered in Graaff-Reinet in order to obtain information pertaining to the economic changes in the town was to various estate agents that operate within the economy. It was anticipated that they would indicate whether people, with substantial purchasing power or business entrepreneurial capabilities, were either moving into the town (positive effect on the town) or moving out of the town (negative effect on the town).

#### **5.3.5.2 Findings**

It was discovered that Graaff-Reinet, in the past five to ten years, has experienced a significant housing and business boom. It is, according to every estate agent questioned, almost impossible to find a vacant shop to rent and there are very few houses on the market, to either buy or rent. In addition, it was ascertained from four estate agents that there are a number of housing developments that are currently being built, ranging from houses catering for the middle-income group bracket to developments that are focusing on the higher-income, international market. These housing developments predominately include town houses and retirement houses. The Camdeboo Municipality's local council members (du Plessis, pers. comm., 2007; Knott-Craig, pers. comm., 2007), confirmed these housing developments, some of which are already being built and others whose building plans have been approved. Acknowledgement must be made of these housing developments because it means that the economy of the town is growing as people from the middle and upper income groups are likely to be moving into the town.

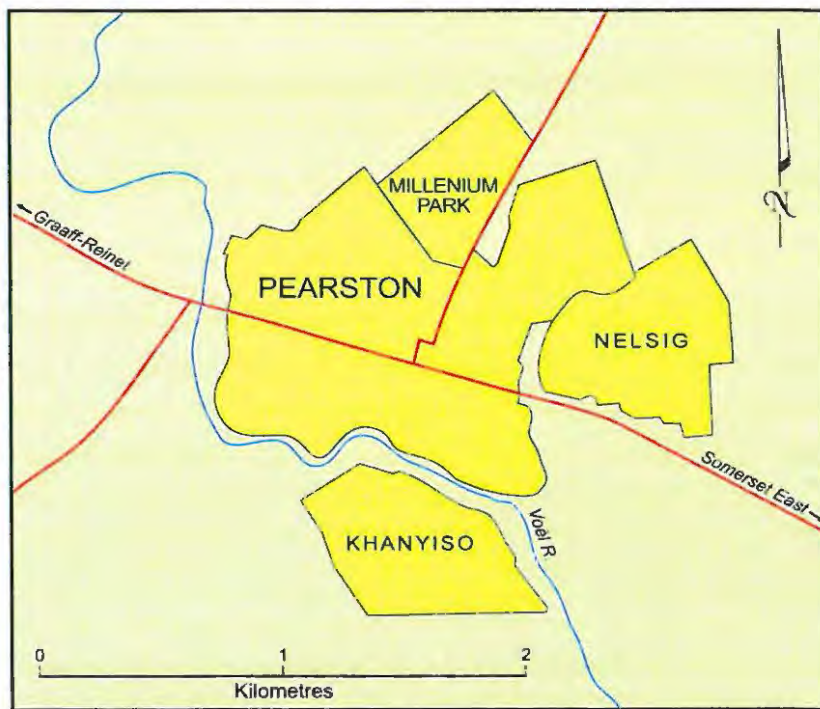
From the property survey administered to the estate agents, it was reiterated by all seven estate agencies that completed the questionnaires that there are few houses on the market because there are relatively few families that are relocating to other places. A definite trend that emerged from the questionnaires was that a lot of people / families have moved into Graaff-Reinet in the recent years, especially retired people and people looking for a "platteland" rural lifestyle. Three of the estate agents questioned, referred to the fact that people from the larger cities are purchasing 'second homes' for holidays or for potential future use. All these factors, along with the national trend of property value increases, have contributed to an improved property value of Graaff-Reinet.

The results from this questionnaire indicated that there is significant in-migration of middle and upper income earning people into the town, as indicated by the changes in the housing market. This change is essentially driven by the economically dominant class and therefore they bring with them significant buying power and they contribute towards the economic stability of the town. The increase of these families in the towns is followed by an increase in the number of businesses in the town and as already mentioned, it is virtually impossible to find a vacant businesses building for rent or for sale. It has to be acknowledged that this section has focused exclusively on one economic sector of the population and has omitted trends related to the poorer majority. On the other hand it has become apparent from the questionnaires that there is considerable out-migration of the white youth who leave Graaff-Reinet permanently to study at tertiary education establishments and who never return permanently. Development challenges and trends amongst the majority of the people (predominately the black and coloured people) will be addressed further on in this chapter.

## **5.4 Pearston**

### **5.4.1 Introduction**

Out of the four towns in this study, Pearston is the smallest, both demographically and spatially. Pearston, as Figure 5.5 indicates, is characterised by the 'town', which is an area in which the white population used to live (very few white people still live today). This area is also where the CBD is located, a term that is used very loosely as there are only ten formal businesses left in the town. Khanyiso is the township in which the majority of the black residents live. Millennium Park and Nelsig are the two areas where the coloured people live. Despite the town being spatially bigger, Khanyiso, Millennium Park and Nelsig, are more densely populated with low-income, high density housing (Refer to Appendix Six).

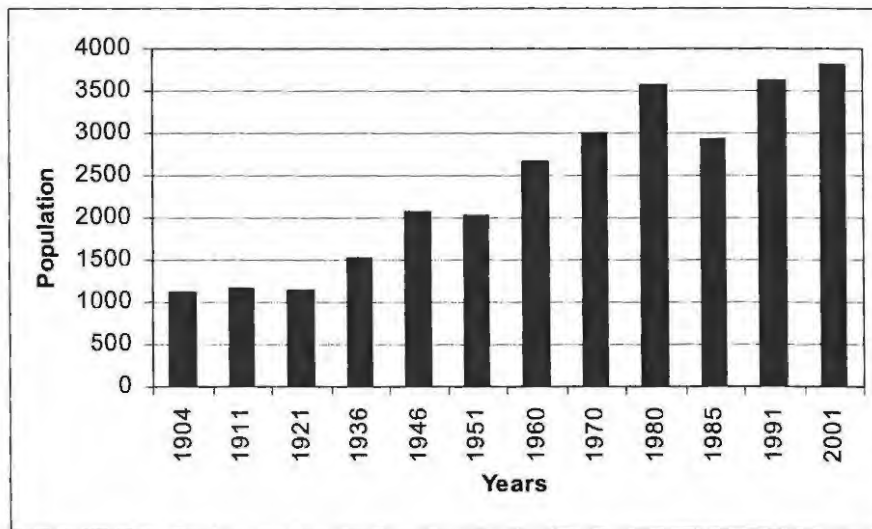


**Figure 5.5:** Map of Pearston

**Source:** Adapted from the Pearston Map published by the South African Chief Director of Surveys and Mapping (1973)

#### **5.4.2 Demographic Changes**

The population graph below (Figure 5.6) indicates that from the early 1900s until about the 1920s the population remained stable with about a thousand people residing in the town. In just under a hundred years from 1904 to 2001, the population figure has increased almost four fold and in 2001, there were almost 4000 people living in the town of Pearston. While there is always the possibility of inaccuracies in the census record, such as a possible undercount in 1985, at a broader level, the purpose of the graph is to illustrate the population growth trend over almost a century.



**Figure 5.6:** The total population in the town of Pearston (1904-2001)  
**Source:** South African Census (1904-2001)

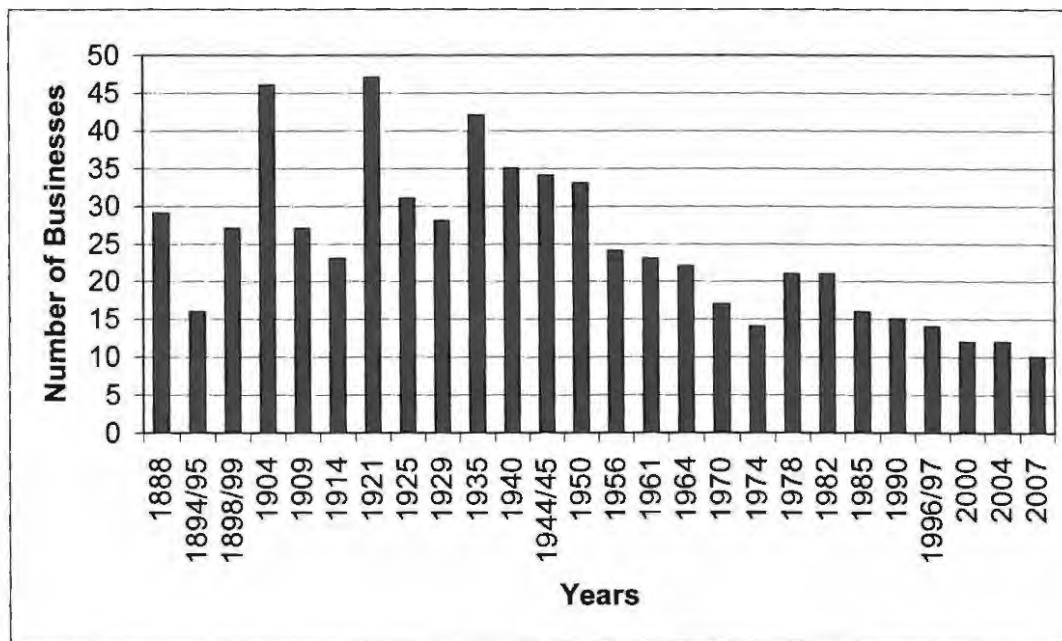
In Pearston, the black and coloured population have increased quite substantially, while on the other hand the white population appears to have remained stable, and at times decreased, with only about 230 white people left in the Pearston district (mostly all in the farming community) in 2004 compared to the 4950 combined black and coloured people (Global Insight: Southern Africa, 2004). The demographic breakup does not only provide a background to the socio-economic characteristics of the town and its hinterland, but indicates far-reaching effects pertaining to the town and the local economy. Whites generally are the farm owners and therefore a decrease in the number of white people, reflects farm closure / amalgamation and loss of economic productive units, which would otherwise promote employment opportunities and income to the Pearston district economy.

The demographic changes that have occurred over time have had a major effect on the businesses and therefore the economy of the town. Despite the increased number of black and coloured people and the decrease in the number of white people, there has been a substantial decrease in the purchasing power as the white population has historically been, and remains, the economically dominant class. This will be further looked at in the following subsections of the chapter.

### 5.4.3 Economic Changes

Pearston is the smallest town in the study area and like the other towns, originated as a local center to provide goods and services to the local farming community. According to local residents (Palmer, pers. comm., 2007; Goosen, pers. comm., 2007) Pearston was, at one stage, a vibrant small community servicing a rather extensive and wealthy farming community, as well as the white, coloured and black people in the town and townships. The number of formal businesses have been counted and graphed between 1888 and 2007 and a general indication of the economic health viability of the town can be gauged.

From the business profile presented below (Figure 5.7) it emerges that the town has passed its peak economic period as the business numbers started to decline from the 1950s. This small town currently exhibits a scenario in which there are only ten formal shops/businesses left in the town, which according to the 2007 business directory and verified by a site visit, include two funeral undertakers, a furniture shop, a bottle store, a hotel, a café, two general dealers, a 'cash and carry' store and a petrol station.



**Figure 5.7:** The change in the business profile in Pearston from 1888-2007  
**Source:** Business Directory (1888-2007) (See full details in the reference list)

There is a definite indication that Pearston has experienced an absolute decline in the number of businesses in the town, however, it must also be determined what type of businesses have closed and the associated impact on the town. Banking facilities have been recognised as an essential amenity to have in a town, especially for the farmers and

the local wage earners (Palmer, pers. comm., 2007; van der Berg, pers. comm., 2007). Pearston is a town that no longer has a bank and the repercussions hereof, are fatal. According to Palmer, pers. comm. (2007), when people travel to other towns to do their banking, there is motivation to access all of their goods and services in the bigger centre and this puts further pressure on the local businesses in Pearston, as the town is almost entirely bypassed. As a result Keyser (pers. comm., 2007) and Naudé (pers. comm., 2007) described how farmers west of Pearston generally travel to Graaff-Reinet and farmers east of Pearston travel to Somerset East and these towns benefit significantly from the increased in the income generation. In Pearston it is clear that the 'threshold' of the bank, and many of the shops and businesses could no longer be maintained and the result is that they became financial liabilities and many of them consequently closed (Loots, pers. comm., 2007). In addition to the bank closing, Matanga, pers. comm., (2007) explained that the magistrate office and post office were significantly downgraded, the doctor moved away and companies such as *WBK Leather* all closed, having a direct causal impact on the decline of the economic health of the local community.

#### 5.4.4 Business Survey Results

In Pearston there were no estate agents or large industries to interview and as a result, in order to get a better understanding of the business dynamics in the small town, a business survey was administered in the town to seven of the businesses in Pearston. The survey findings and associated links between the economy of the town and the demographic profile are presented in below in Table 5.3.

**Table 5.3:** Business survey administered in Pearston

Clientele changes over past 5-10 years of each particular business	
Cash and carry, hotel, funeral directors and petrol station:	Had experienced a degree of change in their clientele over the past 5-10 years
Hotel and café	Acknowledged a reduced number of customers
Café, general dealer and the bottle store:	Recognised a reduced purchasing power amongst the clientele
Changes within each business (increased / decreased/ static business activity)	
Bottle store, 'cash and carry' and the general dealer:	Experienced increased business activity over the last 10 years

Hotel and café:	Has become virtually moribund
Petrol station:	Business has remained stable
Funeral directors:	Indicated increased growth within their business sector
<b>Shopping trends in the town</b>	
All the businesses:	A distinct trend has been noticed whereby the people (wealthier urban inhabitants and white farmers) participate in “out-shopping”, particularly in Somerset East, Graaff-Reinet and Port Elizabeth
<b>The town’s economy: last 5 – 10 years</b>	
Hotel, café, petrol station general dealer and cash and carry:	There has been a decrease in the town’s economy with regard to the number of shops, businesses and services
All the businesses:	There are many unemployed people in the town
<b>The main changes in the town and nearby district</b>	
All the businesses:	Decrease in the number of white residents in the town
General dealer, petrol station, bottle store and café:	Less income generated from the local farmers because farmers are bypassing the town and there are generally less farmers in the district
Bottle store, general dealer, café and cash and carry:	End of the month and pension paydays are the busiest times economically
Bottle store, funeral directors and general dealers:	The number of black and coloured people have increased in the township
Hotel, petrol station, café, funeral directors:	The number of businesses in the town have decreased over the years
Cash and carry, general dealers and bottle store:	The products that shops sell have changed
Hotel, cash and carry, funeral directors:	Buildings/ houses have become empty in the town
<b>Perceived future of the town’s economy</b>	
All the businesses:	Further deterioration of the town
All the businesses (except for the funeral directors):	Increased unemployment
All the businesses (except for the funeral directors):	No positive outlook on the future (Café is closing and owners are emigrating)

Source: Data Collected , Pearston, 2007

## 5.5 Aberdeen

### 5.5.1 Introduction

Aberdeen is the second smallest town in the study area and shares many of the same economic and demographic characteristics of Pearston, although the changes have not been as dramatic. Figure 5.8 below illustrates the layout of the town. Lotusville is the township where the majority of the coloured people live and the majority of the black people live in the Thembaliesizwe Township. Lotusville and Thembaliesizwe are characterised by high density, low cost housing. It is evident that in theory, racial segregation has been abolished; however in reality, segregation is still evident, both racially and socio-economically.

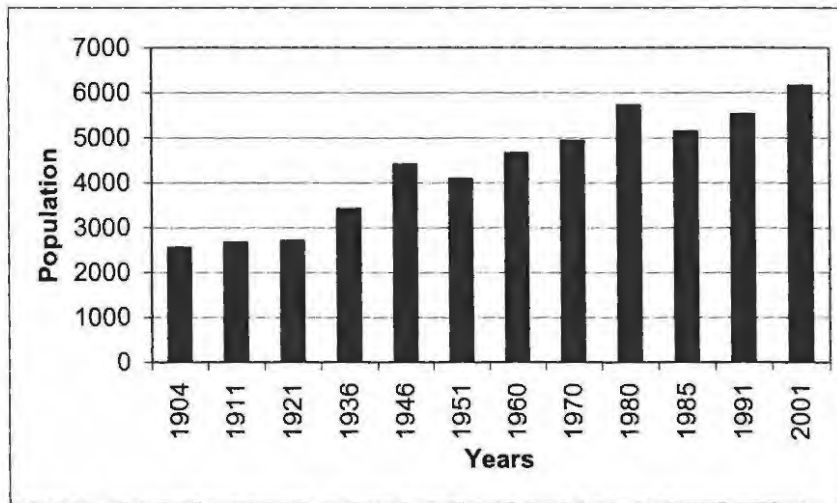


**Figure 5.8:** Map of Aberdeen

**Source:** Adapted from the Aberdeen Map published by the South African Chief Director of Surveys and Mapping (1990)

### 5.5.2 Demographic Changes

The population graph of Aberdeen (Refer to Figure 5.9) indicates that the population of the town in 2001 was approximately 6000 people. There has been a population increase over the last hundred years, which as will be revealed, has major implications on the town's economy. With an increased population comes an increased need for the expansion of the economy to absorb these people. The sub sections of this chapter will go into detail with regards to the increasing population and the all but stagnating economy.



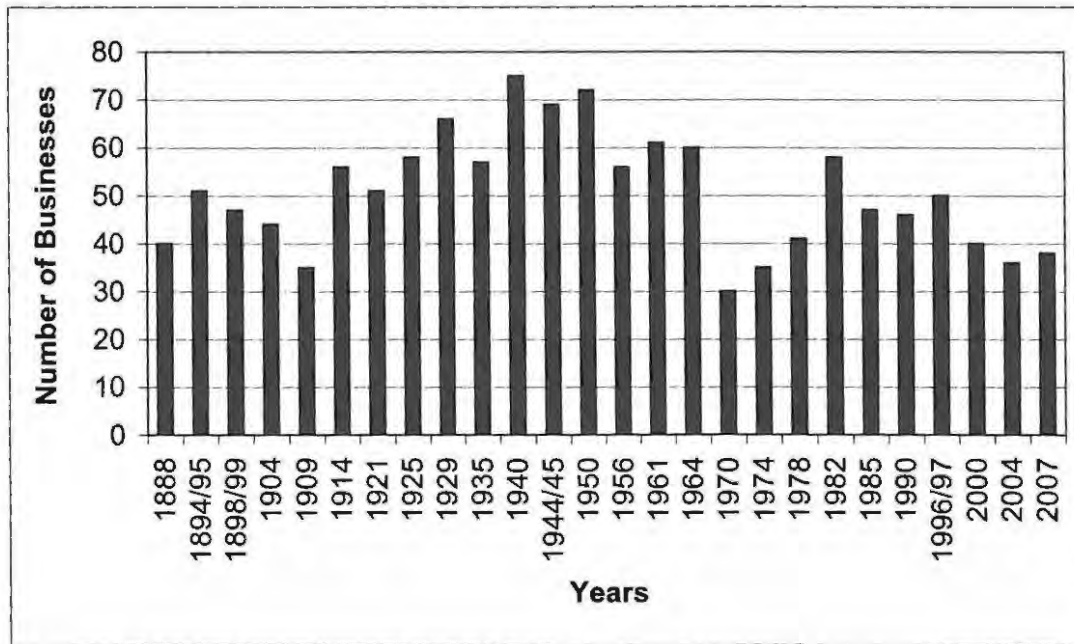
**Figure 5.9:** Total population in Aberdeen from 1888-2001  
**Source:** South African Census (1904-2001)

The racial breakdown of the Aberdeen population reveals that the population is predominately made up of coloured people. In 2004, population statistics revealed that 72% of the population was coloured, followed by 18% black people and the smallest racial cohort was made up of the white population, approximately 10% (Global Insight: Southern Africa, 2004). This racial breakdown of the population has major repercussions for the economy of the town as the white people, who represent the smallest racial cohort, are generally the wealthiest people (Harsch, 2001). Therefore an increase or a decrease in each of the racial cohorts has far reaching effects on the economy of the town.

### 5.5.3 Economic Changes

Like the other three towns, Aberdeen essentially originated as service center to the farming community and so the town's economy, to a degree, evolved in accordance with the changing needs of the farming economy (van Skalkwyk, 2006). In 2007 Aberdeen essentially had the same number of businesses as it did over one hundred years ago. What is evident though is that through time, Aberdeen's economy has fluctuated, experiencing times of growth when the economy has boomed, as well as experiencing times when it has been poorer, as depicted in Figure 5.10. The graph indicates that the best economic years in Aberdeen were between 1914 and 1964 and the 1940s in particular when the links between the agricultural sector and the town were particularly vibrant and mutually beneficial (Burger, pers. comm., 2007). This reliance on the small town was generally facilitated by limited transport facilities as farmers, for practical reasons, had to make use of the nearest small town to obtain amenities. The link between the farming community and the town's economy is further illustrated for example in the 1960s and 1970s. In the

late 1960s according to Burger (pers. comm., 2007) and Watermeyer (pers. comm., 2007a) there was a major drought, which affected the agricultural sector. As a result of the decline in the agricultural economy, there was a parallel regression in the town's economy. However, in the 1970s there was a major boom in the agricultural sector when the price of mohair increased by 100%. As a result there was more money circulating, which spurred the opening of many new businesses in the town.



**Figure 5.10:** Change in the business profile in Aberdeen between 1888 and 2007  
**Source:** Business Directory (1888-2007) (See full details in the reference list)

There are approximately 38 formal shops/businesses in Aberdeen today. Aberdeen has always been slightly bigger (demographically and economically) than Pearston, retaining more businesses and services. Aberdeen, amongst other things, has an Old Age Home, a hospital, a doctor, two banks, bottle stores, an art gallery, financial consultants, agricultural stores ('co-ops'), butchery, a bakery, garages, an estate agent, eight churches, furniture stores and general stores (clothing, etc.). Being a bigger town with more people and higher order shops and a larger number of farmers in the rural hinterland along with health services (hospital and a doctor), an Old Age home and basic facilities such as the banks and agricultural stores, have all contributed to maintaining Aberdeen's function as a Local Service Centre and have differentiated Aberdeen from a town such as Pearston.

However, over the years the fabric of the town has deteriorated. It is apparent that there are many dilapidated buildings in the town for example, the Aberdeen Hotel and the

sports facilities have become very rundown. The general “face” of the town shows symptoms of a generally poor community (Refer to Appendix Seven).

#### 5.5.4 Business Survey Results

The same business survey was administered in Aberdeen as was in Pearston due to the fact that there were no large-scale industries and only one (relatively new) estate agent to interview. In Aberdeen a larger number of businesses (15 of 38 existing formal businesses) were questioned, which implied that a 39% sample was achieved. Table 5.4 below displays the results of the survey.

**Table 5.4:** Business survey administered in Aberdeen

<b>Clientele changes over past 5-10 years of each particular business</b>	
Retail shops, general dealers, green grocer, butchery and furniture shop:	Less farmers support businesses in town
Agricultural co-operative:	Get the farming community's support
All businesses:	There are more coloured and black people
Estate agent:	Main customers are from out of town (increased number of retired people)
Café, green grocer and general dealers:	Indicated a static clientele base
<b>Changes within each business (increased / decreased/ static business activity)</b>	
Butcher shop:	Changed its products to cater for the poorer black / coloured market
Bakery, estate agent, one retail shop, gift and book shop, coffee shop, gallery and restaurant, furniture shop:	Their business activity has increased in the last 10 years (or since they have been open)
Café, green grocer, butchery, home industry, agricultural co-op:	The indicated that their business activity has remained relatively static
<b>Shopping trends in the town</b>	
Retail shops, furniture shop, bakery, general dealers and café:	A substantial number of the white population, are drawn to the higher order business functions in Graaff-Reinet and Port Elizabeth (Veterinarian, accountants, lawyers, dentists)

Retail shops, green grocer, general dealers, home industry and agricultural co-operative:	Some of the farmers take their labourers into Graaff-Reinet once a month to shop
All businesses:	Increased business on weekends and end of the month is exceptionally busy in the town (i.e. payment of pension and other welfare grants)
Furniture shop, butchery, general dealer and retail shops:	Slow and steady decline in the economy and that a lot of businesses have closed
Estate agents, home industry, coffee shop and gift and book shop:	Others indicated that new shops have opened in the town, especially exclusive shops such as book shops/ art galleries / restaurants / coffee shops / accommodation facilities
<b>The town's economy: Last 5 – 10 years</b>	
All businesses:	Unemployment is a major problem
Retail shops, agricultural co-operative, butchery and estate agent:	Increase in the number of Cash Loan facilities
Estate agent, coffee shop and art gallery and restaurant:	A few retired couples have moved into the town
Retail shops, furniture shops, bakery, green grocer:	The township has increased in size, changing the dynamics of the economic power in the town, as there is increased reliance on welfare due to the high unemployment and burgeoning poverty
<b>The main changes in the town and nearby district</b>	
Estate agent, agricultural shop, café gift and book shop:	Buildings are becoming derelict
Estate agent, butchery, home industry:	Increased activity by the Town's Publicity Association
Estate agent, coffee shop, art gallery and restaurant:	Increased number of Bed 'n Breakfasts / accommodation facilities
<b>Perceived future of the town's economy</b>	
Very mixed feelings regarding the future of the town's economy from "very positive" to "very negative":	<p><b>Reasons:</b></p> <p>Lack of support from local people is affecting the economy</p> <p>New people moving into town who will bring money</p> <p>Small businesses are opening, and it is hoped that they will be sustainable</p> <p>Active promotion of the town by the estate agent and The Publicity Association</p> <p>The trend of a declining economy will be exacerbated in the future</p> <p>The farming economy is currently doing very well</p>

Source: Data Collected, Aberdeen, 2007

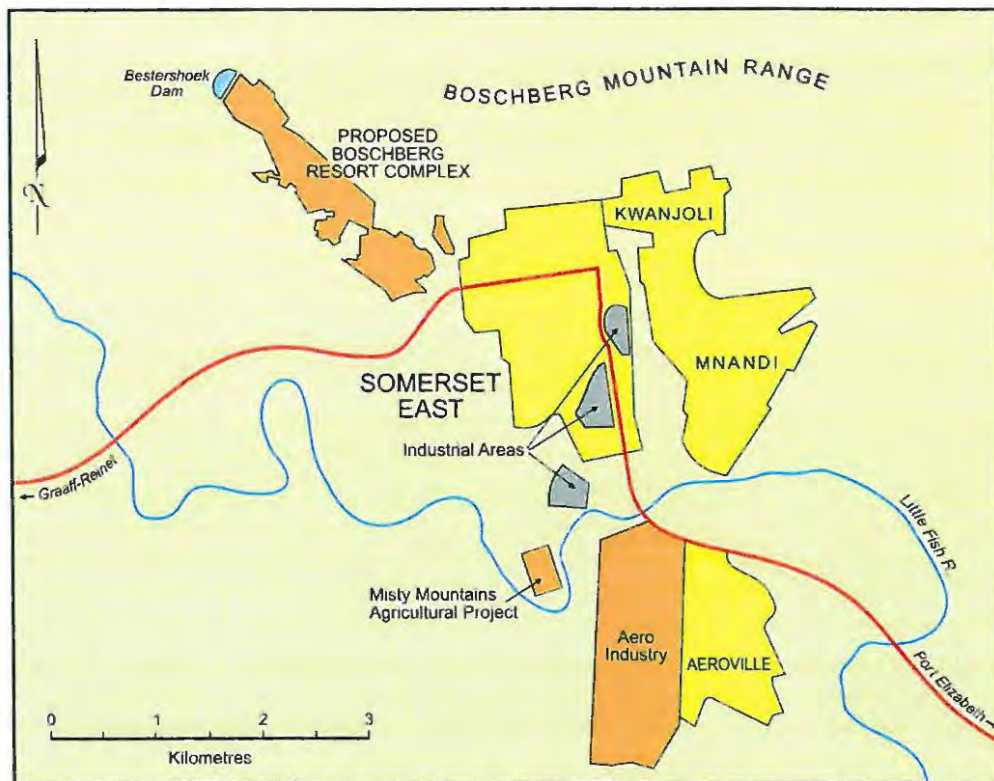
## **5.6 Somerset East**

### **5.6.1 Introduction**

The final town that will be looked at will be Somerset East, which differs from the other three towns because of two main reasons. Firstly it is the only town in the study area that has a reliable and consistent water supply and secondly and directly related to the first point, there is a significant industrial sector in the town compared to the other three towns. In this section of the chapter the spatial layout of the town will be presented, followed by a detailed description of the town's demographic profile. The focus will then shift to examine the economic / business characteristics of the town. The results from the business survey that was undertaken in the town are included to provide a more focused look at the town's changing economic and business patterns.

### **5.6.2 The History of Somerset East**

When the new Drosdty was created (1825), the plan of a village was laid down and there was a public sale of the *erven*. Somerset East was established as a central place for administration, the seat of the local court, and as a centre where people from the district could obtain necessary goods and services and attend church. What is interesting to note is that significant spatial expansion of the town's boundaries has taken place, even in the last 25 years. In 1982, according to maps published by the South African Chief Director of Surveys and Mapping, the only residential areas were Somerset East town and Kwanjoli Township. In 2007, as depicted in Figure 5.11 it is evident that two additional residential areas now exist, namely Aeroville and Mnandi. The urban area in Somerset East typifies the spatial pattern of towns throughout South Africa, namely historically segregated racial areas. However, this pattern is changing, as vacant tracts of land separating the neighbourhoods are being identified, planned and developed as housing areas and racial integration is now becoming more apparent, especially in the former "white" residential areas (Ntshunda, pers. comm., 2006).



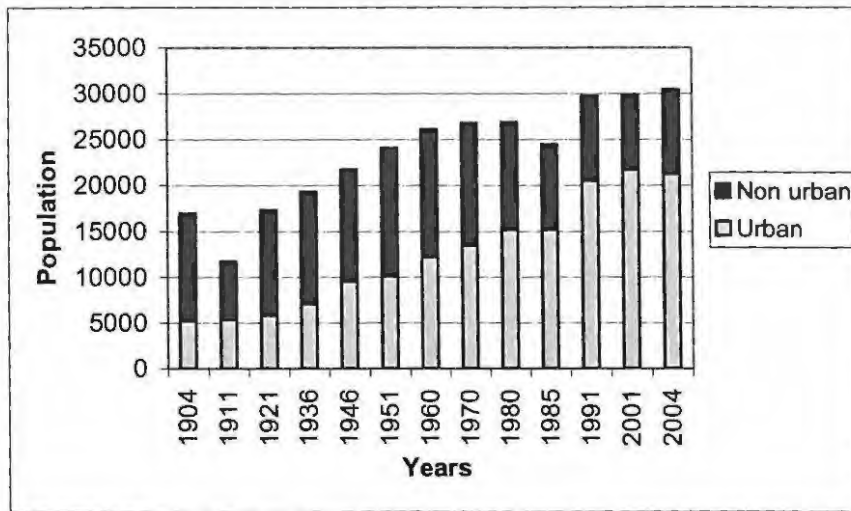
**Figure 5.11:** Map of Somerset East (2007)

**Source:** Adapted from BCRM IDP 2007/2008-2011-2012 and the Pearston Map published by the South African Chief Director of Surveys and Mapping (1982)

**Note:** Development projects are shaded in brown

### 5.6.3 Demographic Changes

It is evident that the population of the Somerset East district and town has increased over time, thus impacting on the structure of the town and facilitating changes within the economy. From Figure 5.12 it is evident that in 2004 there were 30459 people residing in the Somerset East district of whom 21139 (69%) were urban inhabitants. The population has grown steadily over time and has almost doubled in 100 years (1904-2004). Once again attention must be drawn to the possible statistical error that is apparent in 1985.



**Figure 5.12:** The total population of the Somerset East district between 1904 and 2004  
**Source:** Global Insight: Southern Africa (2004); South African Census (1904-2001)

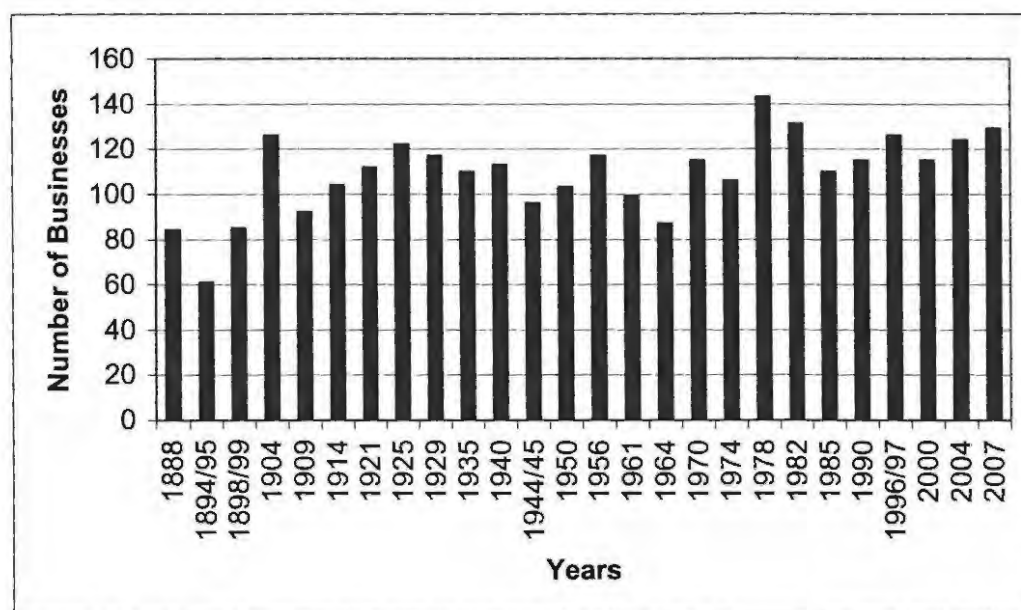
According to Global Insight: Southern Africa (2004), between 1996 and 2004 the coloured population's growth rate was the highest at 0.9%, the black population growth followed at 0.7% and the white population growth was negative (-0.4%). The growth of the coloured and black population is likely to be caused by a combination of natural increase as well as in-migration of people from other regions. The white population decline is most likely related to be the out-migration of white people from the district and the fact that white families tend to be relatively small, thus causing a negative growth rate in the white population of the district (Harsch, 2001). While -0.4% does not appear to be of major concern, when contrasted against the population growth rates of the black and coloured population it is quite significant. From this, it is evident that the white population is in absolute decline while the other two races' growth rates indicate a clear increase.

#### 5.6.4 Economic Changes

Somerset East has, over the years, served a variety of functions including providing retail facilities as well as, business, medical, religious, social, cultural, agricultural, education and administrative services to the urban and rural inhabitants. The growth and decline of small towns is a central point in this thesis and has already been considered from a demographic perspective. This section will now focus on the past economic trends by looking at the number of businesses in the town as well as presenting the results from the business survey that was administered.

Economically, demographically and spatially, Somerset East is the second largest town in the study area. The businesses in the town were originally established to service the extensive farming community and as the urban base of the town grew, so did the number of businesses (Smith, 1975). It is apparent that, over time, the distribution of people and the relative urban / rural relationship has changed and thus, the town's economy has evolved, changing both in the number and types of businesses. Today there are approximately 126 formal businesses in Somerset East, which vary considerably in terms of their distribution and market, their size, history and number of employees.

It is apparent that the economy of Somerset East has fluctuated over time with the lowest number of businesses in the period covered being noted in 1894/1895 and the highest number of businesses existed in 1978, as illustrated in Figure 5.13. The fluctuations in the number of businesses in the town over time do not appear to be too dramatic, which indicates a relatively stable economy.



**Figure 5.13:** Changes in the business profile between 1888 and 2007  
**Source:** Business Directory (1888-2007) (See full details in the reference list)

According to the hierarchy of places identified in the Eastern Cape Midlands by Cook (1971) Somerset East was a county town, identified to serve the same types of functions as a town like Graaff-Reinet. Graaff-Reinet has on the one hand has shown a significant increase in the number of businesses. Somerset East on the other hand, has experienced particular expansion in the increased number and volume of large-scale industries according to a managing director and a financial director of two large firms in the town

(Fourie, pers. comm., 2006; Nel, pers. comm., 2006) (Refer to Appendix Eight). From this it is evident that Somerset East is an anomaly when it comes to being a small town with large industries as the complexity and the export links that some of these industries have established are well advanced and very sophisticated. These relatively unique large industries are of great value to the town as they provide employment as well as attract money into the local economy.

## **5.6.5 Business Survey Results**

### **5.6.5.1 Introduction**

A business survey was administered to 40 businesses in Somerset East covering just over 30% of the formal businesses in the town.

### **5.6.5.2 Business Activities**

Out of the 40 businesses questioned 29 of them indicated that they had experienced an increase in business activity in the past ten years. Nine businesses specified that business activity was static, while only two businesses had undergone a decline in business activity. Growth varied across the business spectrum with seventeen businesses indicating a slight increase in the number of customers and associated financial turnover while twelve businesses indicated they had undertaken extensive physical expansion to keep up with the increased customer base. From this it is evident that expansion in the economy has clearly taken place with regard to existing businesses.

### **5.6.5.3 The Somerset East Economy**

The businesses were asked whether they thought the Somerset East economy had increased, decreased or remained stable in the past five to ten years. The answers were varied, but the majority of the businesses thought that the town's economy had increased, the minority of businesses thought that the economy has decreased, and as Table 5.5 summarises the explanations given.

**Table 5.5:** Perceptions of the town's economy

<b>Increased</b>
<ul style="list-style-type: none"><li>• There have been new families moving into the town, bringing money into the town's economy</li><li>• New major businesses such as big factories / shops have opened in the past few years (for example <i>Wirquin</i>, a large scale export orientated manufacturer and <i>Build It</i>, a building equipment retail outlet)</li><li>• People come from other towns to shop in Somerset East</li><li>• Locals are increasingly spending their money in Somerset East as opposed to going to larger centres as petrol is too expensive and most things are available in Somerset East and therefore a further trip is not deemed necessary</li></ul>
<b>Remained Static</b>
<ul style="list-style-type: none"><li>• When a business closes it does not stand vacant but the type of new business that replaces it is different</li><li>• The quantity of businesses has not changed, but the "faces" of the businesses / shops have changed dramatically</li><li>• The shops have had to change to cater for the larger, albeit economically weaker market</li></ul>
<b>Declined</b>
<ul style="list-style-type: none"><li>• The bigger chain stores like <i>Edgars</i> and <i>C.N.A</i> have closed</li><li>• There are less farmers in the district that need the services provided by Somerset East</li><li>• More efficient transport – people are going to Grahamstown / Port Elizabeth for retail and recreation purposes</li></ul>

**Source:** Data collected, Somerset East, 2007

#### **5.6.5.4 Employment**

It has been ascertained, from the answered questionnaires that the number of businesses has increased, as well as a general expansion of business activity within the existing businesses. From this it has to be determined whether this growth is creating increased employment opportunities. The questionnaire asked how many full-time employees and how many part-time employees were employed by the business and whether these figures have increased, remained stable or decreased in the last five to ten years.

Of the forty questionnaires administered, the highest number of employees was associated with the larger manufacturing and industrial businesses. This is obvious as it is recognised that large industrial firms are significant employers in comparison to other

business activities (D'Arcy, and Guissani, 1996). The change in the number of employees varied considerably with only 14 businesses indicating an increase in the number of employees. 24 businesses specified that the number of employees had remained stable while only 2 businesses pointed out that there had been a decline in the number of employees working for them. Attention must also be paid to the structure of employment. Many of the businesses that indicated that there had been an increase in the number of employees emphasised that majority of these people have been hired on a part-time or casual basis and are not considered as full-time employees (Somerset East: Business Survey, 2007).

#### **5.6.5.5 Town Infrastructure and Municipal Service Delivery**

The upkeep and expansion of town infrastructure and municipal service deliveries are major factors influencing businesses in Somerset East (Somerset East: Business Survey, 2007). The provision of water, electricity, industrial land and refuse removal are all examples of municipal functions that need to be provided for the effective operation and development of businesses. The majority of the smaller retail and financial / business services indicated that town infrastructure and municipal service delivery did not really have an effect on their businesses or that it was adequate (Somerset East: Business Survey, 2007). However, the larger businesses stressed significant discontent with the municipality. Many of the larger industries stated that they are not operating at full capacity or because of electricity limits or physical constraints are severely hindering further expansion of their businesses. It is also evident that there is a volatile relationship between some of these larger business owners and the local municipal authorities, but further information was not given for reasons of confidentiality. The businesses that are tourism orientated also showed their discontent with the municipal services, stating that the apparent incapacity of the municipality is obstructing them from obtaining the full benefits of tourism in the town (Somerset East: Business Survey, 2007).

#### **5.6.5.6 Tourism**

Tourism activity in the town either has no effect on businesses or plays a positive role on many of the businesses in Somerset East. The 'bed and breakfasts', and some of the local shops are almost totally dependent on tourism. While tourism may be marginal for some of the businesses, virtually everyone that was questioned agreed that for the town and its economy, now and in the future, tourism is very important (Somerset East: Business

Survey, 2007). According to Turner (pers. comm., 2006) the town has seen a substantial amount of tourism marketing in recent years and has, to a degree, successfully been able to gain benefits from tourism in the town and the district. However, an important issue is the potential negative impacts of over reliance on tourism, as the fluctuations in the tourism industry can induce negative implications in the town.

## **5.7 Small Town Trends and Forces of Change**

### **5.7.1 Introduction**

The following sub-sections of this chapter aim to identify additional key trends in small towns and significant forces of change. These trends will help to put the contemporary challenges, which the small towns face, into perspective as well as providing the context in which small town economic and demographic changes can be placed.

### **5.7.2 Changes in the Regional / National Economy**

When analysing economic and demographic patterns in the context of small towns it is interesting to note that there are many interrelated factors, internationally, nationally, regionally and locally and that all have defined affects. Through time, external factors have contributed significantly to the cyclical patterns of small town demographic and economic change. Table 5.6 illustrates how many external factors, ranging from political, natural or macro-economic factors, far beyond the control of the small towns, have affected the local economy and, to a degree, dictated the future of the town. From this it is evident that external forces play a significant role on the development of a town's economy over time.

**Table 5.6:** Some external factors influencing small town economies

1835-1836	The Great Trek, population of the district halved
1860s	Colonial Depression Droughts, Vine Diseases, Decrease in the wool demand in England, Prices collapsed at the end of the American Civil War Major exodus out of the region
1867 1873	Discovery of diamonds in South Africa Discovery of gold in South Africa Economic growth was renewed in Graaff-Reinet because it was on the direct route to the diamond fields
1879	Arrival of the railways provided an economic boost after the depression of the 1860s. Upswing occurred with the opening of the Midland Railway from Port Elizabeth to Graaff-Reinet

1880s	Economic Depression: over speculation of the diamonds, inflation of the currency, withdrawal of British troops from South Africa after Zulu and Sekhukhune wars
1882	Major drought in the district affecting the farmers and hence the towns' economies Cradock railway line and not the Graaff-Reinet line was extended into the interior and Graaff-Reinet lost its pre-eminent trading position
1884-1886	Economic depression and the strain on the Cape Colony's finances as a result of the frontier wars and railway expansion
1899-1902	Post Anglo-Boer War. Trading in towns thrived due to the presence of farmers who had moved to town for security. Graaff-Reinet received a large contingent of these people
1914-1918	World War I, difficulties with shortages and prices
1929-1933	Great Depression
1960s	Depopulation: whites moved out of the small towns Major drought in the late 1960s – negative impacts on the towns' economies
1970s	100% increase in the price of mohair – economic boom in the district
1980s	Severe drought – one of the worst ever recorded, all sections of farming in the district suffered accordingly
1986	Closing of the Graaff-Reinet teachers training college

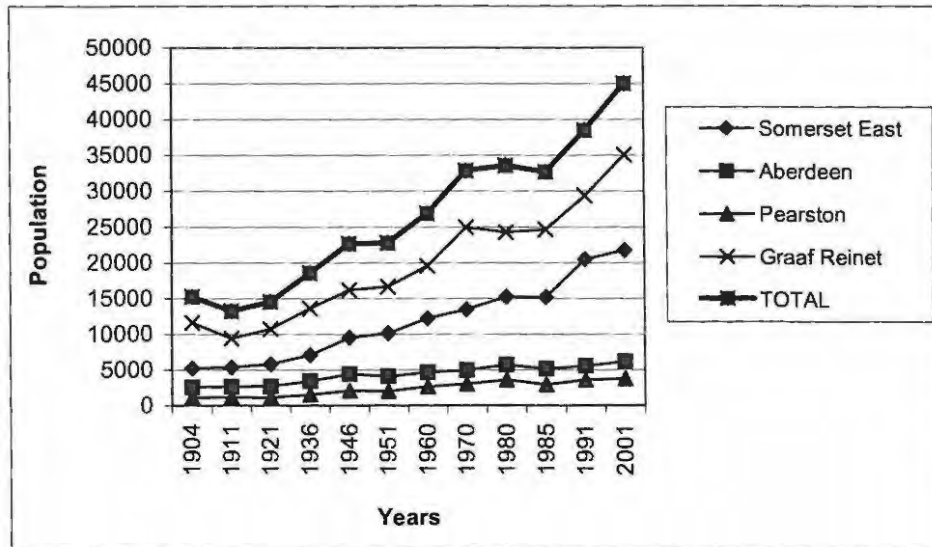
Source: van Skalkwyk (2007); Minnaar (1987)

### 5.7.3 Urban and Rural Inhabitants

Besides births and deaths, the other element affecting population growth is migration – the permanent or semi-permanent movement of people between locations or regions. Demographically, such movements affect both the area of origin (from which migrants originate) and the destination (to which they move) (Rees, 2004; van der Merwe and van der Merwer, 2000). Salient factors generally affecting migration are a mixture of economic, social and environmental forces. The various factors act together to push migrants away from an area of origin and to pull them towards a destination – from areas of low opportunity to areas of high opportunity (Ashford, 1995).

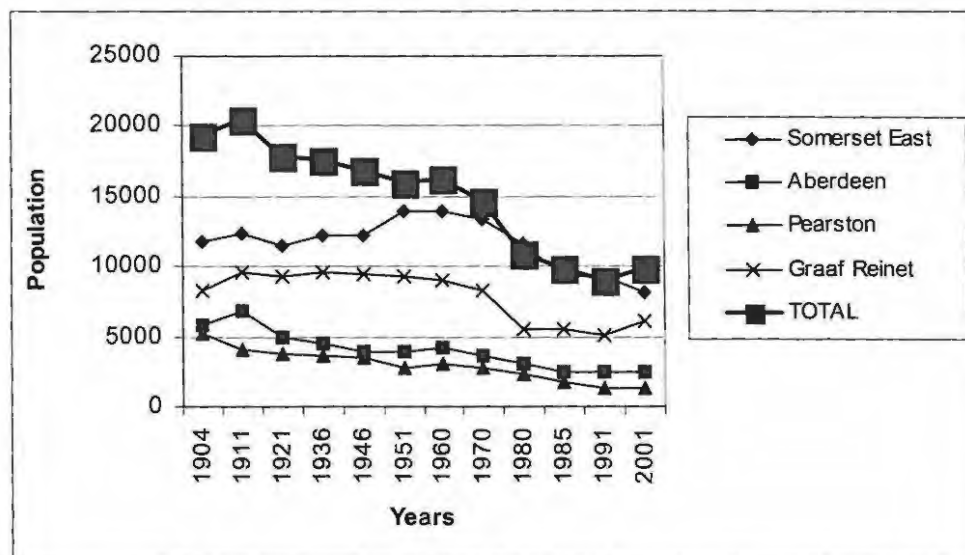
The two graphs below (Refer to Figure 5.14 and Figure 5.15) show interesting urban and rural patterns exhibited within the three small towns and their hinterlands. What has become apparent is the shift in the distribution of people in that the total number of rural inhabitants has decreased and the total number of urban inhabitants has increased. The total number of urban inhabitants has been increasing dramatically over time, especially since the mid 1980s (Figure 5.14). Graaff-Reinet and Somerset East show a strikingly sharp increase in the urban population especially since the mid 1980s while the other two

towns indicate a small, but steady increase in number of the urban inhabitants. The increase of urban inhabitants is important as it changes the dynamics of the demographics the town, which puts pressure on the town to increase its facilities both spatially and economically. The increased population in a town implies that increased employment is needed and increased general facilities and amenities are required.



**Figure 5.14:** The number of urban inhabitants between 1904 and 2001  
**Source:** Global Insight: Southern Africa (2004)

The total number of rural inhabitants, as illustrated in Figure 5.15, has decreased since about 1910, which can most likely be attributed to the decline in number of farmers, which will be discussed further on in this chapter. The most significant decline started in the late 1960s, through the 1970s and stabilized in the early 1990s. The implications of rural decline are significant in terms of looking at the relationship between farming and small town economies.



**Figure 5.15:** The number of rural inhabitants between 1904 and 2001  
**Source:** Global Insight: Southern Africa (2004)

## 5.7.4 Agriculture

### 5.7.4.1 Introduction

Agriculture has always been a fundamental economic component in all of the towns and their hinterlands in the study area, with the towns' origins being rooted deep in the agricultural context. Small livestock is farmed throughout the Karoo where farms are, in general large, range between 4000 and 15 000 ha each (van Sckalkwyk, 2006). The first Angora goat was imported to South Africa in 1838 and Angora goat farming has since been centered in the Eastern Cape. Today South Africa has become the largest supplier of Mohair worldwide producing 70% of the world's production (van Sckalkwyk, 2006). The Merino sheep are farmed for their wool and their mutton. According to Vorster, pers. comm. (2007), Merino sheep and Angora goats thrive in the Karoo conditions and play an important role in the structure of agriculture in the region and agriculture has been a dominant force in shaping the economy of this area. However, it has to be acknowledged that significant changes have taken place in the context of the agricultural sector and these changes have ultimately had an effect on small town economies within the study area.

### 5.7.4.2 Changes in the Agricultural Sector

It is evident that the spatial economy of the Eastern Cape Midlands has undergone a significant change. Farming is susceptible to two major external factors, which Hendrikse (pers. comm., 2007) and Vorster (pers. comm., 2007) explained. Firstly the climate plays

a major role, especially in the Karoo, which is prone to harsh climatic conditions, and which had induced a series of crippling droughts. Secondly, the agricultural prices for mohair, wool and meat are not fixed and they vary according to demand, which means that when the demand is low, the price will be low. The main changes that have occurred in the agricultural sector in these small town districts are summarized below in Table 5.7. The information is an amalgamation of answers from the director at the regional agricultural department in Graaff-Reinet, the manager of *Merino SA*, a number of farmers from each small town district as well as from secondary sources.

**Table 5.7: The major changes that have occurred within the agricultural sector**

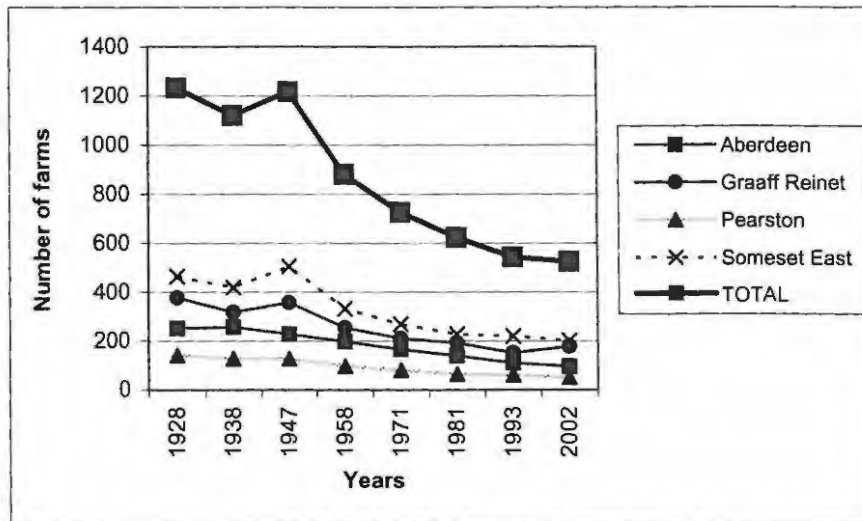
<b>Economies of scale</b>	
Vorster Chetu	There are fewer, bigger farms
<b>Transport and communication advancements</b>	
Harris Murray van Niekerk	Farms have become more mechanized Transportation to larger markets have become much more accessible
<b>Significant shifts in the agricultural sector</b>	
Palmer Murray Van Skalkwyk	Agriculture became more diversified in the late 1980s: The ostrich farming industry expanded in response to the growing demand for leather, feathers and cholesterol free meat and the commercial utilization of springbok herds came into being  Major shift from traditional Merino sheep / Angora goat farming to game farming
<b>Climate</b>	
Van Skalkwyk	Climate plays a big role in agriculture and can affect it significantly, i.e.: In 2001, the temperature dropped from 40° to 5° in one day, which claimed hundred of newly shorn Angora goats and newborn kids. Millions of Rand were lost. Droughts in the region, For example: the 1860s, 1882, late 1960s More recently: severe drought in the late 1980s, one of the most severe ever recorded and all sections of farming in the district suffered accordingly
<b>Fluctuations in the economy</b>	
Van Skalkwyk Harris Vorster	1860s: decrease in the wool demand in England and prices collapsed at the end of the American Civil War Wool boom in the 1950s Decline in Merino Sheep farming in the 1960s The 1970 prices were good: there was a 100% increase in the mohair price Agricultural demand and prices started to decline in the 1980s The 1990s were economically challenging for farmers In the past couple of years (2000 onwards) prices have been very high
<b>Cyclical agricultural patterns</b>	

Palmer Harris	Farmers' sons will come back to the farms in economically good years Depending on the demand and price for products, farmers will go through cycles of growth and decline This also influences the perceived outlook on agriculture
------------------	---

**Source:** Burger (pers. comm., 2007), Chetu (pers. comm., 2007), Harris (pers. comm., 2007), Murray (pers. comm., 2007), Palmer (pers. comm., 2007), van Niekerk (pers. comm., 2007) van Skalkwyk (2006), Vorster (pers., comm., 2007)

#### 5.7.4.3 Number of Farms

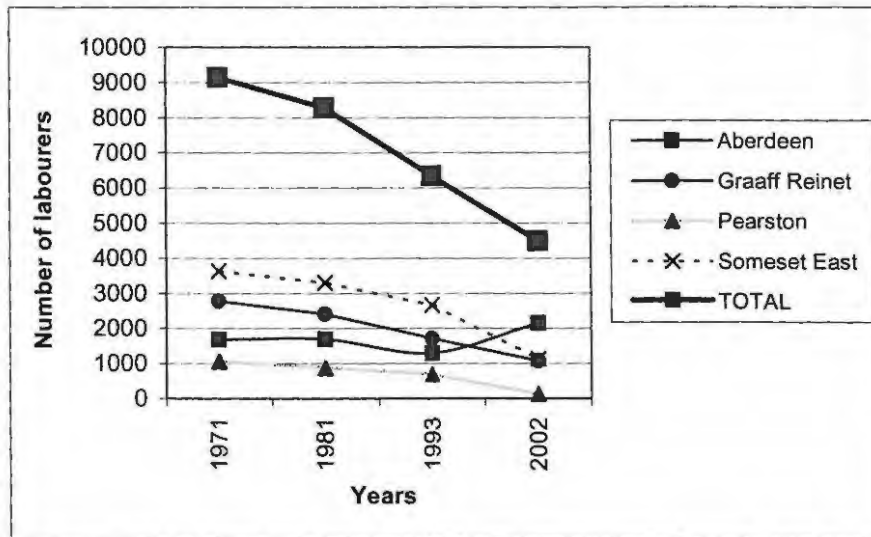
One of the main changes, as mentioned in Table 5.6, has been the reduction in the number of farms in these small town districts, which have more than halved in 74 years according to data collected from the South African Agricultural Directories (1928-2002). The reduced number of farms can be attributed to the fact that larger farming units are now needed to operate profitably (Harris, pers. comm., 2007). Watermeyer (pers. comm., 2007a) explained that when a farm is placed on the market, the existing farmers buy the farm to enlarge their existing property and as a result very few new farmers come into the area. Furthermore, in Graaff-Reinet and Somerset East the reduced number of farmers is also attributed to the increase in the number of game farmers in the town's farming district. Game farming requires larger units and implies a shift from traditional stock farming to game farming, which in recent times has become a lucrative industry, whereby international and local people trophy hunt or view the game (Murray, pers. comm., 2007). Game farming can, however, occur on different levels. Firstly some farmers change completely to accommodate the game while other farmers have partially diversified, keeping a mixture of game and livestock. In order to keep game, the farms have to be bigger than traditional livestock farms. This implies that game farmers have bought other farmers out and as a result there are fewer larger game farms. Fewer farmers imply that there is less reliance on the town and reduced purchasing power. In addition, many farms have been bought by foreigners – not for economic purposes but for recreational purposes (Murray, pers. comm., 2007). Figure 5.16 illustrates the total decline in the number of farms in each small town's farming district.



**Figure 5.16:** The number of farms in each small town's farming district from 1928-2002  
**Source:** South African Agricultural Census (1904-2001)

#### 5.7.4.4 Number of Farm Labourers

An important implication resulting from the reduction in the number of farms is the cutback in the number of farm labourers, as illustrated in Figure 5.17, which indicates the changes in farm employment from 1971 to 2002. Although statistics are only available from 1971, a definite trend is apparent, indicating the total decline in the number of farm labourers in the district. The reduction in the number of farms has had an impact on the number of labourers required and one of characteristics of game farming is that it requires fewer labourers compared to intensive livestock farming (Murray, pers. comm., 2007; van Niekerk, pers. comm., 2007). As a result, there are now fewer, bigger farms with less labourers working on them. The recent changes in South African agricultural labour laws that requires a minimum wage to be paid to agricultural labourers, as advocated by the South African Department of Labour, has also had a major impact on the number of labourers that a farmer hires. From an economic perspective, farmers now prefer to hire part-time workers or to hire labourers on a seasonal basis. As a result, many of the farmers' labourers who used to live and work on the farms, now reside in town.



**Figure 5.17:** The changes in the farm employment in each small town district between 1971 and 2002

**Source:** South African Agricultural Census (1928-2002)

#### 5.7.4.5 Impact on the Towns' Economies

Today, farming still plays a crucial role in the towns' economies; however, the changes in agriculture have altered the relationship between these two entities (Chetu, pers. comm., 2007). Traditionally, the small towns focused almost entirely on meeting the needs of the farming community and there was a mutual relationship between the towns and their farming hinterland. The farmers needed the nearest local town in order to acquire farming supplies, for agricultural sales as well as general services. Similarly, the towns needed the farming community in order to survive as they made up the bulk of the clientele. However, over the years, this relationship has evolved due to a number of factors including a diversification in agriculture, improved communication and technology, an increased urban consumer base, increased state welfare grants and reduced farming links.

The reduced number of farmers and greater commercialization in farming operations has in turn brought about a change in the type and volume of goods required by the farmer, which in turn affects the economy of small towns. The relationship between the farmers and the closest small town has changed to a degree in favour of more distant, larger centres. Graaff-Reinet and Somerset East's larger economies, for example, have drawn many farmers into its town and this has been facilitated by greater mobility and transportation advancements such as motor cars and an improved road network. The relationship between the commercial farmers in the Pearston district and the town of

Pearston has almost become obsolete. Aberdeen still caters for the agricultural needs of the farmers, as there are still two agricultural based shops, but many other retail services and businesses are accessed in Graaff-Reinet. However, the absolute decline in the number of farmers in these small town farming districts has had major economic ripple effects on the town as fewer farmers implies less agricultural inputs are needed, fewer vehicles to be bought and serviced, fewer children who go to school and fewer general amenities (food, medicine, petrol, clothes, etc.) that need to be bought. Therefore there is less money injected into the towns' economies from the agricultural sector.

Game farming, has however also had a positive influence on the changing business profile of certain of these small towns. In Graaff-Reinet there has been an increase in the number of tourists and consequently an increase in the number of accommodation facilities (Will, pers. comm., 2007) In Graaff-Reinet the impact is more noticeable with a new taxidermist business, tour guides and tourist orientated shops opening (McNaughten, pers. comm., 2007). From this it is discernible that, with the changes that have taken place in the agricultural sector, there have been both positive and negative impacts on the local towns. However, the most important factor to consider is that agricultural change has contributed significantly in facilitating changes in the small towns' structure and economy. A lot more research into the long-term trends of game farming is still needed, however, it is evident that, already, these shifts in agricultural patterns have facilitated a change in the economy of the towns.

### **5.7.5 Education**

Education facilities can be considered important aspects of small town development according to Smith (pers. comm., 2007). Foremost, they offer a fundamental service to the community by providing education to learners in the town and the district, and secondly they have a major ripple effect on the towns' economies in terms of local employment and drawing in farmers with school going children to patronize local shops.

Up until the early 1990s, schools in South Africa were racially segregated and only in the last 17 years or so, have government education policies changed initiating the racial integration of schools. This is an interesting point to consider because the presence of a "white school" had a major impact on a town's economy (Atkinson, 2006). From her extensive research in the area she discovered that when small towns were still very much

agriculturally orientated and had their own 'whites only' school, white farmers generally came into town twice a week. On a Monday, learners were dropped at hostel and on a Friday the learners were picked up. Many of the town's community activities took place on a Friday such as church meetings and woman's association meetings (Murray, pers. comm., 2007). As a result, the economic decline in the white middle class of small towns, such as Aberdeen and Pearston, are to some degree, a reflection of the change in fortunes of the former white schools. When the schools ceased to exist as "white schools" white farming parents often decided to make trips to bigger centers to take their children to school, and the effect of this was that they did the majority of their shopping and business activities there too (Atkinson, 2006). Given that in South Africa, for historical reasons, whites were and often still are the dominant economic class, a gain or loss in white business activity has significantly impacted on the small town economy in place such as Pearston and Aberdeen.

This trend whereby white parents, both rural and urban send their children to schools in other more distant towns still prevails today in all the small towns in the study area, however to lesser degree in Graaff-Reinet and Somerset East. The out-migration of white-families, both from the urban and the farming district has had an impact on the number of learners at the school and hence, to a degree, the economy of the town. In addition, the aging white population and the reduced number of children per family that one usually finds in the middle-class white family has also played a role in the natural decline in the number of school going learners (Harsch, 2001). All these activities have led to a significant change on the retail patterns and the economic structure of the small towns. Graaff-Reinet has also felt the effects of these factors but in a positive way, being fortunate enough in that they have been able to draw many of the learners that otherwise would have gone to Aberdeen and Pearston, which independently adds an interesting dimension to trends in these towns.

Graaff-Reinet, unlike the other three towns, has had further distinct advantages from an educational point of view. The educational facilities of the town have definitely acted as an incentive, attracting people and hence purchasing power. The two former Model C high schools (Volkskool and Union High) have increasingly attracted students from an extensive rural hinterland. They also host an array of major sports festivals (senior cricket festivals and rugby/hockey festivals) and an "inter-schools", which brings a significant

number of people into the town for the duration of the activities. The Teachers Training College was a major asset for the town and was closed in 1986. Subsequently, A South African Police Academy has been opened in Graaff-Reinet as well as The South African Hospitality College. Good educational facilities definitely represent a pull factor enticing people into Graaff-Reinet and represent a major asset to the current residents who live in the town as well as increasing the service sector jobs and increasing the money circulation in the local economy.

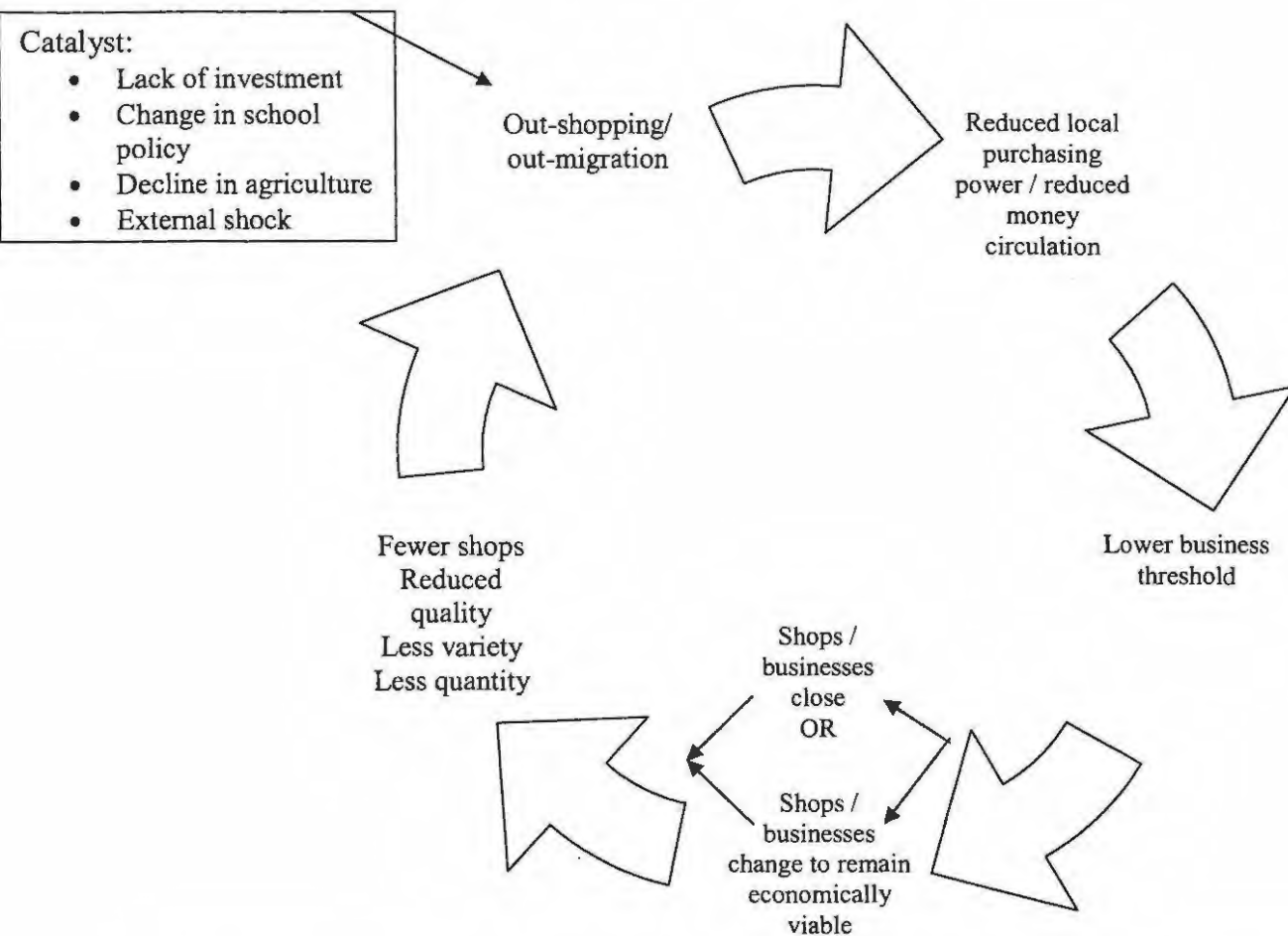
### **5.7.6 Out-Migration**

The out-migration of the skilled labour force or the entrepreneurial class has major repercussions on the small towns and their economies and is a common trend in all four of these small towns according to the local IDPs of the separate local municipalities (Blue Crane Route Municipality's IDP, 2007/08-2011/12 and Camdeboo Municipality's IDP, 2007/08-2011/12). When white people move out of the urban area or from the farms, it usually means that there is a withdrawal of financial capital, purchasing power and employment opportunities. It is apparent that there has been a significant exodus of the white skilled labour force out of the towns and from the farming district. Graaff-Reinet and Somerset East have not felt this as severely as Pearston and Aberdeen, but the trend is still prevalent, especially amongst the youth.

### **5.7.7 Synthesis: Small Town Changes**

There are many factors over time, both internal and external, that cause economic changes in small towns. Agriculture, education facilities and rural / urban migration are three aspects that were considered in this chapter and that were identified as having a major impact on the small town economies within the study area. Investment is considered a positive attribute to small town economic development; however differentiation has to be made between private and state investment, as there are divergent ramifications.

The diagram below (Figure 5.18) summarizes the economic decline that these small towns have experienced over time and it is important to place this cycle in the context of the contemporary challenges and trends that Aberdeen and Pearston and their farming hinterland face. This topic will be reintroduced and further explored in the discussion chapter of this thesis.



**Figure 5.18:** Cycle illustrating the potential downward spiral of a small town economy

## 5.8 Contemporary challenges

### 5.8.1 Introduction

It has become clear that major demographic and economic changes have taken place in and around the small towns in the study area and what has become apparent is that the allegation of small town population loss is unfounded. What is evident, from the research that has been undertaken for this thesis, is that there has been a loss of skills, economic functions and purchasing power in towns such as Pearston and Aberdeen. It is important to recognize that significant changes have occurred, that the structure and the function of the small towns has transformed and to also acknowledge that the development patterns have not been uniform. Uneven development is a central concept in this study and it is imperative to acknowledge that the selected small towns in this study have transformed in different ways. However, though they have transformed differently, they do share many similarities with regards to the challenges they face and the associated vulnerability of their people and their economy. The information in this section was derived from

interviews with the development facilitators in each local municipality, as well as from documentary analysis of the municipalities IDPs. Some of the challenges that these small towns face will now be examined and are summarised in Table 5.8.

**Table 5.8:** Small town challenges and the associated economic outcomes

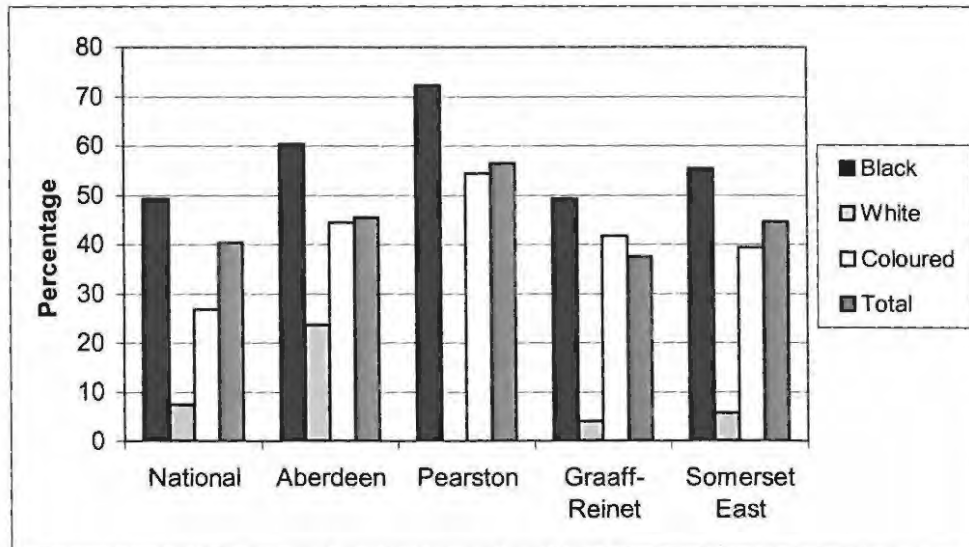
<b>CHALLENGES</b>	<b>EFFECT</b>
Severe unemployment	Increase in the ratio between the higher and lower income groups
Absolute increase in the population	The population is growing at a faster rate than which the local economy can keep up with
Low level of economic welfare	Scarcity of local development capital Dependence on social welfare grants
Out-migration of skilled work-force: Narrow skills / education base	Negative effect on the market potential of the town
Inability to attract significant volumes of economic investment	Low volume of economic activity Lack / insufficiency of economic diversification
Decline in the number of farmers	Less economic purchasing power Reduced farm labourers
High prevalence of HIV/Aids	Adversely affecting productivity
Reliance on state welfare	Social intervention does not lead to poverty eradication

**Source:** Blue Crane Route Municipality's IDP (2007/08-2011/2012); Camdeboo Municipality's IDP (2007/08-2011/12); Beach (pers. comm., 2006); Fouché (pers. comm., 2006); Knott-Craig (pers. comm., 2006); Matanga (pers. comm., 2006); Smith (pers. comm., 2006); Tesani (pers. comm., 2006)

### **5.8.2 Unemployment**

In all four of the towns, the population is growing at a faster rate than that which the economy can keep up with and, as a result, one of the biggest and probably most challenging issues that these small towns have to deal with is the issue of unemployment (Fouché, pers. comm., 2006; Tesani, pers. comm., 2006). There are major implications revolving around the high levels of unemployment in the towns. Like most small towns

in South Africa, there is a high dependency ratio of the unemployed on the employed people. Figure 5.19 indicates the percentage of unemployment in the three towns (2004) compared to national averages. The statistics show that unemployment is severe in these four towns and that the unemployment figures of the black and coloured population exceed the national unemployment rates.

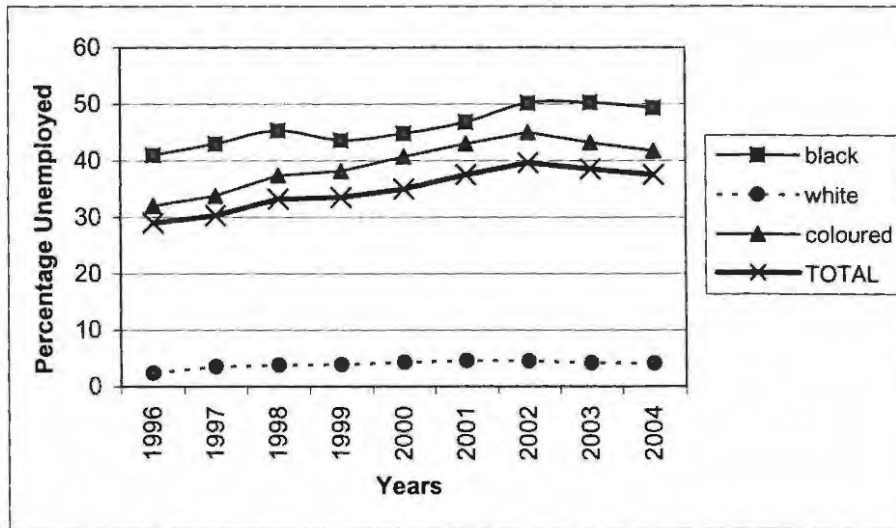


**Figure 5.19:** Percentage of unemployment (unofficial definition <sup>3</sup>) in each town compared to the national figures (2004)

**Source:** Global Insight: Southern Africa (2004)

Graaff-Reinet has shown lower unemployment figures compared to the other three towns, and lower or equal unemployment percentages in comparison with the national figures (except the coloured populations, which is higher). Figure 5.20 plots the percentage rate of the unemployed in Graaff-Reinet from 1996 to 2004 and indicates that, in general, unemployment was on the increase until 2002. The slight decrease since 2002 in unemployment could mean that the local economy has expanded slightly to accommodate more employment opportunities. The average figure used, which represents the total unemployment for the town, can be considered skewed because of the low unemployment rate amongst the white population and the high unemployment rate of the coloured and particularly the black population.

<sup>3</sup> Official definition of unemployment: Persons aged 15-65 who did not have a job or business in the seven days prior to the survey interview but had looked for work or taken steps to start a business in the four weeks prior to the survey and were available to take up work within two weeks of the interview. Unofficial definition of unemployment: Person between the 15-65 who is able and willing to work, but is not employed. (Stats SA, 2007)



**Figure 5.20:** The unemployment rate expressed in percentage of the various racial groups in Graaff-Reinet between 1996 and 2004

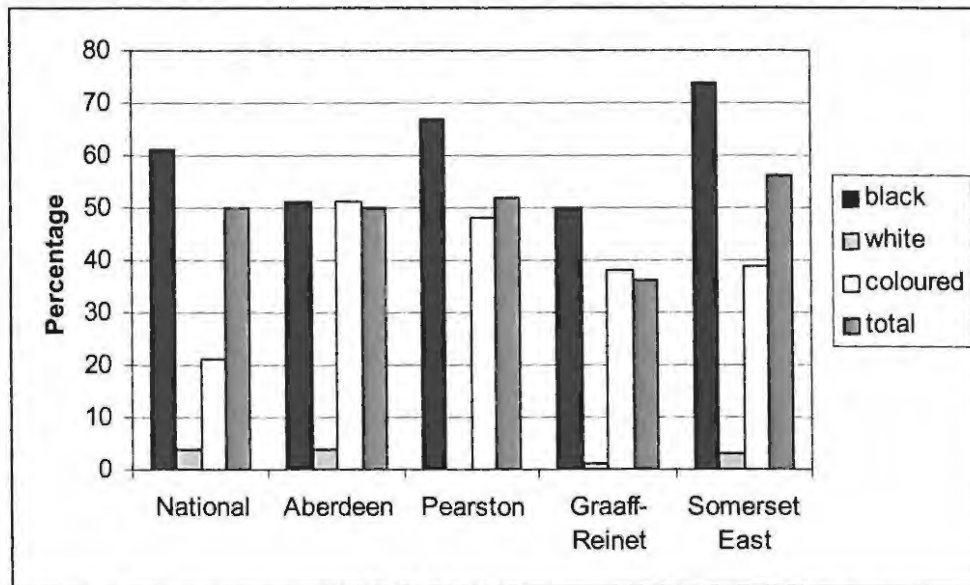
**Source:** Global Insight: Southern Africa (2004)

### 5.8.3 Poverty levels

As a direct result of the relatively high unemployment figures in these towns, the associated poverty levels have also been recorded as being high (Poverty level as measured by the UN-standard of less than one US-dollar per day). Unemployment has significant economic and social costs for individuals and households, as well as for society at large. Unemployment and the inability to earn a regular income are closely related to why people end up in poverty.

As Figure 5.21 indicates, Somerset East had the highest total percentage of people living in poverty in 2004. Aberdeen had a relatively high poverty rate amongst the white people, which correlates with the unemployment figures amongst the whites in the town. The percentage of coloureds living in poverty was comparatively high with all four towns exceeding the national average. This research does not explore the structural elements of poverty, however, it is noteworthy that the coloured poverty figures for all four towns significantly exceeds the national average. Engelbrecht (pers. comm., 2007) acknowledged that this is a problem and that coloured people continue to be the most marginalised racial group. The total number of people living in poverty was on par with the national figures, besides for Graaff-Reinet that indicates a 36% level of poverty. It is acknowledged that Graaff-Reinet's poverty statistics are considerably lower than the

other towns as well as the national average showing that the town is relatively healthier economically.



**Figure 5.21:** The percentage of people living in poverty (2004)  
**Source:** Global Insight: Southern Africa (2004)

#### 5.8.4 HIV/AIDS

Closely associated with poverty and undesirable socio-economic conditions is the challenge that these small towns face regarding the HIV/AIDS pandemic. Although town-specific statistics are unavailable, according to the Cacadu District Municipality (2006), the number of AIDS related deaths amounted to 32,6% of the deaths in the Cacadu District in 2001. It is obvious from these statistics and according to Engelbregt (2007) that this disease is a challenge and should be considered as a top priority for development planning and strategy intervention. HIV/AIDS and the related negative implications do not just affect families but also the workforce and productivity. A special HIV/AIDS unit, with a doctor and nurses concentrating solely on Aids patients, has recently been opened in Graaff-Reinet, which once again, shows the centrality of Graaff-Reinet.

#### 5.8.5 Lack of Investment

Investment into any small town is deemed imperative for economic sustainability (Smith, pers. comm., 2007). Industrial, housing, agricultural and business investments all promote economic growth and increase the money circulating in the town and rural hinterland. From an economic perspective, it is critical to understand why there is little,

or no, investment taking place in some of these small towns, especially Pearston and Aberdeen. It appears that the decline of the attractiveness of the towns to investors has had major negative multipliers on the town's economy as a whole. Graaff-Reinet and Somerset East have been investigated more extensively and it is evident that major investment (industry, housing and new businesses) has already taken place, and this continues to have a multiplier effect. Investment from the Government, however, has increased within all these towns with regard to increased welfare grants, social spending and social investment, which accounts for the new clinics, social services and, to a degree, public works. As a result, this government expenditure and social welfare support has become a critical lifeline to the remaining residents of these towns, where there is chronic unemployment and dependence on social grants (Engelbrecht, pers. comm., 2007; Matanga, pers comm., 2007). To a point, this government investment staves off total economic collapse, despite economic decline and as a result artificial / dependent centers are created. This is particularly evident in Pearston and to a degree Aberdeen.

Investment is considered from two different contexts. Firstly, government investment is considered to be a form of social investment that should, in theory, integrate the development potential and developmental needs of small town communities and economies. Secondly, private investment is recognised as being more sustainable and potentially promoting substantial economic development. The challenge however, is to leverage private investment and become less dependent on social investment.

The lack of employment and associated poverty levels are directly related to the limited employment capacity of a town's economy. The inability of these towns to attract significant volumes of private economic investment in the form of industrial capital has facilitated a low volume of economic activity and the high levels of unemployment are perpetuated. Despite this need, the local economies, especially in the form of industrial capital investment of these towns, are not growing in relation to the increase in the population and hence there are major problems regarding unemployment.

The increase in public spending, as a result, has become the lifeline to the towns of Pearston and Aberdeen as well as too many individuals in all four of the towns. The social grant system has been extended and improved, with the result that larger proportions of the poor population receive welfare grants (old age pension, child grant,

disability grant). From a social intervention perspective, welfare grants are incredibly important in trying to cope with adverse poverty. However, the challenge exists in trying to substitute social intervention with sustainable poverty eradication strategies as grants promote the 'survival' of small towns and probably keep the poor in them.

## **5.9 Conclusion**

This chapter has served to provide an overview of small towns with regard to their changing demographic and economic characteristics. It was emphasised that each town has unique characteristics and hence they have developed differently in terms of their 'growth and decline'. What has been revealed is that all four of the towns have experienced increased population growth particularly amongst the black and coloured populations, while the white population has decreased (in Aberdeen and particularly in Pearston) and remained relatively stable in Graaff-Reinet and Somerset East. At the same time the economies of these towns have changed considerably both in the functions and quantity of businesses. Pearston's economy is in a totally retrogressive state while Graaff-Reinet continues to grow. Aberdeen's business profile has remained constant in terms of the number of businesses but the type of businesses has changed considerably. Furthermore, Aberdeen and Pearston can be considered 'welfare towns' as Matanga (pers. comm., 2007) stressed, unemployment is rife, poverty is abundant and basically the only source of income that the majority of the local residents have is from welfare grants from the state. In Somerset East the number of businesses has remained relatively stable; however expansion has taken place within the large industries.

Evidence suggests that changes are visible both in the demographic and economic features of the town and that these changes have been spurred on by a multitude of factors, both from a local and much wider independent forces. It is noticeable that these small towns share many of the same trends (changes in the agricultural sector, decline in the rural population and increase in the number of urban inhabitants, changes in the education structures and out-migration of skilled labour) and are faced with many similar challenges despite being inherently different and far from being economically, demographically and physically homogenous. These small towns in the study area were originally established to service the farming community in the immediate hinterland, and the changes in the farming communities have definitely, amongst other factors,

influenced the economic development of the towns and aided the alteration of the traditional functions and focus of these small towns.

It is clear that these small towns face a number of challenges of which the high unemployment, adverse poverty and HIV/AIDS epidemic are of the biggest concern. Unemployment appears to be one of the most severe challenges, which is a result of the lack of economic diversification and substantial employment in the industrial sector. This severe unemployment traps many people in a poverty cycle and is exacerbated by the absolute increase in the population, which is not matched by a similar growth in the economy. The following chapter will investigate how these small towns are responding to the changes and challenges that they face and try to ascertain whether LED is in fact making a meaningful difference in the town.

## **CHAPTER SIX**

### **LOCAL ECONOMIC DEVELOPMENT IN SMALL TOWNS IN THE RESEARCH STUDY AREA**

#### **6.1 Introduction**

In the previous chapter the major trends and changes that the towns in the study area have undergone and the contemporary challenges that they face were presented. This chapter aims to investigate how these small towns are responding to these changes and challenges including through the implementation of appropriate LED strategies. LED is mandatory for South African municipalities to implement and a lot of emphasis has been placed on it in recent years to help rectify economic problems and to facilitate and harness economic growth opportunities (Rogerson, 2006; Cheru 2001).

This chapter will start by briefly reintroducing the concept of LED before attention is turned to the Camdeboo Municipality's developmental focus and the associated development initiatives that are currently taking place in Graaff-Reinet such as the Irhafu Block Brickmakers, the New Horizons Sewing Cooperative, the Agave processing SME, The Aloe Project and the promotion of tourism in the town. LED in Aberdeen will then be looked at in the context of developmental issues and challenges. The focus will then shift to the Blue Crane Route Municipality, where Pearston will be considered from a LED perspective. Finally the broad spectrum of LED strategies pursued in Somerset East will be presented. The challenges that LED practitioners face in terms of implementing sustainable initiatives will be briefly considered before the chapter is concluded.

#### **6.2 Local Economic Development**

According to the South African Constitution (1996: Section 153), "a municipality must structure and manage administration, budgeting and planning processes to give priority to the basic needs of the community, and to promote the social and economic development of a community". Although local government is not directly responsible for creating jobs, "it [local government] is responsible for taking active steps to ensure that the overall economic and social conditions of the locality are conducive to the creation of employment opportunities" (White paper on Local Government, 1998: no page specified). Consequently, local municipalities are required to play an active role in LED. However, what one normally finds is an individual or a cluster of people who are very

active in development initiatives and who thus take on the leadership role. These people, according to Wong (1998) usually play a dynamic role in the facilitation and promotion of development initiatives. This chapter serves to identify whether these small towns' experience of LED matches the conceptual ideal.

At this point it is appropriate to differentiate between social intervention and LED. It has come to the attention of some development facilitators in the study area (Engelbreght, pers. comm., 2007; Fouché, pers. comm., 2007; Matanga, pers. comm., 2007) that temporary and short-term interventions that bring benefits to the community should alleviate poverty while LED, on the other hand, should have long term goals and produce sustainable benefits to the community in the form of poverty eradication. Both characteristically short-term social interventions and LED are deemed necessary, however this study does not focus on social intervention and will look exclusively at the LED activities that are taking place in the small towns in this study area to try to understand whether developmental progress is being made, and to assess the benefits and to identify the constraining factors

The next section of the chapter will look at LED from both the 'micro' level whereby basic skills and employment are encouraged to promoting large-scale initiatives that focuses on the 'macro' town economy.

### **6.3 LED in the Camdeboo Municipality**

The Cacadu District Municipality (2006) classified the Camdeboo Municipality as one, with "low capacity". There are a certain number of constraints regarding the municipality's capacity, finance and the ability to facilitate local development. Although more detail will be paid to the subject of LED challenges, it is worth noting at this point that one of the biggest challenges hindering municipal development potential in the Camdeboo Municipality is the fact that there is only one person staffing the combined function post of IDP and LED and there are no sub-structures or other LED related staff members (Fouché, pers. comm., 2007).

It appears that the Camdeboo Municipality does not have a specific LED policy, however, in their Integrated Development Plan (IDP) (2007/08 - 2011/12), the following

focus areas have been identified and they are ranked according to priority levels, as provided by the local municipality (Refer to Table 6.1).

**Table 6.1:** Development objectives and strategies in the Camdeboo Municipality

Priority	Focus Area(s)	Objective	Strategies
1	Job Creation	Increase opportunities for long term employment: result in systematic eradication of poverty and improved livelihoods	Promote and support establishment of Small Medium and Micro Enterprises (SMME) with emphasis on Black Economic Empowerment (BEE)
2	Black Empowerment	Create opportunities for the previously marginalized to develop as entrepreneurs	Improve land accessibility
3	Small Enterprise and Industrial Development	Create opportunities for the establishment, expansion and retention of SMMEs	Encourage training and development of higher education and advanced skills
4	Skills Development	To create opportunities for the workforce to develop skills and qualifications on a higher level	Formulate and implement a policy to support new business and encourage investment

**Source:** Camdeboo Municipality's IDP (2007/08-2011/12)

The Camdeboo local municipality has identified the importance of promoting LED by creating an enabling environment through investing in good infrastructure (new as well as maintaining and upgrading the old), ensuring that a high standard of services (water, electricity, health care, etc.) is rendered to all areas and that sufficient land is allocated for enterprise and industrial development. Economic drivers in the form of activities, projects or programmes have been identified, according to the IDP (2007/08-2011/12), as falling into the following categories: tourism, agriculture, agri-processing, aqua-culture, manufacturing and mining. However, it is acknowledged by Fouché (pers. comm., 2007) and Knott-Craig (pers. comm., 2007) that LED, in theory, is vastly different from LED in practice and that the main constraint facing economic growth in the Camdeboo Municipality is the shortage of water, followed by the lack of public road and rail transport and skills (advanced and entrepreneurial). It is within this context of a “low capacity municipality” that this research seeks to ascertain whether the above-mentioned

objectives in the focus areas are being achieved through the various strategies. Ultimately this chapter seeks to examine the realism of LED in these small towns.

### 6.3.1 Local Economic Development in Graaff-Reinet

#### 6.3.1.1 Introduction

There are a number of LED initiatives currently being pursued in Graaff-Reinet by various sectors of society (Refer to the *Key Driver* column in Table 6.2). These initiatives are at varying progress stages as some are in implementation stage while others are still in the planning phase, and have different development foci and involve different levels of partnerships.

The following subsections will go into detail describing the initiatives, by introducing the main characteristics, the current status of initiatives and the contemporary challenges.

**Table 6.2: LED initiatives in Graaff-Reinet**

<b>Project</b>	<b>Focus</b>	<b>Key Driver</b>	<b>Funds</b>	<b>Other Role Players</b>
Irhafu Block Brickmakers (2003)	Make and sell building blocks	Community members	Provincial Government (REDZ programme)	Local government
Hew Horizons Sewing Co-operative (1999)	Large and small scale sewing orders	Community members	Dept of Labour (predominant)	Department of Health, Social Development, local government, ECDC, Rolls Royce
<i>Agave Americana</i> Processing SME (planning since 2004)	Agave bio-produces, Fibre and Paper-making	Private Sector: <i>Agave Distillers</i>	ECDC	CSIR, local government, ECDC, Cacadu District Municipality, Brazilian Natural Fibre Industries Association
The Aloe Project (planning since 2005)	Tap the sap from Aloe plants	Ikhala Lemvelo Trading and Zikhuliseni Rhafu Development Trust	Kellog Foundation	Department of Agriculture, local government, University of Fort Hare, Commercial Farmers
Tourism (on-going)	Promote Tourism	The Publicity Association	Local Municipality	Product owners, Tourism Body

Source: Data Collected, Graaff-Reinet, 2007

What is evident is that the Local Government is not driving any of these main projects and there are many other key actors and role players involved in local development in Graaff-Reinet. This lays the basis to question how the local government intends to achieve the development objectives as stipulated in their IDP (Refer to Table 6.1), if they are not directly involved in development initiatives.

### **6.3.1.2 Irhafu Block Brickmakers**

#### ***Introduction***

The Irhafu Block Brickmakers is registered as a Closed Corporation (CC) that manufactures and sells building blocks to the public. This community driven initiative, financed by the provincial government and facilitated by the local government was set up in an attempt to support the disadvantaged community by fighting unemployment and providing skills development. Irhafu Block Brickmakers is, in theory, a typical LED initiative that should serve to promote economic development at a local level; however, the numerous challenges that exist hinder the success rate of the project. In this section, the history, finances, current position and challenges of the Irhafu Block Brickmakers initiative will be presented and critiqued.

#### ***History and Finances***

According to the Camdeboo local municipality's LED officer (Fouché, pers. comm., 2007) in 2002 concerned members of the community and the town's council realized the extent of unemployment and lack of skills and job opportunities in the town and they decided to investigate means and ways of addressing the afore-mentioned challenges. Subsequently, the idea for the Block Brickmakers was established and the process of applying for money for the project started in 2003. At the time, Graaff-Reinet was experiencing a building boom and local brick and block suppliers were not able to keep up with the demand. The LED Portfolio Councillor at the time, Mr du Plessis, assisted these community members in compiling a Business Plan, which was submitted to the Provincial Department of Local Government, Housing and Traditional Affairs. According to du Plessis (pers. comm., 2006) this application was approved during 2004 and funded in terms of the Department's Rural Economic Development Zone (REDZ) programme. A sum of R563 000 was allocated towards the acquisition and installation of infrastructure and operational requirements. The money was paid in two instalments with the first one being in October 2004 and the balance paid early in 2006.

Originally 14 direct beneficiaries were listed in the 2003 Business Plan. However, due to the delay in obtaining the funding and getting the project started however, eight beneficiaries withdrew. By the time the project got underway during the latter half of 2005, only six of the original beneficiaries remained. According to the remaining beneficiaries (*Irhafu Blockmakers* Beneficiaries, pers. comm., 2007), some of the people were getting impatient waiting for the next step to take place, while others were just not prepared to commit their time and energy into a project that potentially would be a failure. The project has since been urged to bring more beneficiaries into the project, especially those with skills and experience, however this has failed to happen. Subsequently another beneficiary has withdrawn, leaving only five of the original fourteen beneficiaries (Fouché, pers. comm., 2007). Only a few additional general workers have been employed on an irregular part-time and temporary basis.

Slowly but surely nine of the original fourteen beneficiaries removed themselves from the project, which signifies that a problem had incurred. On one hand it is understandable that people get despondent and disillusioned, however, on the other hand, maybe the lack of commitment of some of the beneficiaries is worth taking note of and can be identified as an initial obstacle which has to be over come.

#### ***Current Position and Challenges***

It is difficult to comment on the operational aspect of the business because of the poor state of their business affairs (i.e. how many bricks are made, who they sell to, their profits, business growth, etc.) (*Irhafu Blockmakers* Beneficiaries, pers comm., 2007). However, it is evident that from an operational perspective, the company is functioning and currently manufacturing blocks for the local construction industry, although, the market and the number of blocks sold remain very erratic. As a result the demand for their product is irregular, which adds an element of uncertainty. Furthermore, due to the lack of financial training, the company at times undercuts themselves in order to provide the blocks at a cheaper price than their competitors, despite the fact that a loss is incurred. These and other challenges were made very clear by the beneficiaries and the results are classified below in Table 6.3.

**Table 6.3: Contemporary Challenges**

<b>Beneficiary Base</b>	Insufficient training amongst the workers and beneficiaries Employing workers with a fixed monthly income is difficult Broadening the beneficiary base has been unsuccessful
<b>Marketing</b>	Insufficient capacity for substantial marketing
<b>Management</b>	Business implementation management unsuccessful Inability to resolve internal conflicts
<b>Skills training</b>	Lack of entrepreneurial skills Lack of financial skills
<b>Operational constraints</b>	Operational problems and inability to overcome these challenges Not operating at full capacity
<b>Municipality</b>	The false and unrealistic expectation that the municipality should be directly involved with the implementation and management of the project
<b>External links</b>	Links between the project and the Department of Labour as well as Small Enterprise Development Agency (SEDA) and other organizations have been created, although the project committee has not pursued these opportunities

**Source:** Fouché, pers. comm., (2007); Irhafu Block Brickmakers Beneficiaries, pers. comm., (2007)

### 6.3.1.3 New Horizon Sewing Co-operative

#### *Introduction*

The New Horizon Sewing Co-operative, according to Fouché (pers. comm., 2007) is currently the most prominent community development project in Graaff-Reinet and has dramatically increased over the years, both with regards to their customer base as well as the number of ladies involved. The sewing co-operative, which originated as a community initiative, set out to train and employ ladies who would otherwise be unemployed. Originally, Hannah Makoba worked from home, sewing relatively small orders for various organisations and individuals. Some woman then approached her and asked her to expand her business, by training and employing them. In May 1999 the co-operative was started. Currently, the sewing co-operative employs nine ladies, who were previously unemployed. They work together and make tracksuits and school uniforms for eleven schools in the district as well as meeting private orders (Makoba, pers. comm., 2007). Information for this section was gathered primarily from an interview that took place with Hannah Makoba and from the Camdeboo IDP / LED coordinator.

### *Assistance*

The New Horizon Sewing Co-operative has been fortunate in that they have received and continue to receive substantial assistance and support, in various forms, from a number of contributors. The local municipality has played a role in the development of the New Horizons Sewing co-operative (Refer to Table 6.1) and lists it as an LED project in their IDP. However, while the municipality has contributed to the co-operative's success, their contribution has been restricted mainly to an indirect supportive role, rather than an extensive direct approach. Up until now they have received assistance from the various government departments and organisations as depicted in Table 6.4 below.

**Table 6.4:** Assistance received by New Horizons Sewing co-operative

<b>Contributor</b>	<b>Assistance Received</b>
Department of Health	5 sewing machines
Social Development	Office equipment
Rolls Royce	Embroidery machine
Local municipality	Promoted skills development and training Provision of land
ECDC	Workshop on exporting goods
Department of Labour	Financial assistance (R83 800)

**Source:** Makoba (pers. comm., 2007)

### *Challenges*

Despite the fact that significant progress has been made over the years, and the sewing co-operative has grown, there are still major challenges that they face in terms of business management, marketing, finances and expansion (Fouché, pers. comm., 2007 and Makoba, pers. comm., 2007) These challenges are summarised and presented in Table 6.5.

**Table 6.5:** The main challenges facing New Horizons Sewing co-operative

<b>Capacity</b>	Not operating at full capacity as not all the machines are being occupied
<b>Co-operative status</b>	Many companies want to deal with businesses that have a VAT number

<b>Training</b>	Woman are put off by the 3 months of unpaid training needed to join
<b>Income</b>	There is no fixed income. Wages depend on business transactions during the month
<b>Business skills</b>	Lack of business acumen Insufficient financial training
<b>Roles in the co-operative</b>	Lack of desire to want to run the business and have the responsibilities. Ladies just want a job with a monthly wage
<b>Business objectives</b>	If New Horizons offers a service, they have to be able to guarantee the successful output of the product
<b>Quality</b>	There has to be a strong focus on quality control

Source: Makoba (pers. comm., 2007)

#### 6.3.1.4 *Agave Americana* Processing SME

##### *Introduction*

This dual-level initiative is based on developing the local economy by mobilising investment into the area (developing small and medium sized enterprises), while at the same time providing long-term employment to the poor community. The *Agave Americana* (AA), which grows in the arid Karoo, is known mainly for its use in producing an alcoholic beverage similar to *Tequila*, manufactured by Agave Distillers located in Graaff-Reinet. However, through investigations and conceptual designs initiated by the Managing Director of Agave Distillers (Roy McLachlan) it was ascertained that an additional value lies in the leaves of the plant, which contain fibres, and that can be easily extracted and used for the production of technical textiles and papermaking according to Boguslabsky (pers. comm., 2007). The plant also contains up to 25% of inulin, which is used in the food and pharmaceutical industries. According to Knott-Craig (pers. comm., 2007) extensive research conducted by the Council of Scientific and Industrial Research (CSIR) explored the value-adding opportunities of the plant and the initiative is aptly referred to as the Agave Bio-products, Fibre and Papermaking Initiative. The initiative, which is still in its organisational and planning stages, is deemed very important both for the local economy and for subsistence communities (McLachlan, pers comm., 2007). Furthermore as Maqetuka (pers. comm., 2007) explained, the demand of the local industry for plant fibre is much higher than the current supply and thus the focus of the initiative will be on large-scale fibre production and processing, which is the most viable option for establishing agro-processing facilities in the Karoo area.

### *General Overview*

According to the CSIR: Business Plan (2007) for the products, the proposed development activity endeavours to develop a model to commercialise the AA fibre based products, with the main purposes being:

- Generating long term sustainable employment in a poverty stricken area
- Promoting local economic growth and development in Graaff-Reinet, and subsequently in the Great Karoo
- Develop small and medium sized enterprises
- Mobilising investment in the area

The commercialisation model includes the allocation of land owned by the state (Camdeboo Municipality) to the AA project and the establishment of a Workers Trust, which is governed by a Trust Deed (Fouché, pers. comm., 2007). The Trust will control the business activity of an AA agro-processing complex located at the Agave Distillers' premises (McLachlan, pers. comm., 2007). As the CSIR: Business Plan (2007) described, the complex will comprise four sections, namely, AA plant cultivation, AA fibre extraction, papermaking and entrepreneurs sub-subcontracted for manufacturing AA based paper products. The Trust will appoint a manager for the complex who will be responsible for the co-ordination of SME activities, marketing and sales.

### *Partnerships*

The local municipality supports the Agave Initiative according to Fouché, (pers. comm., 2007), as it aims to create opportunities for the establishment of Small Medium and Micro Enterprises (SMME) with an emphasis on Black Economic Empowerment (BEE). Three units of the CSIR – Materials Science and Manufacturing, Biosciences and Natural Resources and Environment, conducted a series of multi-disciplinary studies and based on the extensive research by the CSIR this has pointed the way forward as to how the waste of the plant can be processed into paper and bio-products. Table 6.6 indicates the numerous organisational partnerships and their contributions towards this development initiative.

**Table 6.6:** Agave Americana Processing Small Micro Enterprises (SME): The contributions made by those involved

<b>Provider</b>	<b>Contributions</b>
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CSIR	Extensive research  Developed the business plan
Local Municipality	Will facilitate the establishment of a Development Trust that will be the driver and co-ordinator of the Agave Initiative's activities.  Has made some commonage land available for this initiative, as the project will require mass cultivation of the plant
Eastern Cape Development Corporation (ECDC)	Provided funds to develop a business plan
Brazilian Natural Fibre Industries Association	Links have been developing with leading Brazilian specialists companies and organisations. This has resulted in an agreement on cooperation between the CSIR and the Brazilian specialist companies
Cacadu District Municipality	Entered into partnership with the CSIR to explore further opportunities in the beneficiation of animal and plant fibres, which will help position the Cacadu district as the Eastern Cape's hub for natural fibres.  Currently busy with establishing a Fibre Hub, under whose auspices the cultivation and processing of Agave, Aloe and other fibrous plants, as well as wool and mohair will be done in a co-ordinated manner throughout the district.
Agave Distillers	Private company that led this process since 2004, when McLachlan (managing director of Agave Distillers) first approached the ECDC

**Source:** Boguslavsky (pers. comm., 2007); Fouché (pers. comm., 2007); Knott-Craig (pers. comm., 2007); McLachlan, (pers. comm., 2007)

### ***Employment Creation***

One of the main objectives of this development initiative, according to the CSIR: Business Plan (2007) and McLachlan, pers. comm. (2007) is the considerable employment creation opportunities that the feasibility study highlighted. Part of the study ascertained that there would be considerable potential for job creation in the Great Karoo and particularly in Graaff-Reinet, where this plant already occurs in abundance. In the future, the plant will also be obtained from establishment of community based SMEs for commercialising the AA products. The pilot phase, which is the first complex, will comprise agricultural, fibre extraction and paper making SMEs in Graaff-Reinet (CSIR: Business Plan, 2007). This phase is to be launched in 2008 will employ up to 36 people and an additional 70 jobs will be created once the initiative is fully operational, in phase two (McLachlan, pers. comm., 2007). The Business Plan for the AA processing SME,

revealed that during the third phase, the agri-processing complexes will expand their business operation into production of fructans from AA pinas and leaves. Additionally, according to Boguslavsky (pers. comm., 2007), the full-scale commercialisation of the agave plant throughout the Cacadu district and further afield will hopefully create hundreds of jobs, primarily, in the agricultural sector, for low skilled members of subsistence communities.

#### **6.3.1.5 The Aloe Project**

##### ***Introduction***

The Aloe Project, while presented in the Camdeboo Municipality's IDP, is predominately a private initiative with relatively small municipal input. Mr Magqwalisa the Cacadu District Municipality's local development manager, Mr Maqetuka who is the founder and chairperson of the board for Living Aloe and Mr Smith (the director of the Zikhulseni Rhafu Development Trusts) provided the information regarding this project. The *Aloe Ferox* plant, commonly found in the Eastern Cape, has presented a business opportunity for the Graaff-Reinet community. A business enterprise, *Living Aloe*, which is a consortium composed of the wholly black-owned Ikhala Lemvelo Trading together with strategic partners is spearheading an initiative that will launch 15 products in the aloe cosmetic range in 2008 and will potentially create 200 employment opportunities (Maqetuka, pers. comm., 2007). Ikhala Lemvelo Trading, with a 60 per cent stake in the venture, has partnered with Zikhuliseni Rhafu Development Trust, a non-profit organisation based in Graaff-Reinet, which holds the remaining 40 per cent shares in the venture. This large-scale project includes building a factory that will process Aloe by-products, which will be harvested both on the company's plantations as well as on private commercial farms where their sap will be tapped. According to the newly registered company, *Living Aloe* aims to be the catalyst of a viable commercial aloe industry in the Cacadu District. It aims to contribute and align its business in the framework of the Provincial Growth and Development Plan by putting an emphasis on achieving poverty alleviation in disadvantaged communities (Smith, pers. comm., 2007).

##### ***Partnerships***

Like the Agave processing venture, partnerships have been deemed not only important but an absolute necessity in this initiative (Smith, pers. comm., 2007). Additionally the municipality's role in the Aloe Project is very similar to their involvement in the Agave

Initiative in that its role is indirect and it is not the main driver of the development initiative. The collaborators in the Aloe processing initiative are presented below in Table 6.7.

**Table 6.7:** The Aloe project: contributions made by those involved

<b>Provider</b>	<b>Contributions</b>
Kellogg Foundation	Financial contribution: R1 million
Local Municipality	Allocated a site on Church Street where a factory for the manufacturing of Aloe products will be constructed.  Allocated approximately 120ha of commonage land for the cultivation of Aloe  Facilitated the formation of partnerships with surrounding farmers  The administration of the donor funding by the Kellogg Foundation  Provided a venue for the Aloe Project's Steering Committee meetings
Ikhala Lemvolo Trading	Holds 60% stake in the venture
Zikhuliseni Rhafu Development Trust	Holds 40% stake in the venture
Eastern Cape Department of Agriculture	Funding the establishment of a nursery Advisory capacity
University of Fort Hare: Botany Department	To conduct sample testing from nineteen sites
Commercial Farmers	Memorandum of understanding between <i>Living Aloe</i> and commercial farmers in the area – who will be the source of the aloe ferox – has been drawn up
Neighbouring local municipalities	Agreement has been reached between <i>Living Aloe</i> and Ikwezi and Blue Crane Route Municipalities to set up primary production factories.

**Source:** Fouché, (pers. comm., 2007); Maqetuka (pers. comm., 2007); Smith, pers. comm., 2007)

### 6.3.1.6 Tourism *Introduction*

The Graaff-Reinet community and business sector has acknowledged that it has come to rely more and more on the tourist industry over the past few decades as it appears to be the fastest growing industry in the town (McNaughton, pers. comm., 2007; Will, pers.

comm., 2007). Tourism is categorized as a major LED component in the IDP and is considered to be a major economic driver that is recognized as having the potential to promote local development (Fouché, pers comm., 2007). The local municipality is not directly involved with tourism and the tourism function has been outsourced to the Graaff-Reinet Publicity Association. The Publicity Association is subsidized with an annual amount of R75 000 from the municipality. The Municipality's role, in theory, according to Fouché (pers. comm., 2007) is more focused on product development, for example, identifying tourism potential and resources that can be utilized, such as facilitating the development of project ideas and availing land for the implementation thereof. In addition, two councillors serve on the Tourism Body and represent the interests of the Municipality.

According to Will (pers. comm., 2007) there are no official statistics indicating the increase in the number of tourists in the town, however she pointed out that it is obvious that tourism in Graaff-Reinet has been growing. It was acknowledged by Will (pers. comm., 2007) that there have been an approximately 50% increase in the number of tourism related enquiries in the past ten years at the tourism office and that a substantial number of magazine and newspaper articles have been published on Graaff-Reinet in about the last two years. The fact that there are currently approximately 140 guest houses/ bed and breakfasts in the town and the farming district is a good indicator that the town has the capacity and attractions to cater for many tourists (McNaughten, pers. comm., 2007). Furthermore, other indicators such as the increase number of tourism orientated shops and services in the town and the increase in the organized tourism tours stopping in the town are all good gauges emphasizing the increased of tourism in the town. Between 2002 and 2006, there were six major new tourism orientated businesses that opened, including two local tour operators, two curio and coffee shops, an exclusive internationally marketed guest house and a business which markets and makes reservations for Graaff-Reinet holiday packages (Will, pers. comm., 2007). The survey administered to the six museums (Reinet House, Urquhart House, The Old Library, The Old Residency, Hester Rupert Art Museum and Pierneef) in Graaff-Reinet all indicated that there has been an increase in people visiting the museum in the last ten years (Museum Survey, Data Collected, 2007). Furthermore, officials at the Camdeboo National Park indicated that there has been an eight percent annual increase in the number of guests visiting the park since they opened in October 2005. Lastly, the large

number of people that come into the town for events such as the Harley Davidson Rally has increased over the past six years since it became a national rally.

**Promotion**

Tourism has been increasing, although it appears that it has mostly been through encouragement by local product owners (businesses who rely on tourism) in a private capacity. The promotion, albeit not initiated by the local municipality, is still a form of LED as local residents; stakeholders and development facilitators promote local economic activities by stimulating the local economy through tourism (Will, pers. comm., 2007). The increase in the tourism indicates an increase in the number of people visiting the town and these people contribute to boosting the financial circulation in the town and indirectly create additional employment opportunities. What has to be pointed out is that the promotion of tourism is not necessarily done to boost the community; rather it is for private revenue with the repercussions being that the economy and a few additional individuals are positively affected though increased employment opportunities in the private sector. Table 6.8 below, indicates some of the main tourist attractions in Graaff-Reinet that act as important draw cards to the town.

**Table 6.8:** Tourism attractions in Graaff-Reinet

<b>Inter-schools event</b>	The inter-schools event takes place annually and draws many people into the town
<b>The National Harley Davidson Rally</b>	The Dolphin Rally is the 8 <sup>th</sup> to date and Graaff-Reinet will host the sixth rally Attendance of approximately 2000 people in 2007
<b>Natural Attractions</b>	The Valley of Desolation displays spectacular volcanic rock formations and views of up to 150 kilometers over the eroded Karoo plains that reveal 200 million years of geological history The relatively newly acclaimed Camdeboo National Park
<b>Historical / Cultural</b>	The town hosts over 220 national monuments including the Dutch Reformed Church and the Graaff-Reinet Club Cape Dutch, Karroo and Victorian styles of architecture Museums in the town such as the Reinet House, Pierneef, Hester Rupert Art Museum, the Old Residency, the Old Library Museum and the Urguhart house. Graaff-Reinet is the fourth oldest town in South Africa

<b>Game Hunting</b>	Many international tourists
<b>Agave Distillers</b>	Offer visits, tours and tasting opportunities

Source: Data Collected, Graaff-Reinet, 2007

### 6.3.2 Local Economic Development in Aberdeen

#### 6.3.2.1 Introduction

Aberdeen is the second small town in the Camdeboo Municipality that will be examined in the context of LED initiatives. In terms of the National Spatial Development Plan (NSDP, 2003) a small town like Aberdeen should only be receiving basic services and skills training, as it does not qualify for major investment, unless it can be proved that there is a high potential. The irony is that a small town such as Aberdeen desperately needs investment to promote local development and to encourage economic growth. Exacerbating economic isolation induced by national policy, is the fact that Aberdeen, according to Watermeyer (pers. comm., 2007b), is seen as a subsidiary town to Graaff-Reinet, located in the same local municipality and the local residents feel marginalized and neglected in the realm of development promotion. This was verified by Fouché (pers. comm., 2007) who admitted that the municipality is so under staffed, they don't have the capacity to address Graaff-Reinet's development issues, let alone those of smaller towns in the municipality such as Aberdeen. Although these hindering factors and constraints are evident and acknowledged, the local municipality's development objectives and strategies apply to Aberdeen as well.

#### 6.3.2.2 Provision of Land

According to Fouché (pers. comm., 2007) the municipality has been releasing land to the Regional Agricultural Department, which is used for small-scale, subsistence agricultural activities (Chetu, pers. comm., 2006). Secondly, buildings are been made available for the use of the community sector. The Masiphatisani Community Development Centre that utilizes these buildings for example, is promoting social development by training women in beading and the youth in computer literacy. According to Chetu (pers. comm., 2007) and Engelbrecht (pers. comm., 2007), the Regional Department of Agriculture and Social Development are the main development facilitators in Aberdeen, however, she emphasized that their main focus is on basic needs and they are generally "survivalist" orientated. As a result, it is evident that the local municipality does little besides

releasing municipal land, subject to a formal Lease Agreement whereby a rental must be paid.

### **6.3.2.3 Aloe and Agave Programmes**

The Aloe and Agave programmes, that were introduced earlier in this chapter will have their processing plants in Graaff-Reinet but will eventually extend cultivation, tapping and harvesting to neighbouring districts such as Aberdeen and include cross-boundary activity in other municipalities, such as the Ikwezi Municipality and the Blue Crane Route Municipality. Although it is admitted by Maqetuka (pers. comm., 2007) that the focus is on Graaff-Reinet, it is anticipated that, with time, other small towns and communities will be able to reap the benefits as well. The Cacadu District Municipality is currently busy with establishing a Fibre Hub, under whose auspices the cultivation and processing of Agave, Aloe and other fibrous plants, as well as wool and mohair will be done in a co-ordinated manner throughout the district (Fouché, pers. comm., 2007).

### **6.3.2.4 Tourism**

Both nationally and internationally, tourism has become a high priority on the LED agenda because in well resourced / attractive areas it can be a relatively easy source of income (MacGregor, 2003). Although tourism is not actively pursued in Aberdeen, the local Publicity Association has used its limited resources to promote the town. Aberdeen does not have the luxury of relying on an established tourism sector as Graaff-Reinet does, and it is acknowledged by Watermeyer (pers. comm., 2007b), that tourism in the town is very seasonal. There have been some residents that have opened a coffee shop, an art gallery, an art and crafts shop and Bed and Breakfasts in Aberdeen. However, it is recognized that only a few jobs may be created through these business ventures. As a result tourism is not a major economic sector in the town and is not contributing significantly to the development of the local economy.

## **6.4 LED in the Blue Crane Route Municipality**

### **6.4.1 Introduction**

Broadly, the developmental goals of the Blue Crane Route Municipality (BCRM) as stated in their IDP (2007/08-2011/12) are to promote investor confidence, promote SMMEs to increase employment opportunities, encourage growth of the agricultural and tourism sector and to expand business and infrastructure development. In the local

municipality's most recent IDP, the BCRM recognized some integral development priorities, which should be pursued in order to promote economic development. What is evident is that there are a relatively wide spectrum of development priorities, which incorporate business, agriculture, tourism and institutional arrangements. A number of these development priorities will be looked at in further detail. In the Blue Crane Route Municipality a development agency (Blue Crane Development Agency) acts as the development arm of the local municipality.

#### **6.4.2 The Blue Crane Development Agency**

The BCDA had its genesis not in local government, but rather private action when, inspired by poor prevailing local economic circumstances, three local men (Chris Wilken, Nico Lombard and Rob Beach) initiated and funded a private initiative, which originally operated as a non-funded partnership. This initiative was established with the intention of trying to contribute to the local economic and social development of the town. In 2003, this partnership (Blue Crane Planners and Developers) applied to the Industrial Development Corporation (IDC) for funding to establish a development agency to drive a self compiled Integrated Master Development Plan (IMDP), with the purpose of encouraging economic development in the local municipality. The application was approved in February 2004 and the BCRM then became one of the first municipalities in the Eastern Cape Province to have an IDC funded Development Agency.

The BCDA has been registered as a Section 21 Company and is currently in the process of converting to a service utility (municipal entity) in order to comply with the Municipal Finance Management Act (MFMA) (Act 56 of 2003) (Beach, pers. comm., 2007). The BCDA has aimed to identify and provide a basis for the integration of sustainable levels of local economic development, which will aim to facilitate community, broad economic and human resource development (Tesani, pers. comm., 2006). In terms of the IMDP, various projects were proposed for funding. These projects were then pre-approved by the BCRM and then the IDC approved a selection of the projects for funding. Through these projects the development agency has aimed predominately on the promotion of tourism, business and agriculture. Furthermore, the BCDA has since identified numerous projects, as part of its initiative to generate employment and potentially stimulate tourism and business development, particularly in the Somerset East area. The majority of these projects were proposed in accordance to local opportunities and aimed to take advantages

of local resources, skills and other assets. It was in the context of these broad development objectives that the following initiatives were conceived and to date, some of them initiated.

### **6.4.3 Local Economic Development in Pearston**

#### **6.4.3.1 Pearston Development Node**

This LED initiative is still very much in its infancy and to date, only discussions in the form of a “brainstorming” session, regarding the potential project, has taken place (Wilken, pers. comm., 2007). What is a fundamental factor to consider though is that the Wilderness Foundation, which is a national wildlife conservation organisation, has specified their desire to become a part of the project (Wilken, pers. comm., 2007).

At the discussion forum, held in the latter part of 2007 a number of ideas were presented and at this stage, it appears as if a 2000 – 6000 ha farm will be purchased and marketed as a unique “Plains Game Reserve” and stocked with a great number of typical Karoo animals (Discussion Forum, 2007). The community will manage the farm as a “reserve”. This legal entity is to be constituted as a partnership whereby the community will partner the Wilderness Foundation and NGOs, such as the National Disability Fund. All the partners will contribute to the overall establishment of the project. The Wilderness Foundation will purchase the land, the BCDA will provide funds to establish indoor facilities (the communities’ share) and the NGOs will stock the farm and provide infrastructure (Discussion Forum, 2007). As has already been noted, these are still initial plans, and as such no real comment can be made regarding the initiative except that from an LED perspective it is good to see some form of development proposal being formulated.

The development priorities of the BCRM are extensive and cover a vast array of aspects from business and infrastructure investment confidence to the agricultural and tourism sector. Given the current economic state of the town and the challenges that they are faced with, it is at least optimistic that some focus is being placed on the town, as it appears that no other form of private investment is being channelled into the economy. Unfortunately, this initiative will only start taking place in the future and therefore the actual project and effects on the town will only be able to be assessed in time to come.

## **6.4.4 Local Economic Development in Somerset East**

### **6.4.4.1 Introduction**

The nature of various development initiatives, within the realms of tourism, business and education, will be presented focusing on their objectives, attributes and progress to date. At this point, it must be stressed that some of the development initiatives are still being planned and that only a few are in the implementation phase. In accordance with objective five, each development initiative will then be critiqued in the context of whether the initiative's aims are being met and whether the development priorities of the local municipality are taken into consideration before concluding remarks are presented. Here the town and the development responses from a holistic and objective perspective will be looked at, identifying whether LED can and is making a meaningful difference in the small town's development.

### **6.4.4.2 Agriculture: 'Misty Mountains'**

#### ***Introduction***

As mentioned before, one of the developmental priorities of the BCRM is to encourage growth of the agricultural sector. Furthermore, the BCDA aims to create jobs, alleviate poverty and initiate catalytic projects with related and downstream opportunities. The 'Misty Mountains' (Refer to Appendix Nine) agricultural project pursued by the BCDA, has promoted both the municipal and the development agencies objectives and has to date, been an operational success based on the following criteria.

#### ***Objectives***

The agricultural orientated development initiatives have a broad range of objectives that the project hopes to achieve. The main objectives include the promotion of agriculture, to encourage partnerships with a number of entities (commercial farmers, the development agency, the local municipality, beneficiaries, the IDC, the ECDC and various government departments and to promote managerial, agricultural and financial skills transfer. Ultimately it is anticipated that sustainable employment will be created (Lombard, pers. comm., 2007)

#### ***Intervention and Progress***

The 'Misty Mountains' agriculture development initiative has been in operation since 2004. Money was originally obtained from the IDC, ECDC, the Provincial Department of

Economic Affairs and the Department of Agriculture and was used to initiate the project, which currently involves flower and vegetables tunnel projects, a fruit production project, vegetable seed production, essential oils production and proposed bio-diesel production / alternative energy production, which is hoped to be initiated in the near future (Lombard, pers. comm., 2007). The flowers and other amenities are sold locally or are exported out of the region to shops in Port Elizabeth. Under the supervision of Mr. Lombard from the BCDA, the different stages from the agricultural trials to harvesting and subsequent expansions have been an operational success (Lombard, pers. comm., 2007).

There is a partnership between the commercial farmers (25% shares), the beneficiaries (58% shares goes to the workers trust) and the agency (17% shares). Partnerships have been deemed fundamental in this development initiative with the commercial farmers helping with the skills transfer and the practicalities of the production. Since the operation began in 2004, money has been propelled back into the project for expansion, maintenance and buying new inputs and excess profits will only show at the end of this current financial year (February 2008), with the 11 permanent workers being paid wages up until then (Lombard, pers. comm., 2007). The beneficiaries will only start reaping the real financial rewards when sufficient profits are showing and the initiative is financially stable. Until the time that the beneficiaries have been properly trained, a private bookkeeper is hired to manage the finances. It is recognized that financial management and marketing skills still need to be transferred to the beneficiaries in time to come.

The transfer of skills that has taken place has been a fundamental theme in this development initiative and has continuously taken place. The beneficiaries have been trained extensively and there has been comprehensive research into the project over the years. The BCRM has resisted the temptation to achieve short-term goals (e.g. giving the land and agricultural inputs to the beneficiaries) at the cost of a long-term responsible and sustainable development project.

#### **6.4.4.3 Business: Aviation**

##### ***Introduction***

The consortium of aviation projects that the development agency has been facilitating has the potential to generate significant economic spin offs for Somerset East. This business development venture is divided into three components and it is anticipated that Somerset

East will be exposed to new and unique features in the context of aviation that will facilitate positive influences on many sectors of the small town.

***Objectives***

With regards to the multiple aviation initiatives, a number of objectives have been recognized. The main objectives are presented below in Table 7.9 and further detail will be provided in the sub-section to follow.

**Table 7.9:** Main objectives of the aviation projects

Partnerships	Encourage alliances with tertiary education institutions Promote investment in the town
Education	Introduce new and relatively unique features to the town
Aircraft manufacturing	To ultimately establish a world class aircraft manufacturing facility in South Africa
Employment	Train people with highly developed skills
Attract people	To create an attraction whereby people will move (either temporarily while studying) or full time to Somerset East
Infrastructure	Improve and increase existing aviation infrastructure

**Source:** Beach (pers. comm., 2007)

***Interventions and Progress***

The aviation development initiative is comprised of three main components. The first part consists of upgrading the current airport, which entails the construction and tarring of one new runway, one new grass runway, the building of an airport terminal, new hangers and the fencing around the area (Beach, pers. comm., 2007). These constructions are currently under way and should be completed during March 2008. In the new hangers, imported light sport aircraft kits will be assembled and distributed, by the Italian *Albasera Aircraft Company* that will relocate from Johannesburg in terms of a transaction that was negotiated by the BCDA. The anticipated impacts are: the inflow of money, the skills transfer, employment creation and value added economic project to the airport.

The second component under the aviation venture is the partnership that the development agency currently has with the University of the Witwatersrand. The initiative entails the design of a light sport aeroplane called a “Skywake”, by the aeronautical students, which is already in the advanced design stages. These aeroplanes will be manufactured in

Somerset East and then distributed nationally and internationally. The business will be called *Airspire: "Our Passion, Your Freedom"*. The partnership between the BCDA and the Witwatersrand University Aeronautical Faculty, for the technical aspects, and Wits Enterprise, the University's business division, has been deemed a fundamental and fruitful exercise that validates the effectiveness of dynamic partnerships. In addition to the important partnerships and networking that have and will continue to take place, the creation of jobs and inflow of money into the town are all very important characteristics of the development project.

Lastly, a flying school forms an integral part of the aviation planning. It has been ascertained that having a strategic partnership with air schools could have major benefits for the town and its economy. Various flying schools that have heard about the assorted aeronautical activities in the town have approached the development agency, as it appears that there is a chronic airspace shortage for training in South Africa near the country's big cities where most air schools presently are located (Beach, pers. comm., 2007). It is anticipated that in the time to come, a flying school will expand to offer package deals for people wishing to do their private or commercial aeroplane or helicopter licences. Eventually it is hoped to integrate flying courses into the extra-mural curriculum of the three high schools in Somerset East, to enable them to join the very few schools that currently do so in the country. A deal, in principle, has recently been conducted with a flying academy operator and the project is due to commence in January 2008. It is anticipated that this flying school will offer private, commercial, senior commercial and airline transport pilot training both for fixed wing aeroplane and helicopters. Ultimately, this project is anticipating attracting a number of people to the town and creating a new, vibrant, economic niche in the market.

#### **6.4.4.4 Education**

##### ***Introduction***

Education, as already pointed out in this chapter, is a major concern for the BCRM and currently presents a major challenge to the future of the municipality's community. Education has been recognized as a key element in development as well as serving to promote the utilization of human resources to their full capacity. Poor educational results at school level amongst many of the secondary schools, as a result of a number of reasons, encouraged the development agency to design a strategic intervention that would

fill the educational gap. There are two educational initiatives that the development agency is affiliated with, and they will be looked at in the sub-sections of this chapter.

### *Objectives*

The objectives of the education initiatives are to allow learners, from a variety of schools, access to trained teachers and as a result improve the results in the disciplines of Science, Mathematics and Biology as some of these schools in the local municipality don't have Science and / or Mathematics teachers. Furthermore, emphasis has been placed on the municipality as a whole, especially focusing on the more marginalized schools in Pearston and Cookhouse. Anticipated strategic partnerships are to be fostered and financial resources to be acquired, which will promote the sustainability of the initiative, reducing their vulnerability to failure due to lack of finances. As will be illustrated an additional partnership between the University of Witwatersrand and Gill College has also helped to expose learners to a new and exciting spectrum of engineering and science.

### *Supplementary Education*

It was recognized that the matriculation marks for mathematics, science and biology were relatively poor for the schools in the municipality, due to a number of factors including a shortage of qualified teachers. The poor results in these disciplines encouraged the development agency to take steps to try and rectify the problem. With Jakes Gerwel, who was the former Director General in the office of former President Mandela, as the patron of this initiative, the development agency subsequently implemented a plan and organized for qualified Somerset East teachers (predominantly from Gill College) to teach every Saturday morning for two hours. Busses fetch learners from Pearston and Cookhouse and learners come from various schools in Somerset East to participate in these extra classes.

An interesting factor during this experience has been the acceptance of a neutral venue, one that no school is affiliated to. In the past they tried to host the lessons at one of the schools, but it was not very successful, and so the lessons were moved to an empty building, with chairs and tables being moved there on a weekly basis from the town hall.

The development agency decided to make these lessons a permanent feature and applied for funding. They received funds from the Department of Education, the Institute of

Science and Technology and the Development Bank of Southern Africa to buy relevant materials and furniture, pay for the transport costs and to pay the teachers

### ***Engineering and Science Club***

The BCDA has facilitated the establishment of an Engineering and Science club for Gill College, the former white school in Somerset East. This club has been founded in association with the Engineering Faculty of the Witwatersrand University. The University will partner Gill College with various related projects and will assist the school with information as may be required. One the project has been fine tuned it is planned to replicate the process with the other secondary schools in the district.

#### **6.4.4.5 Tourism: Boschberg Development Node**

##### ***Introduction***

The BCRM identified tourism as an important catalyst for local economic development matching the existing municipal Spatial Development Framework (SDF) recognition of the untapped tourism potential of BCRM. The Boschberg Development Node, which is listed in the IDP of the local municipality, as well as the regional Cacadu District Municipality's IDP, represents a market-led approach to tourism and planning. This proposed development initiative is the largest initiative that the development agency has pursued, and it has the potential to reap significant benefits, as are outlined in the project's objectives.

##### ***Objectives***

The main objective of this development project, from an LED perspective, is two-fold. Firstly, the creation of employment opportunities for the community is deemed fundamental in order to try and curb the chronic unemployment in the town. The development node is market orientated and can therefore be of huge exponential benefit to the entire community, potentially creating around 5000 employment opportunities (Wilken, pers. comm., 2007). The second main objective is to attract a wide range of people to the area, which would have positive economic spin-offs for the town and its economy. It has already been noted that the influx of people into a locality (with a relatively high purchasing power), has many positive benefits for the town's economy.

### *Interventions*

The development area (2200 ha) belongs to the BCRM, which is situated north of the town and the actual proposed development will occur in a 400 ha area while the remainder of the land will be zoned as a nature reserve (Boschberg Development Node Business Plan, 2005). The proposed development node comprises of a residential component (3 clusters of residential housing units), a golf course that will be upgraded from the current nine hole one to an 18 hole course, an equestrian center and stables with training facilities, a boutique lodge with conference facilities, accommodation, a restaurant, and a wellness center spa / health facility. The project management co-ordinator has a long-term focus with regards to the development of the Boschberg Development Node with the community of Somerset East being a crucial element in this venture's planning and implementation (Wilken, pers. comm., 2007).

### *Progress*

In order to pursue this development initiative, the development agency has already secured, in principle, a loan from the Industrial Development Corporation (IDC) to execute the project, once all the planning documentation has been approved. Up until the end of 2007, the pre-feasibility study has been completed as well as the feasibility planning, which consists of the marketing study, framework spatial study, engineering study, cost of bulk services, architectural study, environmental study, service standards, a financial indicative study, preliminary design report, flood line study, geo-technical study, aerial mapping and legal studies. From this, it was established that the project could be developed viably and sustainably. It has also been established that the critical bulk services can be provided and that the project is acceptable to the community (public participation has been pursued throughout the process). All Environmental Impact Assessment (EIA) related studies were funded by the IDC and the bulk services will be, in principal, by IDC, subject to Record of Decision (ROD) approval. Appendix Ten details the budgets for phase one and two and it is obvious that large sums of money have already been filtered into this project.

The development agency is currently waiting for the Record of Decision (ROD), which is the final environmental "go ahead" from the Department of Economic Affairs, Environment and Tourism (DEAET) office in Port Elizabeth, after the approval of the EIA. Once the development agency has received the ROD, *Africon Engineers* can start

the final design. It has already been established that *Pam Golding* will be the estate agent for this project and that the *Protea Hotel Consortium* will be involved. The fact that such large corporations are getting involved means that they have done private research into the potential of this development and are willing to devote large sums of investment capital, this implies that a higher success rate is almost guaranteed.

#### **6.4.3.6 Tourism: Promotion of Somerset East**

##### ***Introduction***

As previously mentioned, the BCRM has identified tourism as an important catalyst for economic development in the small town. A lot of emphasis has been placed on tourism and the anticipated gains that can be received from it, thus the tourism industry has become a major economic focus point in Somerset East (Badenhorst, pers. comm., 2007). The increase in game farming, natural amenities and historical elements have all facilitated Somerset East in being able to promote the town to visitors. The following subsections serve to present the tourism development objectives through which the tourism potential, as an economic driver, will be examined, looking at the local tourist attractions before the progress that has been made in the tourism sector is assessed.

##### ***Objectives***

The main objective of promoting tourism in Somerset East, according to the recent IDP and Turner (pers. comm., 2007), is to attract people to the town and hence encourage spending in the local economy. Furthermore, according to Hobson (pers. comm., 2007), Somerset East is fortunate enough to offer, amongst others, a range of historical and natural attractions and therefore a second objective is to try and make use of these features for cultural, recreational, educational and economic purposes.

##### ***Tourism as an Economic Driver***

Tourism has been identified as a major economic driver in the town and to achieve the best results, the BCDA has been officially tasked as the custodian for tourism in Somerset East (Wilken, pers. comm., 2006). Since 2005 emphasis has been placed on operating an active and dynamic tourism office, predominately by Ros Turner, who is the tourism officer. Additionally, a Somerset East Tourism Action Committee was started in 2005, and they work closely with the tourism officer and the BCDA.

Somerset East is fortunate in that the town has a number of interesting features to offer tourists. The tourism promotion strategy highlights the Walter Battiss Art Gallery, which is situated in the old “English Officers” mess. It houses the largest collection of Battiss’s works in South Africa, as well as works by other local artists. The Old Parsonage Museum is promoted as a tourist attraction, which is a restored Georgian manse that displays many of the relics of past days and past ways of life in the district. A new exhibition is centered around the beam on which the five Slachter’s Nek rebels were hanged near Cookhouse in 1816. According to Badenhorst (pers. comm., 2007), the exhibition sets this tragic event in the context of what was happening in South African and the world at the time. Other tourist attractions include a number of national monuments, the Glen Avon Falls, the Bestershoek Picnic Ground, the Boschberg Nature Reserve and the Boschberg hiking trail, and dams for recreational fishing. Events have also become an integral part of Somerset East’s tourist campaign. Currently the town hosts the Bruintjieshoogte Cycle Festival and Marathon, the Biltong Festival, the Somerset East cultural Youth Festival (Fook Festival), the Somerset East Agricultural Show, The Somerset East Rose and Flower Show and the Boschberg Motorbike cycle tour (Turner, pers. comm., 2007). These events have proved to bring substantial sums of money into the town as well as marketing the town to future prospective visitors.

### *Progress*

Positive statistics show that since the tourism office became a development priority (in 2005), there has been a 200% increase in the number of tourism enquiries, as active advertising of the town and the local events has taken place (Turner, pers. comm., 2007). The impressive increase in the number of visitors in the town has been shown through the database, which is kept and indicates the number people in each Bed ‘n Breakfast / accommodation facility each month (Turner, pers. comm., 2007). This has provided a fair indication of how many tourists are coming into Somerset East.

The increase in Bed and Breakfasts in Somerset East over the past couple of years has been a good indication of the tourism growth and it is evident that the number of tourists passing through the town has increased. On one hand this could be accounted for by the increase in the number of game farms, or the increased private marketing (paying magazines / advertisers to try and get exposure), advertising the town and the tourism potential.

## **6.5 LED Challenges**

From this chapter it is evident that there are many challenges regarding the implementation and the sustainability of LED initiatives. Some of the main LED challenges that these small towns face are financial and human resources constraints. For over three years now, the Camdeboo Municipality has been operating in the absence of a permanent municipal manager and the acting municipal manager has been performing tasks that he was not specifically trained for. In the case of Aberdeen and Pearston, less favourable resource endowments and an insufficient local tax base and relatively weak civil societies undermine the viability of LED. There are simply not enough financial and skilled resources channeled into these small towns' LED initiatives and issues of legal constraints undermine these local municipalities. It has been recognized by Smith (pers. comm., 2006) that there is no real visionary planning and that the development initiatives are *ad hoc*. Furthermore, development tends to take the form of 'damage control' addressing the urgent backlogs, rather than focusing on development strategies for the future (Fouché, pers. comm., 2007). From a municipal level, communication and co-ordination appears to be a major barrier, as well as partnership fostering, for as Teka (pers. comm., 2007) noted LED cannot work in isolation and that input is required from a number of strategic points. Even when development projects are initiated, their success and long-term benefits are not guaranteed unless partnerships exist and there is leader with vision and a dynamic outlook. What is apparent is that success varies widely between initiatives and localities, depending on the diversity of their economic structures, level of economic development and synergies between various partners.

## **6.6 Conclusion**

A range of LED initiatives appear to be prevalent in Graaff-Reinet, with initiatives ranging in size and success. It has to be noted that of the four initiatives, only two of them have, to date, evolved to operational status. This emphasises the difficulties with the second economy graduating into becoming part of the first economy. What can be concluded from looking at all the initiatives, whether still in planning or already in operation, is that the extent of the research, investment, partnerships and training makes a significant difference. In order to run a business for economic gains, the appropriate marketing, management, operational and financial skills have to exist, otherwise the business is likely to fail. These are challenges that the Irhafu Brickmakers beneficiaries

are currently dealing with. There exists a mismatch between development plans and the local government capacity and this emphasises one of the severe limitations of successful LED initiatives. From a community development perspective, based on the achievements and the substantial potential for business growth and expansion, New Horizons sewing co-operative is a success. This is substantiated by the fact that the co-operative has been in operation since 1999, which is a positive indication that they have overcome the initial hurdles and remain profitable. The two large-scale operations (Agave and Aloe projects) hold great promise in their vision to provide employment opportunities with an emphasis on BEE while utilising natural resources in the district. Although still in its initial stages, the AA processing SME appears to hold a great deal of potential for the small town, however, while it is too early to assess the impacts of this development endeavour, it is acknowledged that the extensive research and wide array of partnerships that this initiative has fostered will definitely be to their advantage.

It appears that there are no real LED initiatives currently taking place in the small towns of Aberdeen and Pearston despite the array of challenges regarding unemployment and poverty that the community faces and will continue to face unless there are drastic interventions. LED, as mentioned earlier, relates to local control by stakeholders, focusing on local development initiatives that should benefit the local people by taking advantage of the local resources, skills and other assets (Parhanse, 2007). Furthermore, it is understandable why the NSDP stipulates that money should only be invested into areas where there is high economic potential as money is a limited resource and the 'opportunity costs' are high. The total lack of industries, harsh climatic conditions and the unskilled human resources eliminates these towns from fitting the criteria of "high potential". However, nationally, high hopes have been placed on LED as the 'development messiah' as bringing potential benefits to areas such as Aberdeen and Pearston, however, maybe it is time to consider an alternative option?

From a development perspective, the town of Somerset East is very fortunate in that it has a dedicated team at the Blue Crane Development Agency. They have identified key development niches and have made a difference in the agricultural, education, business and tourism sectors in the town. The Development Agency is currently in the second of their three-year funding from the IDC and it appears that they have promoted sustainable development in the town. All of their projects to date have facilitated a number of

successes such as the Misty Mountains agricultural project, which has promoted agriculture, harnessed sustained partnerships and transferred a broad range of skills under constant supervision. With sufficient research and the appropriate development tools, the proposed Boschberg Development Node has the potential to impact on the town's economy by injecting important financial resources into the economy. All the aviation related projects have been designed as value added projects to the airport project, which is considered to be a catalytic infrastructure project. These aviation initiatives are busy taking place with extensive research and key partnerships that have been developed and sustained over time. The educational initiatives that the development agencies have pursued are fundamental on two levels. Firstly, they cater for the basic school level, filling some of the gaps that have been created through the incapacity of the various educational institutions. Secondly, on a more advanced level they have formed partnerships with a tertiary institution to facilitate more specialist courses of interest.

What has come out of the research in these small towns however is that LED is not as prevalent in these small towns as was initially thought or as one would assume, considering the array of challenges that these towns are faced with. It appears that there is a significant gap between the contemporary economic situation of these small towns and the adopted LED responses by local LED stakeholders, especially in Aberdeen and Pearston. The theme of LED in small towns will be reintroduced in the discussion where the following question will be raised and discussed in further detail. *Why, when there is such an obvious need for economic development intervention, is there so little emphasis placed on it at the developmental level of the local municipalities?*

It is accepted that different municipalities will have different LED strategies based on their unique natural, human and financial resources and as a result the main characteristics of LED will vary. The nature of the LED that has been looked at appears to be a combination of pro-poor and pro-growth strategies. Generally, the private initiatives focus on the larger economy, while the local municipal initiatives e.g. Irhafu Block Brickmakers, are characteristically more pro-poor in focus. In relation to local realities (trends and challenges), it would be thought that there would be a larger number of local development initiatives taking place and that in practice development issues would be a much higher priority. However, from a municipal perspective, this is not the case, and what is evident is the increase in the number of private development initiatives

that are taking place. With this in mind it has to be assessed whether LED is making a meaningful difference in small town economic development. What can be determined is that in Graaff-Reinet, the town's economy is growing relative to strong market forces and that LED plays a relatively insignificant role. At this stage LED is not achieving the results that are needed relative to their unemployment / poverty needs, however, it is hoped that with time, LED will have a more significant impact both on the town's macro-economy as well as at the household level.

## CHAPTER SEVEN

### DISCUSSION AND CONCLUSION

#### **7.1 Introduction**

This chapter will serve to tie together the theories and the case studies that have been presented in this thesis and ascertain whether the study's aims and objectives have been met. This study, which has critically examined four small towns in the Eastern Cape Midlands, has revealed some interesting points pertaining to the development of small town economies in the context of a changing geo-economy. The primary context for the study was provided from the perspective of economic geography whereby uneven development has been recognised as a key feature of the spatial economy (Massey, 2005; Geyer, 2003). Furthermore, the realization of the uneven spatial arrangement of human settlements and the subsequent uneven distribution of development and the economic activities has been a reality in this study. This uneven development has resulted in each town being characterised by unique demographic, economic and physical features, which have, to a degree, facilitated many of the changes and challenges that these small towns face. The second notion of uneven development in this thesis has been recognised in the face of local responses to these changes, trends and challenges in the form of local development strategies (LED), which vary from town to town. LED in this thesis, has been defined as "a process in which local governments and/or community based groups manage their existing resources and enter into partnership arrangements with the private sector, or with each other, to create new jobs and stimulate economic activity in an economic area" (Zaaijer and Sara, 1993:129).

The focus of this chapter will be on the discussion of the results that were presented in the previous two chapters, in the context of what specifically the results mean and how they can be interpreted. The most important findings from the study will be presented, reiterating what this study has contributed and the need for future studies in the realm of small town development.

## **7.2 Small Towns: An overview**

### **7.2.1 Introduction**

Small towns have been described by authors such Xuza (2005) and Lin (1993) as being distinctive social and spatial entities. This thesis acknowledged this portrayal and embarked on a study whereby each small town was considered as a unique entity with varying levels of external influences and interactions. Focus was placed on four main sectors that Nixon and Gerhardt (1964) described as being involved in the economic development of a locality. These sectors are the population / human sector, the export industry sector, the local service sector and lastly government agencies. These four sectors were considered in terms of their individual and combined relationship in terms of contributing to the development of the local economies. As will be discussed in the following sub-sectors, it was ascertained that these four sectors are vital for small town development. If one of these sectors is removed or altered, serious repercussions are due to follow, as these four sectors are dependent on each other in order to promote and facilitate economic development.

### **7.2.2 The Changing Geo-Economy**

The nature of the geo-economy has induced changes on many levels, not least in small towns, as “no economy is spatially bound and the economic relations and processes occurring in particular localities are connected through a myriad of links to the wider world, each sector of the economy is linked to others in a seamless web” (Courtney and Errington, 2000:282). It was within the perspective of the changing global economy that this study sought to establish how small towns are interpreting and responding to the general changes in their role and obligations brought about by global, national and regional flux, through the medium of a case study. It was acknowledged that each change presents challenges that can spur a progressive or retrogressive response.

The impacts of these external forces such as globalisation, advanced technology and communication and changes in primary sector activities, do not have similar impacts within a country and regions or even amongst small towns (Murray and Dunn, 1996). A variety of influences create a diversity of experiences, and it was noted that the small towns in the study area have responded differently to the changing geo-economy, which allows for different small towns to develop differently over time. Localities and local

responses are necessary to mediate and adapt to these forces and as this case study shows, some small towns are better equipped to deal with these changes (Graaff-Reinet and Somerset East), while other localities (Aberdeen and particularly Pearston) fall even further behind. The following sub-sectors will go into detail of how these small towns have developed over time and what their responses to these changes are.

### **7.2.3 Small Town Heterogeneity**

According to authors such as Nel (2005), Murray and Dunn (1996) and Lin (1993) there exist a wide diversity of small towns. The heterogeneity of small towns is emphasized in this study. The towns in the study area display different structures and roles in terms of their settlement sizes, economies, forms and functions. These structures are characterized predominantly by regional and local conditions such as their economic base, social composition, natural resource endowments, population density, market accessibility, income distribution, purchasing power and political structures and external forces such as the changing geo-economy affect these.

#### **7.2.3.1 Agriculture**

Some of the main similarities that these four towns share is their mutual origin as service centers for their local farming community at approximately the same time. Following through with the agricultural theme, it is realized that agriculture today still plays a fundamental role in the small towns' economies, however, not to the same degree as in the past, as the relationship between the small town economy and the agricultural community has changed. Furthermore, agricultural / town links vary between the towns. Within the Graaff-Reinet and Somerset East regions, agriculture has diversified considerably from traditional livestock farming to game farming, which has had major implications for the relationship between the agricultural community and the towns' economies. In Aberdeen there are still quite strong linkages between the farmers and the town, whereas in Pearston, the town is bypassed entirely as the town no longer caters for the needs of the farmers. Furthermore technological and communication changes and the associated fewer number of farms has had a major impact on transforming the economic links between the agricultural community and the local towns' economies.

### **7.2.3.2 Natural Amenities**

The natural amenities of the four towns in the study area are different as diverse physical features characterize the towns. Somerset East is the only small town in the study area that has a constant and surplus water supply. Aberdeen, Graaff-Reinet and Pearston, on the other hand are located in a semi-arid region, where shortages of water often present major problems to the towns. Water is not only required for domestic uses, but is critical in the industrial area as well as being an important asset for potential investors. Associated with this, Somerset East has many large-scale industries, which once again sets it aside from the other small towns. Graaff-Reinet has a number of large industries, however, expansion is hindered by the limited water supply. Pearston and Aberdeen have no industries. Additionally Graaff-Reinet and Somerset East are fortunate in that they offer unique natural features that attract tourists.

### **7.2.3.3 Demographic Features**

From a demographic perspective, the four towns in the study area differ considerably. Graaff-Reinet has the biggest population, followed by Somerset East. Aberdeen has the second smallest population and Pearston is the smallest in terms of population size. The racial breakdown shows that a large black and coloured population, and a significantly smaller white population characterize all four towns. In relative terms Pearston has the smallest percentage of white people (4%) and Graaff-Reinet has the most (13%). Graaff-Reinet and Somerset East have the highest number of skilled white people, and this has a positive impact on the local economy. A striking similarity between the towns was the decline in the number of rural inhabitants in the district between 1905 and 2001 however all four towns have experienced considerable growth in the number of urban inhabitants during this same period. The demographic make-up of these towns and urban/rural changes are the practically the same, however, what sets them apart is the number of inhabitants and the human resources in terms of skills and finances.

### **7.2.3.4 Socio-Economic Aspects**

From a socio-economic perspective, high levels of unemployment and high poverty levels characterize all four towns. However, in relative terms, Pearston and Aberdeen both display the highest levels of unemployment (58% and 46% respectively). This is followed by Somerset East (44%) and lastly Graaff-Reinet (38%). The associate levels of

poverty follow the same ranking with Pearston having the most people living in poverty and Graaff-Reinet the least.

#### **7.3.3.5 Economic Characteristics**

The economies of the towns have evolved differently and hence currently display heterogeneous characteristics. A hierarchy of functions categorizes the towns depending on the number and kind of businesses that are situated in the town. Graaff-Reinet has the largest number of high-order functions, while Pearston has the fewest businesses and is characterized by low order functions. The various characteristics of the economy are also a good indication of the contribution that the small town and their hinterlands make to the national economy. It is acknowledged by Wright (2006) that small towns do contribute to the national spatial economy, however, they don't contribute / participate equally. From changes in the number of businesses, industries and farms over time, it is evident that Graaff-Reinet and Somerset East contribute the most and Aberdeen and Pearston the least to the national economy. Lastly, the economic investments into the town vary considerably. Graaff-Reinet and Somerset East still attract significant private economic investments, whereas in Aberdeen and Pearston investment is limited almost exclusively to state investment. With regards to the current and past economic functions and socio-economic characteristics, one of the biggest differences between the towns is the perceived future of the towns' economies.

#### **7.2.3.6 Roles and Functions**

It is evident that the four towns in the study area are different and the roles and functions vary amongst them. As mentioned before, all four towns came into being as service centres for the local farming communities. However, this role has evolved considerably over time and now Pearston is a place where many unemployed people collect their welfare money and refer to as home. The town no longer provides services for the agricultural community who are predominately white and the retrogressive local economy is characterized by a few basic shops that cater for the needs of almost 5000 black and coloured people who are trapped in poverty. Somerset East and Graaff-Reinet on the other hand have experienced economic expansion and they provide administrative services as well as organizing economic activity, representing a critical junction between the rural and wider economy. They provide limited non-agricultural employment opportunities, education, medical, legal recreation and cultural facilities and are

characterized by varying numbers of small and large-scale industries. Aberdeen is somewhere between these two extremes. The town does not provide all the services that Graaff-Reinet and Somerset East do, but at the same time the town does provide a limited array of services and provides more functions than Pearston. It will become evident in the following subsections how the elements that characterise the heterogeneity of small towns and the history of the small town either serves to aid or hinder development of the local economy.

#### **7.2.4 Small Town Growth and Decline**

The growth and decline of small town economies is inevitable, as settlement patterns are a logical consequence of inexorable forces in the development space. Fugutt's (1965:403) statement that "some small towns grow and some decline, losing activities to larger places nearby, making for more concentration of population and activities in larger cities" implies firstly that small towns are not homogenous and secondly that there are patterns of growth and decline, both of which were observed in these case studies of small towns. Because of the heterogeneous nature of small towns and the inevitability of change, settlement sizes, economies, forms and functions, small towns transform over time in response to the impact of macro-economic forces and strategies, the operation of the market, various government policies, migration patterns and availability of local resources (Rees, 2004; Satterthwaite and Tacoli, 2003; Lin, 1993). The emerging global economy has offered economic opportunities as never before to some small towns, whilst others have experienced rapid deterioration. This subsection will focus on discussing the state of these four towns based on population and economic changes.

##### **7.2.4.1 Population / Economy**

When considering the theme of small town growth and decline it must be maintained that there is a complex relationship between the population and the economy. Ouharon (2006) described two possibilities, whereby these two entities could interact. Firstly, he explained that rapid demographic growth could be seen to have a negative effect on economic growth. On the other hand, in the long run, economic growth can be stimulated by population growth. The first paradigm generally characterizes small towns in the South, whereby there is a high population growth and the economy cannot keep up with the increase. The latter paradigm generally characterizes small towns in the North: whereby the increase in the population is seen to promote economic growth and it can be

deduced that population and economic growth are synonymous with each other. In South Africa a combination of both these paradigms exist and the reality is that population and economic growth / decline stems from more complex interaction as both these features characterize South African small towns and therefore the distinction between small town growth and small town decline becomes blurred. As a result, this thesis has investigated various performance indicators, amongst others population growth / decline, unemployment levels, agricultural patterns and changing numbers and functions of businesses over time, which were all considered important criteria assessing the economic health of small towns. Furthermore, other factors were looked at in order to determine why some small town localities suffer persistent economic decline while others continue to grow. The nature and forces of change such as the responses to organizational, economical, technological and environmental changes (amongst other things) were taken into consideration in order to assess the small towns.

#### **7.2.4.2 Case Study: Growth / Decline**

What was established was that in all four towns the population is increasing at a rapid rate, specifically the black and coloured population who play a less significant role in the economy compared to the white population (due to the unequal distribution of wealth and socio-economic repercussions from apartheid). In all the towns the white contingent of the population is either decreasing or has remained stable.

The economy of each town has been considered in this study, whereby the number of formal businesses in each town, from 1888 to 2007, was used as a proxy for measuring the economic health in each town. It was discovered that Pearston's economy is in a retrogressive state. Aberdeen's economy also shows signs of being a retrogressive economy, although not to the same degree as Pearston. These two towns appear to be the worst off as there is very little employment, no large-scale industries, a decline in the number of farm labourers and high poverty levels. Their economies cannot accommodate the population increase and therefore major problems exist, which is the basis for great concerns.

Somerset East's economy has remained the most constant, although in the past couple of years there has been an increase in the number of businesses and expansion of existing businesses. Graaff-Reinet is the only town whose economy has grown significantly and

still continues to grow. What can be deduced, however, is that even though the economies of Somerset East and Graaff-Reinet are growing, they are not growing fast enough to absorb the population increase. What can be deduced in Pearston and Aberdeen is almost the 'worst-case' scenario whereby the population of the towns continues to grow in absence of a growing economy. In Somerset East and Graaff-Reinet the situation appears to be relatively better off, as there is growth in the economy albeit that it is insufficient to keep up with the growing population. Therefore, as mentioned before, the terms 'growth' and 'decline' are misleading in the context of South African small town.

Relating these small towns' experiences back to theory it is evident that the four aspects necessary for contributing to the development of the local economies as described by Nixon and Gerhardt (1964) are not prevalent in these small towns. Table 7.1 below indicates the relationship between each town and the necessary development aspects of local economies. It is evident that not one of the small town fulfills the criteria perfectly, however, Graaff-Reinet and Somerset East have the strongest platform to work with. Aberdeen and Pearston are in a much weaker position.

**Table 7.1:** Relationship between each town and the development criteria

	<b>Population / Human Sector</b>	<b>Export Industry</b>	<b>Local Service Sector</b>	<b>Government Agencies</b>
<b>Pearston</b>	Unskilled	Limited agriculture ONLY	Almost non-existent	In theory, but not in practice
<b>Aberdeen</b>	Unskilled	Limited agriculture ONLY	Very limited	In theory, but not in practice
<b>Somerset East</b>	Skilled and majority unskilled	Agriculture and large-scale industries	Prevalent and increasing	Local Municipality and BCDA
<b>Graaff-Reinet</b>	Skilled and majority unskilled	Agriculture and limited large-scale industries	Well established and increasing	Local Municipality and Regional Government Departments

**Source:** Data Collected, 2007

### 7.2.5 Small Town Challenges

Over three decades ago Blumenfield (1971:3) asked an important question regarding small towns in the Eastern Cape Midlands. He questioned the sustainability of small town economies in the sense that

“Since the whites are the main generators of employment opportunities, the question arises whether the region’s towns will be able to carry the additional burden arising from the rapid increase of non-white population whilst the white population is all but stagnant or declining?”

From this thesis, the relevance of his question has become clearer as the dynamic relationship between demographic characteristics and the economy has been emphasized. While these are only two elements, they are fundamental because of the dynamics of the socio-economic and demographic features of South Africa as a whole, and therefore, of South African small towns. Furthermore, according to Nixon and Gerhardt (1964: preface), “the proper starting point is the realization that a community is a place for earning a living. Population settles or expands primarily because of job opportunities”. In an ideal environment population growth should facilitate economic growth and visa versa. However, from this study we see we see a divergence between these two entities, which according to literature (Parnell, 2007; Anderson and Rathbone, 2000 and Pederson 1997) is not exclusive to these four towns but trend that is found in many developing economies.

The main challenges that these small towns face are basically the same, except that the challenges appear to be exacerbated in Pearston and Aberdeen. One of the most severe challenges exists because the population is growing at a faster rate than which the economy can accommodate. As a result, there is severe unemployment amongst the black and coloured populations, which is widening the gap between the higher and the lower income groups. Except for Graaff-Reinet, the percentage of unemployed people in all three of the other towns is higher than the national unemployment statistics and this is a major problem. The unemployment implies that there is low level of economic welfare, and a high dependence on social welfare, with a high proportion of external earnings accountable for by subsidies and other transfer payments to individuals

The out-migration of the skilled workforce and the narrow skills / education base has a negative effect on the market potential of the small towns and the inability of these small towns to attract significant volumes of private economic investment induces a low volume of economic activity and a lack of or insufficiency of economic diversification. The insufficient water supply, amongst other factors, has also hindered the attraction of industrial investment. Aberdeen and Pearston have been affected the most severely because, with the economic decline, the attractiveness to any kind of investor has decreased and the remaining capital investment has continued to erode. In contrast, the public service spending in these small towns appears to have increased and this has halted the population decline of small towns as an economic life-line has been created and continues to be sustained. The lack of exploitable mineral resources and processable raw materials outside of the agricultural realm puts these towns at a further disadvantage and changes in the agricultural sector, in the form of reduced or altered agricultural output provide further challenges for the small towns, as there is a significantly reduced reliance on local centers as points of sale and service supply for the farmers. Therefore, the decline in the number of farms has reduced the economic purchasing power within the small town economies. Another challenge that the towns face is the decline in money circulation in the economy, with a considerable change in the market, the towns are now characterized by a lower purchasing power amongst the predominately black and coloured people. The importance of general trends in the local economies is often beyond local control and this is an important aspect to remember when considering the development of local economies over time.

### **7.3 Local Responses: LED**

#### **7.3.1 Introduction**

In this thesis, four towns have been assessed in terms of their changing economic roles over time and the contemporary challenges that they are facing. In the light of these aspects it was necessary to examine the nature of the local response of small towns with regard to strategic choices that local stakeholders are making about their town's economic future in relation to local realities and national policies. These following sub-sections of the chapter will discuss the responses of these small towns to these challenges, in an attempt to determine whether LED can and is making a meaningful difference in small town development.

What has become apparent through this research though, is the relatively insignificant prevalence of LED in some of these small towns, especially Aberdeen, Pearston and to a lesser degree Graaff-Reinet. This is surprising considering the fact that concept of LED has captured heightened interest and consideration over the past few years as a sustainable means for dealing with the challenges and responding to the changing geo-economy (Niksic, 2004; Rogerson, 1999). Furthermore, besides LED becoming a dominant theme in contemporary social and economic development thinking about small towns, it is a compulsory responsibility for local municipalities in South Africa and therefore it would be thought that it would be a more predominant feature in these small towns.

Based on the notion of uneven development, it is therefore understandable why the development potential and associated LED strategies in small towns are being heralded by some and questioned by others (Helmsing, 2003; Tomlinson, 2003; Maharaj and Ramballi, 1998). The relevance of international literature to this study is that it highlights the fact that there is no development theory that indicates procedure guidelines and ensures economic development and growth.

### **7.3.2 Defining LED**

There exist many variations for defining LED. The absence of a single theory or strategy represents the dynamism of LED, which comprises an array of elements. However, there is a broad consensus on what LED is, both as a product and as a process, which generally emphasizes the utilization of local resources to promote development on a local level through a network of stakeholders (Camagni, 2002; DPLG, 2005). The different LED foci and subsequent strategies are apparent when considering LED in Somerset East and Graaff-Reinet. Even though the two localities are broadly aiming for the same objectives, their approaches are different.

### **7.3.3 Small Town: LED**

Possibly the most critical statement put forth in the SA development discourse is Nel's (2005:263) assertion that "it is apparent that South African small towns are in desperate need of appropriate forms of local economic development". Exactly what *the* appropriate form of LED is has yet to be deciphered and indeed Kenyon *et al.*'s (2001) claim that there is no secret formula now implies that small towns across the country must

formulate their own interpretations of what is appropriate to their needs, realities and abilities. LED does indeed represent a geographical intervention in which place and scale are critical and, because small towns are never homogeneous and unified, the unique social and economic geography of each locality prevents a single formula being put forward to remedy development problems. As a result, each small town locality has its own version of LED, which depends predominately on the nature of a locality's objectives and goals and the quantity and quality of available resources. However, although the nature of each local municipality is different, there are basic similarities that underpin the concept of LED. It is recognized that there is a dual focus with regards to LED, one focusing on macro-economic and business development (pro-growth or market led approach) and the other on basic needs provision and poverty eradication (pro-poor or market critical approaches), two goals with which these South African localities have contemporarily been trying to focus. Both these approaches are needed, the former to hopefully create an appropriate framework for the realization of the latter. Therefore, even though the goals of LED strategies of the Blue Crane Route Municipality and Camdeboo Municipality share certain similarities they have different strategies as a result of varying local resources and interpretations.

Some small towns have been able to partially respond to contemporary challenges by implementing unique, locality-based strategies and, in the process, achieve certain degrees of sustained growth, while others face a continuous uphill battle. LED initiatives are evident in Graaff-Reinet and Somerset East, while Aberdeen and Pearston appear to be neglected in the realm of LED.

#### **7.3.4 Camdeboo and the Blue Crane Route Municipality**

In theory, the primary development objectives of both the Blue Crane Development Agency and the Camdeboo Municipality include promoting investor confidence; increasing opportunities for long-term employment, promoting SMMEs, encouraging industrial and business development and increasing skills development. However, one of the biggest differences separating these two municipalities is the existence of a development agency in the BCRM, whose participation and involvement in applied development strategies is of particular importance.

#### **7.3.4.1 Somerset East**

The BCRM is one of the first municipalities in the Eastern Cape province to have an established Industrial Development Corporation (IDC) funded development agency that originated with the purpose of driving economic development in the local municipality. Although their focus is on Somerset East, their 'hands-on' approach has seen great strides being made in the economic development sphere both from a pro-poor and a pro-growth perspective. Their development focuses include the Misty Mountains agricultural initiatives, the Boschberg Lifestyle resort, various Aviation initiatives, focus on varying levels of education, and the promotion of tourism. Although some of these initiatives are still in the planning phases, because of the strong emphasis on research, participatory involvement and a long-term strategy perspective, it appears that many of the objectives will be achievable. Furthermore, their active, dynamic and rigorous approach to localised development puts Somerset East at a distinct advantage as the development agency focuses on development initiatives.

#### **7.3.4.2 Graaff-Reinet**

Graaff-Reinet, on the other hand is in a very different situation. The local municipality is partially involved in a number of LED initiatives, although they are not necessarily the main drivers of the projects. External agents outside of the municipal institution drive both the Agave Processing SME and the Aloe Project, which are still in the planning phases. The local municipality supports both these projects and their role is indirect (making land available to be rented, facilitating partnerships, etc.). The characteristically pro-poor initiatives, which are currently both in operation, are the Irhafu Block Brickmakers and New Horizons Sewing Co-operative, however they face many challenges, particularly the Irhafu Block Brickmakers. Their biggest challenges appears to be the fact that they were given a relatively large sum of money to start a business in the absence of marketing, management, financial and business skills. There is a false expectation that these beneficiaries have the business acumen required to run a successful business. The New Horizon Sewing Co-operative, on the other hand, which is in its eighth year of operation, is an LED community-based initiative that can be considered an operational success.

#### **7.3.4.3 Aberdeen and Pearston**

In Aberdeen and Pearston there are no LED initiatives taking place. In these towns, social intervention is of a higher priority whereby ensuring survival, rather than seeking to expand participation in the economy is predominant. It was recognized by Mlambo-Ngcuka (2006:2) that “although the social grant programme has give some impetus to poverty reduction and income redistribution, there remain households that are not yet able to benefit directly from [South Africa’s] relative economic success”. In the case of these two towns, this statement appears to be true and a great deal of intervention will be necessary in order to change the situation.

Rodríguez-Pose and Tijmstra (2007:526) recently stated, “LED may not be relevant for the poorest and most remote parts - where existing conditions do not provide a strong enough base on which to build LED strategies”. There is truth in this statement and from a practical and financial perspective, it is understandable why the NSDP stipulates that money should only be invested into areas where there is high economic potential. Aberdeen and Pearston don’t fit the criteria for substantiating the investment of large resources, however, the major socio-economic challenges (poverty and unemployment levels) and the general state of the economy, should in reality make these towns prime candidates to receive LED intervention.

#### **7.3.4.4 LED Overview**

Objective 5 of this thesis was *to determine whether LED can and is making a meaningful difference in small town development*. What can be deduced from the situation in Graaff-Reinet and Somerset East is that the impact of the latter’s development agency is potentially of great benefit to the town. Development is a priority and it is the sole function of the agency to promote it. It is realized that to have a development agency in each town and to emulate the successes that have been created to date, are impossible. While the major impacts of the development agency’s initiatives may not be visible now, it is likely, if their development objectives are met, that the town will be transformed, particularly by the aviation focus and the Boschberg Lifestyle complex. Furthermore, the general insignificance of LED compared to the natural economic trends and general growth in the Graaff-Reinet economy, is of interest. The economy is growing, and this cannot be attributed to LED initiatives, but rather to the natural forces that have taken place.

### 7.3.5 LED Challenges

The conceptual idea of LED is very appealing, however, studies through time by different authors (Nel and Rogerson, 2007; Rodriguez-Pose and Tijmstra, 2007; Lejano and Wessels, 2006; Xuza, 2005) have all pointed out the challenges that face the effectiveness and sustainability of LED initiatives. Threats towards successful LED have been felt across all levels in the SA hierarchy and according to Helmsing (2001), Rogerson (1999) and Maharaj and Ramballi, (1998), they are particularly severe in the case of initiatives dealing with poverty in the country's smaller, poorly endowed towns as the development landscape at the local level is characterized by considerable complexity.

It is apparent that the less favourable resource endowments (natural and human), poor accessibility and relatively weak civil societies in these towns have undermined the viability of LED. The officials at the municipality make it clear that the amalgamation of smaller centres under a single authority has weakened towns such as Aberdeen and Pearston and the new local authorities are incapacitated by financial, human and expertise constraints. As a result it is apparent that the local municipalities are playing a subsidiary role in local development and the main development stakeholders are private individuals / organizations or from the BCDA.

LED is a difficult concept to conceptualize and understand and, as such, what may work in one locality will not necessarily work in another one. Through the case studies of this research, many of the challenges came to light. One of the biggest challenges comes from the fact that there is a lack of a uniform definition of LED and therefore it is difficult to see whether LED, as such, has been achieved. Furthermore, the lack of basic understanding of the local economic conditions and dynamics in the localized area play a fundamental role, as development attention should take into account the local resources in the context of attaining realistic outcomes. In addition to local factors, frequent changes in exogenous variables take place, enhancing the existing challenges and limiting the success of LED. One of the biggest challenges facing LED is the fact that the conceptual elements and the actual implementation and progress are often two contrasting parts with many LED initiatives still being in their incipient stages or only yielding limited success. It is apparent that the less favourable resource endowments, poor accessibility and relatively weak civil societies in these towns have undermined the viability of LED. Even when the projects are initiated the measurement of development,

i.e. trying to quantify the results in the context of the diversified development indicators is difficult. While it may be desirable, it is virtually impossible to be able to measure the effectiveness of financial inputs with a yardstick whereby a one-to-one relationship between the financial input and economic growth – or any other indicator of development such as an increase in investment or a decrease in poverty, can be determined.

One of the most contentious issues surrounding LED in South Africa is that it could potentially be the answer to solving a myriad of problems that small towns face. However, the reality of the situation is that LED cannot fulfill *all* the development objectives of the country and this is a depressing recognition as a great deal of emphasis, resources and expectation was placed on LED making a significant difference at a localized level. It is envisioned that the literature in the next couple of years will portray a gloomy scenario as a closer look reveals that LED has failed to accomplish the majority of the desired objectives. The problem is that LED is the only development tool that government has at the moment and so much emphasis has been placed on it. So when it is ascertained that it cannot be considered as the messiah for poverty eradication and economic development, there is no policy / development strategy to fall back on and implement.

#### **7.4 Conclusion**

This research enquiry set out to assess the local economic development experience of three small towns in the Eastern Cape Midlands. Firstly an overview of the development of the selected small towns' economies was provided followed by an evaluation of the local responses to the changing economic climate. As such it can be stated that the aims and objectives of this thesis have been met and that the following key trends and conclusions have been determined.

It appears that these small towns in the Eastern Cape Midlands are poorly understood components of the urban hierarchy as there is a great deal of heterogeneity amongst the various features, the contemporary economic status, challenges and the future economic prospects of the town. As a result of these differences, the development potential of these small towns is vastly different as illustrated in the context of Nixon and Gerhardt's (1964) theory pertaining to the four main sectors involved in economic development of a locality. From the perspective of 'growth' and 'decline', these towns, especially

Aberdeen and Pearston display contrasting characteristics. On the one hand the population is growing, while on the other hand the economy is declining. The economies of Somerset East and Graaff-Reinet appear to be increasing however, they cannot keep up with the exponentially increasing population. It appears as if government investment staves off total economic collapse of Aberdeen and Pearston despite economic decline, withdrawal of business activity, poverty and unemployment. Ultimately what can be established in these two towns is that artificial dependent centres are being created and sustained.

From a more focused development perspective, Parhanse (2007) stipulated that it is LED planning that is providing an impetus for reversing economic decline in South African small towns. However, from the research, it is evident that LED is not playing a significant role in these four towns. This could be considered surprising considering the emphasis, resources and considerable expectations that are placed on the concept of LED. The case of Graaff-Reinet and Somerset East's growing economies can be attributed to the broader trends in the economy and not to LED. However, in time to come, through the impacts of the large-scale development initiatives facilitated by the BCDA, this trend may change in Somerset East and LED could potentially be a significant driving force in the towns economy. Unfortunately, the full, long-term effects of the initiatives on the town's economy could not be ascertained during this research, as the initiatives are predominately in their incipient phases.

LED does not appear to be alleviating or eradicating the chronic challenges that Aberdeen and Pearston face and as a result a severe contradiction exists in that the areas that are most in need of the development intervention cannot be focused on due to institutional, financial and practical constraints. An additional contradiction exists: on one hand local municipalities are legally required to facilitate LED, however on the other hand, the reality of the situation is that Aberdeen and Pearston are 'high risk' areas, with an inadequate economic base and limited resources to provide a stable foundation for local development. Somerset East and Graaff-Reinet, may appear to have more LED initiatives, characteristically both pro-poor and pro-growth, either in the planning phases or already existing, however, they have a broader spectrum of assets to work with and larger economic market forces that are contributing to local development. Ultimately, this thesis agrees with Damazière and Wilson's (1996:xii) statement that LED is "... a vast

field of experiments” and concludes that LED is a highly controversial issue as there is no precise definition or process for the term and in South Africa a lot of emphasis has been placed on this deceptive term to “fix” a myriad of economic and socio-economic problems across the landscape. It has to be concluded that South Africa definitely does not have the resources to sustain all towns. The myriad of socio-economic problems are so entrenched in the South African landscape and can not be addressed with the level of LED that the government has employed and as a result not all existing towns should (or could be) sustained this way. However, how does one decide which small towns get preference? Who should decide what the minimum threshold is and what should the decision be based on considering the cultural / historical / economic / natural resources and political elements that make up the diverse landscape of South Africa?

This thesis has investigated the changing economic roles and functions of four small towns in the Eastern Cape and highlighted the constantly evolving nature of their demographic and economic structures. Furthermore the contemporary challenges and the associated driving forces that small towns face, were ascertained and put into the perspective of the local responses of the local stakeholders. Lastly it was ascertained whether LED can and is making a meaningful difference in small town development and it was concluded that LED in these small towns at present, is not making a significant difference and that general trends in the local economies, often beyond the local control, are having a greater impact. However, Somerset East could be the one exception to this generalization as their large-scale LED initiatives have the potential to transform the economy in the future.

The capacity to expand LED networks and associated success has varied widely by regions and localities depending on the diversity of their economic structures, levels of economic development and synergies between economic development and the local community. It is of critical importance to assess whether development progress is being made in these constantly evolving small towns as a vast array of development and socio-economic challenges exist. There appears to be no simple solution to these small town challenges as a number of complex sets of mechanisms exerting influence from both the micro local and macro level exist. Ultimately it is acknowledged that small town economies develop very differently and the importance of the four sectors in the economy (Local

Government, the human sector, the export industry and the local service sector) are emphasized as critical components facilitating economic development.

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Appendix One

Confidential

**Rhodes University – Grahamstown  
Geography Department  
Business Questionnaire**

Researcher: Elizabeth Pio (Masters Degree in Economic Geography)  
083 225 3960  
[elizabethpio@hotmail.com](mailto:elizabethpio@hotmail.com)

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1. Which economic sector is your business part of?

- |                          |                       |                          |                        |
|--------------------------|-----------------------|--------------------------|------------------------|
| <input type="checkbox"/> | Wholesaler            | <input type="checkbox"/> | Tourism                |
| <input type="checkbox"/> | Manufacturer          | <input type="checkbox"/> | Agriculture            |
| <input type="checkbox"/> | Retailer              | <input type="checkbox"/> | Retail (Specify _____) |
| <input type="checkbox"/> | Other (Specify _____) |                          |                        |

2.1. Has your specific business activity/sector changed over the last 10years in your **town**?

- |                          |           |
|--------------------------|-----------|
| <input type="checkbox"/> | Increased |
| <input type="checkbox"/> | Static    |
| <input type="checkbox"/> | Declined  |

2.2. Has your specific business sector changed over the last 10years in your **district**?

- |                          |           |
|--------------------------|-----------|
| <input type="checkbox"/> | Increased |
| <input type="checkbox"/> | Static    |
| <input type="checkbox"/> | Declined  |

3.1. Who are you primary customers?

- |                          |  |
|--------------------------|--|
| <input type="checkbox"/> | Local People (urban and farming community) |
| <input type="checkbox"/> | Out of town people (from other towns)      |

3.2. Have you noticed any of the following occurrences in your town?

- |                          |  |
|--------------------------|--|
| <input type="checkbox"/> | People coming in from other towns to shop in your town |
|--------------------------|--|

People leaving your town to shop in larger centers

4.1. Employment in your business (*Optional*)

Nr part-time

Nr full time

4.2. In the last 5-10 years, have the number of employees

Increased

Remained stable

Decreased

5. What is the impact of the following features on your business  
(*Please circle the relevant number in the table*)

	<b>1 very negative</b>	<b>2 negative</b>	<b>3 no effect / not applicable</b>	<b>4 Positive</b>	<b>5 very positive</b>
Chamber of commerce	1	2	3	4	5
Town Infrastructure	1	2	3	4	5
Municipal Service Delivery	1	2	3	4	5
Changes in the regional economy	1	2	3	4	5
Changes in the national economy	1	2	3	4	5
Tourism in your town	1	2	3	4	5

6.1. In the last 5 years, has the town economy (shops/ services / businesses)

Increased  
 Static  
 Decrease

6.2. Perceived causes of changes (from question 6.1)

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7.1. How do you perceive the future of your town's economy?

- It will increase
- It will remain static
- It will decrease

7.2. Please explain your answer to question 7.1.

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**\*\*\*\*\* Thank you for your time and effort \*\*\*\*\***

## Appendix Two

Confidential

Rhodes University, Grahamstown  
Geography Department  
Small Town LED Questionnaire

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Date: \_\_\_\_\_

### 1. General Profile

1.1. Institution: *(Please tick the appropriate box)*

Municipality

Development Agency

Non-Governmental Organisation

Community Group

<input type="checkbox"/>
<input type="checkbox"/>
<input type="checkbox"/>
<input type="checkbox"/>

1.2. Name of the institution: \_\_\_\_\_

1.3. Operational duration of institution: \_\_\_\_\_

1.4. Name of municipal area: \_\_\_\_\_

1.5. Municipal Head Quarters: \_\_\_\_\_

1.6. Person completing questionnaire: \_\_\_\_\_

1.7. Position: \_\_\_\_\_

1.8. Duration of current position: \_\_\_\_\_

1.9. Contact details: Phone number: \_\_\_\_\_

Email address: \_\_\_\_\_

### 2. The town

2.1. What major changes have occurred in your town in approximately the last ten years?  
(population growth / loss, increase/ decrease in businesses,

amalgamation of farms, schools, hospitals, etc...)

2.2. What do you think are the main implications of these changes for the town and the town's future?

**3. Local Development**

3.1.1 How does your institution define Local Economic Development (LED)?

3.1.2. Is LED in your institution related to the contextual classifications as being pro-poor (i.e. poverty alleviation); pro-growth (i.e. economic growth) or combination of both?  
*(Please tick the appropriate box)*

Pro-poor

Pro-growth

Combination of both


3.1.3. Explain how you see addressing poverty as distinct from promoting economic growth

3.1.4. What specific area of the town is your institution involved with regarding development interventions.

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3.1.5. What specific LED targets does your institution have?

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**4. Local Economic Development Strategies / Interventions**

*Please complete the table below by ticking the appropriate block*

What specific strategies / interventions / projects has your institution have to...

	Year started	Still in operation?
<b>1. Promote an enabling environment to retain / attract business activity?</b>		
Place / town marketing		
Business incentives		
Other (specify)		
<b>2. Provide support for SMME development?</b>		
Business advice centres		
Provision of technical skills training		
Provision of entrepreneurial skills training		
Support for informal sector		
Other (specify)		
<b>3. Promote infrastructural development?</b>		
Public services		
Roads / bridges		
Commercial / industrial sites		
Other (specify)		
<b>4. Promote agricultural activities?</b>		
Urban / peri-urban agricultural		
Emerging commercial farming		
Rural agriculture		
Provision of commonage		
Provision of farming support services		
Irrigation / fencing infrastructure		
Other (specify)		
<b>5. Development of targeted groups?</b>		
Women		
Youth		
Disabled		
Previously disadvantaged		
Sports		

<b>6. OTHER?</b>	
------------------	--

**5. Finances**

5.1. Where are the financial funds coming from in order to development strategies/ initiatives into practise?

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5.2. What amounts have been injected into the various interventions?

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5.3. What outputs have been achieved? (jobs, skills training etc...)

--

**6. Community Development: Present and Future**

6.1.1. What *key* successes in LED has your institution achieved?

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6.2.1. Do you think that significant improvement has taken place in the town and surrounding area as a whole regarding development planning and implementation?

*(Please tick the appropriate block)*

YES	<input type="checkbox"/>
NO	<input type="checkbox"/>

6.2.2. Please explain:

6.3.1. Are there currently any LED initiatives / interventions being planned for the future by your institution?

*(Please tick the appropriate block)*

YES	<input type="checkbox"/>
NO	<input type="checkbox"/>

6.3.2. If "yes", please give a brief description of the initiatives / interventions.

6.3.3. If "no", please give an explanation why no initiatives / interventions are being planned

**7. Partnerships**

7.1.1. Has your institution formed any partnerships to achieve LED?  
*(Please tick the appropriate box)*

YES	<input type="checkbox"/>
NO	<input type="checkbox"/>

7.1.2. If "yes", with whom and why?

7.1.3. Is there the need / capacity for increased partnerships between the various stakeholders?  
*(Please tick the appropriate box)*

YES	<input type="checkbox"/>
NO	<input type="checkbox"/>

7.1.4. Please explain your answer

**8. Community Involvement**

8.1. To what degree is community involvement integrated in local development policy and planning?

**9. Challenges**

9.1. What challenges is LED facing in your municipality?

9.2. How are these challenges being addressed?

**10. The town and development**

10.1. What have been the overall impacts of local community development?  
(i.e. number of businesses, unemployment, household income levels, inequality, etc...)

10.2. How have these development interventions impacted on the town as a whole?



Thank you for you time and co-operation

**Appendix Three**

Confidential

**Rhodes University – Grahamstown  
Geography Department  
Property Questionnaire**

Researcher: Elizabeth Pio (Masters Degree in Economic Geography)  
083 225 3960  
elizabethpio@hotmail.com

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1. Date: \_\_\_\_\_

2. Name of Company: \_\_\_\_\_

3. How long as this company been in operation for in Graaff Reinet?  
\_\_\_\_\_

4. Name of person completing questionnaire: \_\_\_\_\_

5. Position: \_\_\_\_\_

6. Contact Details (*optional*)

Tel: \_\_\_\_\_

Email: \_\_\_\_\_

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7. In recent years have a lot of houses come onto the market for sale?

*(Please tick the appropriate block)*

YES

NO

8. In recent years have a lot of farms come onto the market for sale?

*(Please tick the appropriate block)*

YES

NO

9. Have farmers that have sold their farms, moved into Graaff-Reinet or moved out of the area?

*(Please tick the appropriate block)*

Graaff Reinet

Moved

10. Has there been a trend of people / families leaving Graaff-Reinet?

*(Please tick the appropriate block)*

YES

NO

11. If answered "yes" to question 10, why do you think families are moving?

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12. In recent years, have a lot of people / families moved into Graaff Reinet?

*(Please tick the appropriate block)*

YES

NO

13. In general is there a trend of the people moving into Graaff-Reinet (i.e. retired people from cities, retired people from farms, young professionals, etc...)

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14. Has there, as far as you are aware, been any "place marketing" promoting Graaff-Reinet as a town to live in?

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15. Have new houses/complexes been built in Graaff-Reinet in recent years, or has the housing development market remained stable?

*(Please tick the appropriate block)*

New	<input type="checkbox"/>
Stable	<input type="checkbox"/>

16. Is there a particular market that Graaff-Reinet is lacking (i.e. town houses, retirement houses, etc...?)

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---

17. Has the value of property increased in Graaff-Reinet?

*(Please tick the appropriate block)*

YES	<input type="checkbox"/>
NO	<input type="checkbox"/>

18. If answered "yes" to question 17, do you associate this increase to be related to the national trend of value increase, or is it something unique happening in Graaff-Reinet?

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---

19. Are there houses that are standing vacant that are not been sold?

*(Please tick the appropriate block)*

YES	<input type="checkbox"/>
NO	<input type="checkbox"/>

20. Are there any other comments regarding the population dynamics or housing market in Graaff-Reinet that you would like to add?

Appendix Four

Confidential

Rhodes University, Grahamstown  
Geography Department  
Museum Questionnaire

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- 1. Date: \_\_\_\_\_
- 2. Name of Museum: \_\_\_\_\_
- 3. Person Completing the Questionnaire: \_\_\_\_\_
- 4. Position: \_\_\_\_\_
- 5. Duration of Position: \_\_\_\_\_
- 6. Contact Details: \_\_\_\_\_

7. Are the visitors mainly: *please tick the appropriate box*

<input type="checkbox"/>	National visitors
<input type="checkbox"/>	International visitors

8. In the past 10 years has the number of visitors

<input type="checkbox"/>	Increased
<input type="checkbox"/>	Decreased
<input type="checkbox"/>	Remained Stable

9. Is there any active promotion trying to attract visitors to the museum?

<input type="checkbox"/>	Yes
<input type="checkbox"/>	No

\*\*\*\*\* Thank you \*\*\*\*\*

**Appendix Five**  
Graaff-Reinet



Montego Feeds, Graaff-Reinet



Camexo, Graaff-Reinet



A new housing development in Graaff-Reinet

## Appendix Six



Low income, high density housing in Pearston



The petrol station



The café

## Appendix Seven



The old hotel in Aberdeen



A shop in Aberdeen



Old houses in Aberdeen



A bank and some shops in Aberdeen



A house for sale as advertised by *Pam Golding*



A guest house in Aberdeen

## Appendix Eight

### Somerset East's large industries

Oliver Retreads	Supplies tyres and retreads throughout South Africa at seven distribution points
Le Mirage and Blaze Rugby Jerseys	Manufactures, amongst other things, predominately rugby apparel Exported to several countries
Oakville Products	Manufactures injection moulded plastic items Distributed internationally and nationally
Somerset Educational	Produces and distributes mini science kits to South Africa and internationally
Grootplaas Engineering	Designs and makes hydro-turbine systems, which are exported.
Rooftop Quality Tap Distributors	Wholesalers of plumbing ware, which they assemble and distribute nationally.
Rice Irrigation Engineers	Design and installation centre pivots, subterranean drip systems and linear irrigation systems for an extensive agricultural area.
Austin Evans Enterprises	Runs Feedlots and slaughters livestock. Meat is distributed to Natal, the Eastern Cape and the Western Cape
Wirquin	Manufactures and assembles sanitary parts before they get distributed nationally and exported to Europe
P.J. Engineering Works	Designs and manufactures specialised radiators and air-conditioners exclusively for the export market

## Appendix Nine



The Boschburg Mountain Range in Somerset East



Some large industries in Somerset East



The 'Misty Mountains' Agricultural Project

## Appendix Ten

Budgets for phase one and two of the Boschberg Development Node

<b>BUDGET PHASE 1 (Planning): Boschberg Node</b>		
February 2005-March 2006		
<b>STUDY</b>	<b>AMOUNT</b>	<b>PROGRESS</b>
<u>Architectural</u> Phase 1	R21735	Completed 2005
Spatial DF	R75000	Completed 2005
Project Assistance and Engineering	R114335	Completed 2005
<u>Legal</u> Phase 1 Financial Socio-Economic Marketing	R359 396	Ongoing
<u>Ortho-photos</u> Ground Control Photos	R85000	Completed 2005
Flood line Survey	R12000	Completed 2005
<u>Environmental</u> Bio-Assessment Preliminary Application	R101987	Completed 2005
<u>Advertising</u> Environmental All Tenders	R14157	Completed
<b><u>TOTAL</u></b>	<b>R783610</b>	
<b>BUDGET PHASE 2 (Procurement)</b>		
March 2006- March 2008		
<u>Architectural</u> Phase 2: Final	R50000	In progress
<u>Spatial</u>	R130000	Completed



Final Lay out Site work		
Fly Fishing Plan	R60 000	In Progress
<u>Service</u> Design / Preliminary Civil Electricity	R430 000	In Progress
Bulk Water	R12 000	In Progress
Legal	R40 000	Ongoing
Financial Assessment	R30 000	In Progress
Survey Nodes	R 50 000	
Hydrogeology Study	R 40 000	
Recreational Area Plan	R30 000	
Geotechnical	R30 000	
<u>Environmental</u> General applications Study Scoping Scoping Report EIA	R180000	Completed
<u>Advertising</u>	R20 000	Ongoing
Visual Impact	R22 0000	Ongoing
Public Participation	R30000	Ongoing
<b><u>TOTAL</u></b>	<b>R1352 000</b>	

Source: Wilken (pers. comm., 2007)