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## **Small towns: development potential or poverty traps? Making sure place doesn't take preference over people.<sup>1</sup>**

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Rural development in South Africa has a chequered history: ideological perceptions drove territorial racial segregation. Within non-traditional authority areas comprising commercial agricultural land and an array of minute to medium sized towns, it manifested in racially segregated suburbs with distinct differences in the level of municipal infrastructure and services, not to mention income and wealth. In the traditional authority areas rural development can for the purposes of this paper be summarised into the creation of border town industries and later industries within the towns of the homelands, casino-driven tourism in the major centres of these areas, a range of government buildings, medium income housing estates and independence stadiums.

Decisions about industrial development or infrastructure investment were not motivated by maximising on the one hand the potential of the locality or the needs of all the inhabitants in the locality, but by how it fitted into the grand scheme of advancing territorial segregation.

The key question is whether since the dawn of a negotiated democratic law-state, decisions at small town level are taken based on both the local developmental potential and the real interest of the people.

### ***1. What is a small town?***

The question of what a small town comprises is problematic. The following questions are indicative of that:

- How large can the largest small town be? If inhabitant numbers would be the yardstick, and say 50 000 would be taken as the cut-off point, then a town with 49 999 inhabitants would be a small town and one with 50 001 a medium-sized town.
- How small can the smallest small town be? When is a settlement too small to be considered as a town?
- Should only the inhabitants in the town be considered, or also the inhabitants of the immediate rural environment? In Jozini the town has during daytime a sizeable population with traders of all kinds lining the pavements, just to disappear from the town to their rural villages by early evening.
- And what about inhabitants who have a second home in the locality? Is the population of Clarens that of mid-week permanent residents or should it include the weekend home-owners from Gauteng and Bloemfontein as well?
- Is a small mining town with a high economic output a small town, but an administrative town with a larger population dependent mainly on social grants a large town, or should economic base be considered as an element when deciding whether a town is small or large?
- Quite often the term "rural town" is used both in academic and popular articles. If there are "rural towns", are there other towns that can be considered as "urban towns" and if so, what are the fundamental differences between these?<sup>2</sup>

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<sup>1</sup> Draft paper: can be quoted, but still to be finalised for publication

<sup>2</sup> The concept of a "rural town" is blurry: a place is a town or it is not a town. It can have characteristics like being a mining town, or a tourist town, but then the depiction is the main economic driving force.

- And what would a successful small town be? One that is growing and expanding (and therefore with the potential to become a medium or even large town, or could a small town be successful also by staying effective, functional and small?
- Since the mere fact that people live in a specific location is indicative that there is some potential, is that potential sufficient to propel them out of poverty?

Towns, like cities, are systems. A town is the physical, technical and social expression of the dominant, though changing, cultural and economic processes of its population over time. Towns and cities are not dormant: they change, and sometimes they even die.

Small Towns in South Africa are often beset by the following:

- Spatial fragmentation and racial & social division;
- Low density sprawl and poor land-use management requiring high infrastructure investments;
- Inadequate and after the fact planning for urban growth (more informal settlement upgrading than pro-active new developments);
- Poor municipal management and bad service delivery (see Local Government Turnaround Strategy (LGTAS) and the Green Drop Reports);
- Weak land and housing markets;
- Environmental degradation (often linked to poor service delivery);
- Inadequate public transport and a predominance of car-based planning;
- Vexed relationships between administrative and political levels and centralisation of powers around mayors;
- Fragile local economies with high levels of unemployment and low levels of urban skills resulting in often competing parallel formal and informal economies with few integrating approaches;
- A larger percentage of low-income households depending on social grants than on salaries and wages;
- A high level of "leakage" of purchasing power, to larger centres, and therefore weak local economic multipliers;
- On-going out-migration of skilled, talented and innovative people;
- Sporadic protests about poor municipal service delivery;
- Failing schools and poor health services.

For purposes of research done for the EU<sup>3</sup> on small towns in South Africa, a small town was defined as one with a population between 1 500 and 40 000 inhabitants. The cut-off is arbitrary, but there is a case to be made for treating some hamlets not as towns. Several of them are holiday resorts with major investments (e.g. Buffelsbaai) but only a small percentage of permanent residents. It brings to the fore the issue of places that have a dominant second home-owner component and the question to which extent such places require public investment and maintenance of infrastructure. Simultaneously, such localities are often for local authorities the geese that lay the golden eggs and if the local authority would benefit from the rates and services, it has an obligation to provide services. Other small places (the Thaba Patshwa, Van Stadensrus, Eendekuil examples) are poverty traps with residents finding it extremely difficult to make a living (high incidence of social grants) and almost just as problematic to relocate as long as the threshold to the city remains problematically high in personal safety and personal cost terms, especially if the skills base is low with no real chance to land employment in the city, and to sell a property in Van Stadensrus is extremely problematic.

## 2. Rural - urban

The tension about mega-city on the one hand and farm on the other end of the spectrum is basically a tension caused by **spatial inequality**. We will argue that **spatial**

<sup>3</sup> Wessels, J (2010): *Towards a Small Town Regeneration Strategy*. Research commissioned by the EU and conducted by Johannes Wessels as Team Leader of ARS Progetti

**inequality is not only an important characteristic of the modernisation process, but to a certain degree a precondition for modernisation and development.**

Since the Industrial Revolution, countries embarking on a sustainable developmental track all experienced a dramatic decrease of the population involved in agriculture. Rural development strategies will also not stem the tide of urbanisation, also since the basis for commercial agriculture has changed dramatically due to developments in technology, transportation and trade. The labour absorption capacity of agriculture has declined whilst output per farmer has increased dramatically.

In the South African context a range of historical interventions by successive governments was aimed at sustaining the agricultural basis of rural areas. Agriculture production subsidies in the era 1950 – 1980 were aimed at supporting the white commercial farming communities. First the concept of border industries (adjacent to the homeland boundaries) and later industrial growth points within homeland areas were introduced to apply brakes on black urbanisation that took place in spite of draconian pass laws. By the early 80s, it was evident that these attempts were in vain given the economic realities of the country: there was one borderless economy (stacked with discriminatory arrangements against the black population) in which all participated and operated.

The economy was driven by a range of value chains (mining, agriculture, manufacturing, transport) that all (despite the location of the primary activities) were intricately linked to the growing cities and through the ports to the outside world.

To reflect on the spatial economy by harping on an urban-rural divide, is not helpful. Urban and rural settlement patterns and their underpinning by economic activities are all inter-linked in a continuum. In that continuum there are stronger and weaker links. The South African spatial economy reflects this reality: one that apartheid desperately tried to negate, and one that post-apartheid attempts of bringing services to where the people are (with large numbers residing in the traditional authority

**Text Box:**

**Economic logic: Why urbanisation and modernisation are essential for poverty reduction**

*The logic of economics is that a household that can maintain themselves through subsistence farming is in a better position than a household that does not produce enough for subsistence. It is further logical that a household that produces surplus that can be traded or sold in order to meet non-food needs of the household, is in a better position than a household that only manages to meet their food needs.*

*It is further a fact that lower income households spend a larger percentage of their income on food than a high-income household. In fact: the higher a household is positioned on the income scale, the more money is spend on non-agricultural (therefore non-food) produce.*

*Poverty reduction can therefore be measured by a declining percentage of household expenditure on agricultural products. Considering further that the Triple T revolution (Technological change, transportation and trade expansion) impact on agriculture has been that in the United States 25 farmers now produce 262% more food than what 100 farmers produced in 1950 (Ohio State University Extension,*

*<http://putnam.osu.edu/news/today>), whilst utilising 2% less inputs, and it becomes clear that the bottle neck in food security is not agricultural production in the first instance (fewer farmers are more productive), but the ability of households to pay for food. This is obvious, since the majority of households are no longer net producers of food, but net consumers.*

*Another poverty reduction index would then logically be societies where a declining percentage of the population is engaged in agriculture. That implies engagement in the modern sectors, and since the modern sector economies are driven from the city regions, it is clear why households leave familiar circumstances, family and livestock in TAAs behind to search a new livelihood in an urban context – even in informal housing and informal trade.*

*And as they leave and resettle and the pressure on agricultural resources (grazing and fields for cultivation) in the TAAs become less, the opportunities are opening up for a beyond subsistence agricultural mode in the TAAs as well.*

*Again: urban and rural do not stand as choices against one another, but in a complementary context. The strategic choice is how to harness the best potential from the whole spatial continuum to ensure economic growth and poverty reduction.*

areas) also did not change too much.

*As the strong urbanisation trend defeated the homeland policy of the apartheid government, and it appears set to counter the post-apartheid policies of rights-driven supply of services in rural areas.* The trend of migration to the locations dominated by the city regions continues and there are several reported cases of a decline in primary school enrolment in rural areas, health clinics that are not utilised to the full and subsidy houses occupied by the grandparents looking after the children whilst the parents are (again) living in informal settlements (but this time in a city region) whilst looking for work there.

People are voting with their feet, and typically, they are moving from small towns to larger towns and cities (albeit often in a staged process of migration). There is insufficient economic incentive to retain people – particularly the young, the skilled and the entrepreneurial – in small towns.

Arguments that growth of informal settlements in the cities is because of the neglect of investment in the rural areas should be evaluated against the following:

- Would informal settlements in the cities disappear if sufficient housing investment would take place in the TAAs? Unlikely, since households in informal settlements reckon life in the cities to be more advantageous compared to that in the TAAs, despite the inadequate housing environment.
- If agriculture in the TAAs could be revitalised, would households rather remain there engaged in farming activities or flock to the cities in search of jobs? Farming as a mode of livelihood is not attractive to the majority of the young from all backgrounds.

The movement of people is not the only link between rural and urban areas (whether *to* or *from* cities). Other key movements are those of financial capital (e.g. remittances or rural investment of urban capital); tourism (short-term visits accompanied by significant spending); mixed rural-urban livelihoods (such as agriculture, retail and taxis); and education (migration to larger centres for schooling or training or vice versa).

Whilst urbanisation calls to the fore both the notions of mega-cities and rural decline, it is time not to think of the one at the cost of the other, but rather at how small towns can benefit from and simultaneously enhance the economic drivers of the city regions that dominate. It is in this context that the position of small towns should be considered: a small town regeneration strategy cannot be an intervention trying to stem or even balance the growth of the city regions. Neither can a small town regeneration strategy become the answer for rampant underemployment and poverty reduction. Small town regeneration has an important, but limited potential.

### **3. Spatial inequality**

All countries (whether post industrialised, industrialising or pre-industrialising) are characterised by spatial inequalities in income, lifestyle and facilities. Probably the most spatially equal societies were the hunter-gatherer societies of the San and the Inuit since both the Kalahari Desert and the ice-shelf of the Arctic offer for the hunter-gatherer only opportunity as and when game appears. Agrarian disparities in ancient societies (cultivating fertile valleys versus nomadic livestock herders) were already the cause of untold conflicts. The moment economic differentiation sets in to move beyond basic subsistence, spatial inequalities bring societal tensions to the fore, but provide the territorial pathway for developmental processes.

Spatial inequality is a reality with many causes, including:

- *Climate and soil potential:* In the agriculturally dominated phase of development these are important drivers or inhibitors.
- *Geography and access:* Mountainous regions are often isolated from mainstream developments<sup>4</sup>. Modern road infrastructure can partially overcome such hurdles, but in most cases contribute to an acceleration of goods and services moving in and people moving out.
- *Ideological:* The “homelands” in the South African context received for an extended period little attention in terms of road infrastructure, sanitation, energy and economic diversification apart from the industrial growth points.
- *Economic systems:* At the fall of the Berlin Wall the inequalities between East Germany and West Germany were stark. Considering that both these states at their founding after WWII commenced with the same cultural background and similar war devastation, the impact of a market approach versus a socialist interventionist approach was clear for all to see. Romer<sup>5</sup> also emphasized that poverty is a lack of ideas, not objects. Economic system impact is closely related to ideological choices.
- *Legal systems pertaining to property rights:* Hernando de Soto<sup>6</sup> pointed out that a system of cadastre and registered title enable owners to transform their houses into assets, with an investment value beyond living in it. Such a system is not possible in communal tenure. He argues that legal reform that would bestow titling on owners of informal housing in informal settlements would create stability and enable such owners to link into the mainstream economy. This argument would affect millions of households in the erstwhile homeland areas. Formalising tenure systems would create major capital assets in TAA towns, providing the base for local investment.
- *Technological access:* Before mobile phones, access to fixed line communication was a major driver of economic opportunities. Now, areas with cell phone coverage are in general economically more advanced than areas without cell phone coverage.
- *Trade:* In the Middle Ages in Europe two kinds of cities were successful: those with good artisans (Bruges with its weaving, textiles and famous for its draperies) and those with good trading linkages (Venice and Genoa). In modern times Rotterdam and Singapore are examples of successful trade hubs. . In South Africa, some small towns have become notable retail hubs which often outstrip their capacity for agricultural or manufacturing production. Such towns benefit greatly from government programmes such as social grants. Increasingly, towns such as Graaff-Reinet are drawing in spending power from smaller centres such as Aberdeen and Murraysburg leading to the long-term decline of the smaller towns.

Some of the most important implications of spatial inequality are:

- More opportunities exist for both entrepreneurs and employees in areas with high economic activity and population density resulting in constant migration from areas of lower to areas of more activity. These market forces are so strong, that millions of disenfranchised South Africans flouted the pass laws in order to look for a living in the cities and larger towns. This manifests also in higher wages and income in the city regions.

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<sup>4</sup> Gamkaskloof (Die Hel) is a remote valley in the Little Karoo, which has remained undeveloped because of the lack of transport connections. Once a road was built, it rather assisted people moving out than bringing development to the remote valley. Similar situations occur in Lesotho.

<sup>5</sup> Romer, Paul M.2007: **Economic Growth** in Henderson, D.R. (ed): ***The Concise Encyclopaedia of Economics***. Liberty Fund.

<sup>6</sup> Peruvian economist and author of “The Other Path” and “The Mystery of Capital” and considered by Time Magazine as one of the most influential 100 people in the world.

- Economic growth in key areas generates additional resources (e.g. through property tax and services to local authorities), but puts simultaneously constant pressure on infrastructure due to an increasing population. Investments by both public and private sector should not be informed by existing backlogs alone, but also by on-going trends and its consequences. This is the only way to prevent a constant scrambling trying to catch-up. In the SA context the infrastructure and housing backlogs in the city regions have increased over the last 20 years despite attempts to deal with the backlogs.
- Economic diversification deepens in areas of agglomeration and decreases in areas without agglomeration benefits.
- Areas with higher than national average growth act as a magnet for high level skills whilst areas of economic decline export such skills. Innovation and leadership potential in areas of stagnation and decline is thereby threatened.

Tremendous political pressure on governments often results in policies and strategies in pursuit of equalising such inequalities. Politicians, in general, view economic imbalances as negative and intervene in order to try smooth out spatial inequalities. In recent years they pursued in the main four strategies to deal with this:

- Curbing city growth (Informal settlements and the resultant pressure on city infrastructure are often viewed as a potentially political destabilising element, as well as bringing the plight of the poor into the direct attention of all, thereby undermining Government's public image. The apartheid government's influx control measures, coupled with border industries, are examples of such attempts, as is the Zimbabwean Murambatsvina shack eradication campaign.
- Reducing rural-urban gaps in wealth and living standards by providing infrastructure and housing in economically lagging venues in an attempt to keep people from migrating to cities
- Relocating job opportunities to where the people live
- Protecting enterprises against imports from low cost producers

There are, however, interesting lessons emerging documented by organisations such as UN-Habitat, the World Bank, the OECD, and others. International research in both developed and developing countries have highlighted that as a country moves up on the development ladder to higher income countries, production becomes more and more concentrated in key localities but living standards become more equal across the country. The implications are far-reaching from a spatial hierarchy and poverty alleviation perspective.

Research findings suggest there is a causal relationship: The more growth derives from increased economic activities in concentrated key locations (spatial engines of growth), the more the economy can afford to provide more equal living standards across spatial areas.

**Text Box:**

***Spatial inequality at production and household levels in richer and poorer countries differ***

**Production becomes more and more concentrated**

***As a country grows richer***, location becomes more important for economic production. Ghana, Poland, and New Zealand—three medium-sized countries with land areas of about 250,000 square km—have vastly different per capita gross national incomes of about \$600, \$9,000, and \$27,000, respectively. The most economically dense 5 percent of the country's area produces about 27% of gross domestic product (GDP) in Ghana, 31 % in Poland, and 39% in New Zealand.

**Living standards become more equal**

***As a country grows richer***, location is less of a factor for living standards than in less rich countries. More than 100 living standard surveys indicate that households in the most prosperous areas of developing countries—such as Brazil, Bulgaria, Ghana, Morocco, and Sri Lanka—have an average consumption almost 75 percent higher than that of similar households in the lagging areas of these countries, but in the case of developed countries as Canada, Japan, and the United States the average consumption in prosperous areas is less than 25% higher than that of similar households in the lagging areas.

- World Development Report 2009

The World Development Report 2009 concludes that “policies to reduce interstate or provincial disparities in production and living standards are commonplace, but largely ineffective.” In similar vein UN-Habitat (2010) argued that politicians should realise where investment would have good returns:

**Text Box:**

**“Focus on the urban areas for success – direct link between urbanisation and per capita GDP” - UN-Habitat**

The urban population of developing countries had grown from 680 million in 1970 to 1,450 million in 1990, and 2.6 billion today. It would reach 3.9 billion in 2030, according to UN-HABITAT projections.

“This growth, potentially positive because it helps reduce rural over-population, is not accompanied by economic development sufficient to create needed work and revenues, especially in Africa,” **Mr. Daniel Biau, Director of UN-HABITAT Regional and Technical Cooperation Division**, said in Bamako, Mali on 22 November 2010 at the African Ministerial Conference on Housing and Urban Development (AMCHUD). “In many countries urban growth has been poorly managed because the political will is lacking and because of wrong choices.”

He said that four fundamental requirements have to be met for maximising benefits from urbanisation:

1. Politicians should take note of the direct correlation between the rate of urbanisation and per capita GDP. This economic growth is a necessary, though not complete, condition for social development.
2. African countries should redouble their efforts to ensure safe water, proper sanitation, transport, security, health care and primary education in urban areas.
3. There should be realistic urban development strategies – most African cities do not have urban development plans.
4. A key element to ensure successful cities in Africa was helping the urban poor getting themselves into better shelter. Governments should therefore ensure appropriate land release, infrastructure provision and mechanisms for finance so that the poor can construct proper and secure shelter.

## 4 Reshaping Economic Geography: the advantages of spatial inequality<sup>7</sup>

Built on multi-disciplinary research over 20 years, the main messages of the World Development Report 2009 are:

- Economic growth *will* be unbalanced.
- Attempts to spread out economic activity will discourage growth.
- Despite the spatial unbalanced impacts of growth, development can still be inclusive, in that even people who start their lives far away from economic opportunity can benefit from the growing concentration of wealth in a few places.
- The way to get both the benefits of uneven growth and inclusive development is through economic integration.

Economic integration has to take place in the locality (e.g. integrating informal settlements with the rest of the urban area), at country level (integrating lagging and leading provinces within a nation) and internationally (integrating isolated and well-connected countries).

It concludes that there are three dimensions of geography that are important to understand spatial potentials.

<i>Density</i>	<i>Distance</i>	<i>Division</i>
At locality level this is the most important dimension, since distances within the locality are relatively short and there seldom is barriers preventing movement within the locality. Density drives efficiency (in infrastructure and transport) and simultaneously attracts skills. The highest concentration of high level skills is found in the denser cities <sup>8</sup> .	At national geographic scale distance is the most important dimension: it explains the lag between areas of concentrated production and areas that lag behind. The main mechanisms to overcome distance are mobility, improved transport and communication networks.	Internationally division is important: national boundaries, trade barriers, worker and producer opposition to imports and foreign contract labour all are factors that are divisional in the global economy. Distance remains important at the international level, but divisions (different currencies, regulations, import requirements, etc.) are more critical factors.
The more concentrated the economic activities become in a spatial sense, the higher up the development ladder the country climbs. Territorial concentration of economic activities (agglomeration and clustering) is directly linked to the level of income.	Localities outside the areas of concentrated economic activities, will economically struggle unless they develop strategies to “diminish” the distance between them and the areas of economic power. This could be improved transportation linkages (requiring good road building	Countries that lag the more developed countries should improve their connections with the outside world. This can happen in a regional context (e.g. improve the flow of cross border goods and services, by diminishing red tape or by entering into trade agreements) or in a more global context by (i)

<sup>7</sup> World Development Report 2009

<sup>8</sup> This finding of the World Development Report 2009 is in line with several other studies. Notably the official “State of the Cities” 2005 report in the UK issued by the Office of the Deputy Prime Minister observed that “London experienced the greatest gains (of persons with university qualifications) during the past decade so that each year it contains an ever-growing proportion of the ever-growing numbers of graduates

	and maintenance programmes) or improved communication linkages.	ensuring an investment friendly and attractive environment and (ii) developing skills, production and services in components and goods that would link into and add value to existing value chains.
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Key findings of this research (relevant for this study) are the following:

- There is a correlation between growth and spatial concentration of both people and economic activities: As a country moves from an agrarian society to an industrialised and service-oriented society, urbanisation increases with major changes to the urban-rural landscape. In that process economic productivity becomes concentrated in compact densely populated areas. *It is simultaneously a result of as well as a driver for economic development.*
- Living standards diverge before the converge: As income increases living standards converge between places of concentrated economic mass and areas where it has not concentrated, but not before diverging. Access to basic public services converge (basic education, health services, water and sanitation) before wages and income converge.<sup>9</sup>
- Nationally, divergence in living standards happens quickly, but convergence is slower: "At early levels of income, provincial or interarea disparities in basic living standards can be small. But they increase quickly as countries grow. In the rapidly growing East Asian and Eastern European countries these gaps have increased rapidly." But as the country moves up the income ladder, convergence sets in... "In low income Cambodia the gap between leading and lagging areas in consumption of otherwise similar households is almost 90 percent. In middle income Argentina, the gap is 50 percent but in contemporary Canada it is just 20 percent... Fast-growing countries everywhere have been able to quickly translate economic progress into spatial equity in these more basic living standards."<sup>10</sup>

***There is evidence that the South African Government has detailed studies on the South African situation with a similar thrust, but it has been sitting on that report since 2009 without taking any decision.***

## **5 A National Overview of Spatial Trends and Settlement Patterns**

The National Government commenced under Pres. Thabo Mbeki with the development of a National Urban Development

### **Text Box:**

#### **Prioritise Cities, says UN Habitatat**

"Since cities are the future habitat for the majority of Africans *now* is the time for spending on basic infrastructure, social services (health and education) and affordable housing, in the process stimulating urban economies and generating much needed jobs. Deferring these investments to the 2040s simply will not do. Not a single African government can afford to ignore the ongoing rapid urban transition. **Cities *must* become priority areas for public policies, with investment to build adequate governance capacities, equitable services delivery, affordable housing provision and better wealth distribution.**"

- UN Habitat 2010

<sup>9</sup> The World Development Report 2009 even states: "*Provinces that are more prosperous and urbanised have smaller rural-urban gaps in living standards This is true even in countries at low levels of income such as China, India and the Philippines. But within highly urbanised areas, gaps in living standards such as sanitation and schools tend to persist.*"

<sup>10</sup> **World Development Report 2009:** p 11

Framework (NUDF) in order to increase development outcomes. A study was commissioned to develop:

- A better understanding of the urban space economies and settlement trends;
- A framework for Government to spatially focus and contextualise public sector investment and areas for urgently improved intergovernmental governance.

This assignment was based on the point of departure that in a globalising context the health of the cities (both as engines of economic growth and as growing assembly points of the population) are critical if SA wanted to address the simultaneous needs of enhanced economic growth and poverty reduction. The Presidency, Policy Coordination and Advice Services (PCAS), the Department of Provincial and Local Government (dplg) and the South African Cities Network (SACN) commissioned the CSIR, Built Environment (together with Econrise and HSRC) to identify significant national demographic, economic, social, service and environmental trends impacting on the national space economy and the growth and development of South Africa's towns, cities and city regions.

A comprehensive report was published. Some of the most pertinent conclusions were the following:

- Globalisation, increased urbanisation and agglomeration economies have increased the need for spatially nuanced development approaches.
- Regions are the key economic spaces that support successful development and cities are in the main the drivers of flourishing functionally connected regions.
- Out-migration takes place from the central parts of the country and even from traditionally densely populated coastal districts with city-region areas experiencing continued net growth (including the city-region areas of Gauteng and the port cities of Cape Town, eThekweni and Nelson Mandela), cities (such as Pietermaritzburg, Nelspruit, Bloemfontein and East London), major regional centres (such as Rustenburg, Middelburg and Mthata) and especially towns on major access routes and movement corridors.
- Spatially the demographic composition is changing with city regions, cities and big towns attracting increasing numbers of the youth, the most highly skilled portion of the formal and informal labour market, as well as the biggest number of those that are unskilled, economically inactive and most probably those in search of livelihood opportunities.
- Significant changes are taking place in the profile of districts/regions with traditionally high numbers of people, poverty and dependency ratios in terms of youth, economically inactive population and grants. These areas (mostly TAAs with limited economic activity) are characterised by outward migration and a decline in young population.
- The growth of the South African economy, increased access to job opportunities, as well as diversification and innovation are largely carried by the city-region areas.
- Economic decline is evident mainly in some traditionally resource-based economies, associated often with a decline and a scaling down of the mining industry and jobs (Welkom and the rest of the Free State Goldfields). Places of high economic growth over the last decade include resource-based regions and small niche towns.
- The economies of some towns and areas are largely dependent on government services. In such towns and areas, often located in former Bantustan areas and with high population numbers, as well as in city-region areas, the relative importance of household income in creating economic and livelihood opportunities is evident.

- Major advances were achieved in rolling out services (water, sanitation, electricity, and housing) but backlogs and pressures for service delivery are increasing in the cities, city-region areas and towns that fulfil typical regional services roles.
- In the absence of economic drivers, migration appears to be fuelled by access to public services.
- The implications for natural resources and eco-systems of the concentrated economic and population growth are critical. The pressure is not just because of growing numbers, but because of the poor management systems of this growth. This is evident in both city-regions and rural areas.
- Different types of settlements fulfil diverse roles and face unique challenges within their functional regions.
- There is strong evidence in the data and trends that the future of South Africa and its citizens, and the crucible for government in delivering on its objectives hinge on the future of the following key areas/settlements:
  - **The Gauteng city region and coastal city regions of Cape Town, eThekweni and Nelson Mandela Bay** – Functional urban areas were in 2004 home to 38% of South Africans on less than 2% of the land and generated 65% of all economic activity. Expanding the metropolitan area boundaries to the broader city-region areas, the four city regions together housed 60% of all South African citizens and contributed 72% to South Africa’s GDP in 2007. These areas are the generators of growth, jobs and livelihood opportunities and the gateways to Africa and a continued continental and international presence for South Africa (ports, export/imports, etc.). The city-region areas are also under severe pressures brought about by continued urbanisation and population growth, increased poverty, higher dependency ratios and increased demands on services and resources. These City regions will determine the quality of life of the majority of South Africa’s citizens and place serious demands on governance systems and institutions in future<sup>11</sup>.
  - **Cities and towns that fulfil significant economic and public services functions** - Cities such as Nelspruit (Mbombela), East London (Buffalo City), Polokwane, Bloemfontein (Mangaung) and Pietermaritzburg (Msunduzi), and large and medium sized towns such as Rustenburg, Richardsbay and Witbank within relatively resource-rich areas (areas that are characterised by growth in the economy and population), Kimberley and Upington with strong regional services functions in sparsely populated areas of the country, or towns such as Mthata and Thohoyandou with limited ranges of urban functions in densely populated TAA areas<sup>12</sup>. This category of cities and towns were home to almost 20% of the population and 20% of economic activity in the country (2004).
- The regions that this study points out as requiring priority focus to bolster them coping with unfolding patterns of urbanisation and settlement development, are:
  - the Gauteng and coastal/port functional city regions;

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<sup>11</sup> In addition, there will be major challenges in infrastructure and the question of water resources is critical in this regard.

<sup>12</sup> Places like Mthata and Thohoyandou, despite strong out-migration from these areas to the city regions, are concentration points of town-ward migration within the TAAs.

- the eastern-coast and inland Eastern Cape areas, as well as the northern KwaZulu-Natal areas marked by dense rural settlements and a limited number of towns that are fulfilling a limited regional service role; and
- the network of towns, regional access corridors and clustered and dispersed settlements within the relatively resource-rich northern part of the country (Limpopo/Mpumalanga).

This report has been side lined and has no official standing in the Zuma Government with senior officials unaware of its existence and recommendations.

## **6. The Decentralisation Model and Small Towns:**

The decision to create wall to wall municipalities and to consolidate the almost 1 100 local authorities that existed in 1993 into the current 283 municipalities was aimed at ensuring viable local authorities with proper service delivery capacities. *An unforeseen outcome was the fact that several localities lost their government function. In the process local government became more distanced with key officials as well as councillors unfamiliar with local dynamics.* In the Kopanong Local Municipality in the southern Free State, several senior officials live in Bloemfontein and commute daily in the morning to their offices in Trompsburg, Edenburg and Reddersburg just to disappear in the afternoons back to the city: they are not part of local social fibre of the town and thereby less in touch with local demands and priorities. They seldom visit the other 6 small towns in the municipality.

An unintended consequence of this decentralisation model has been the loss of a local governing and administrative capacity in many of the small towns, whereby local accountability and opportunities for local participation were lost.

The amalgamated local municipalities were motivated on (i) ensuring a proper financial base for the local authority and (ii) ensuring that the governing and administrative capacity that had to rely on scarce resources would be met. An unforeseen consequence was that the managerial and administrative capacities required for managing a multi-nodal municipality exceeded the far more straightforward municipal function approaches that were needed at local municipal levels, whilst the administrative costs were also not limited to benefits because of scale, but included additional actual costs such as travelling (both for municipal employees, but also for residents) as well as opportunity costs. The burden of these again came down on the smaller towns, since the main municipal seats are positioned in the larger urban settlement of the local municipality.

Though not a government policy, the impact of the practice of ANC cadre deployment on small towns requires also reflection. Business Chamber and some Tourism Association members in several of the small towns had raised the issue, claiming that cadre deployment severs the link between the local people and the officials. One of the quotes: *"Local government in essence should be accountable to the people in the locality. Cadre deployment at municipal manager and other local authority official level creates in principle a conflict of interest. The question is simple: Whose interests would be served: Luthuli House or the local population?"*

In principle cadre deployment makes officials accountable to the political structure rather than to the local residents and the impact of that on ensuring healthy small towns should be considered. Small towns have had a poor track record of quality of Councillors. In many cases, local politicians are drawn from the ranks of the unemployed, and have little experience of organisational management or business development. Becoming a Councillor has become an important political reward for loyal party members, regardless of their leadership abilities or developmental experience. Furthermore, key municipal tasks, such as LED, tourism, gender relations and community development workers, have become "captured" by local political elites, with little regard to skills, aptitude, or experience.

As examples of how the decentralisation paradigm result in the Municipalities effectively undermining initiatives in some of the small towns in their domain, the situation of Richmond and Gariep Dam will be show cased.

### 6.1 Richmond (Northern Cape):

Richmond, established in 1843 to meet the religious needs of a growing farming community in the Karoo, has approximately 8 000 inhabitants (Ubuntu LM website<sup>13</sup>) and is halfway between Johannesburg and Cape Town on the N1.

The town is renowned for its appealing Karoo architecture with Victorian and Edwardian features. Merino farming was in the mid-19<sup>th</sup> Century the economic driving force in Richmond and the high wool prices (with exports through Cape Town and Port Elizabeth) generated relative good income to the farming community. But in the course of the last 70 years of the 20<sup>th</sup> Century, decline has set in. Decline is however not the only story: Richmond has a fascinating story about Small Town Regeneration private initiatives.

Darryl David, a lecturer in Afrikaans at the University of KZN, was inspired by the idea of a Book Town based on the concept of based on the concept of Wales's Hay-on-Wye. The concept is to utilise the love of books and literature to revitalise the economy of a small town. Peter Baker, a Canadian vet who fell in love with Richmond on his numerous journeys to Stellenbosch to visit his children and John Donaldson from Johannesburg decided also to invest in Richmond. He currently owns 3 bookstores in the town.

Apart from several book shops in the town, David, Baker and Donaldson – all with an interest in Richmond, but residing and

working elsewhere –

also launched the Boekbedonnerd Fees.<sup>14</sup>

The first festival was held in 2008 and it has grown from almost 800 visitors then to about 1900 in 2011. The festival draws visitors from nearby towns, but from as far as Cape Town, Pretoria and Nelspruit. The festival is spiced with readings by authors and literary discussions and latch on to whatever the Groot Karoo can offer (See Text Box).

Baker indicated the positive impact of becoming SA's first Booktown as evident in:

- more visitors spending time in the dorp, rather than

#### Text Box:

### The side-offerings of the Boekbedonnerd Fees

#### On the positive side:

- Sheep-shearing, cookery demonstrations, photography, architectural and botanical walks, and a trip by donkey cart to a local brick-maker where Daniel Kiewido still uses centuries-old techniques and a blindfolded donkey.
- Art stalls jostled beside vintage clothes sellers, organ recitals in the historic church competed with wine tastings. From the stoep of the ouetehuis, which was once the town's hotel, came the scents of pancakes frying, cinnamon and lemon.
- The sensual highlight of the festival was the Karoo Crawl – a walk up the koppie just outside the town with botanist Sue Milton. The terrain, studded with dolorite or ysterklip boulders, revealed wonderful finds: there were miniscule succulents disguising themselves as sand, brown and pebbly on top but when prised away with a pen-knife they revealed their bright green flesh; euphorbia that oozed poisonous milk if bruised; aromatic grasses with names such as kapokbos and wortelsaadgras that give Karoo lamb its distinctive flavour; and delicate Karoo violets, blossoms the size of a child's fingernail, which have a tap root used for treating sepsis. The scabby earth yielded a flintstone axe head, sharp to the touch and a reminder of those who knew the area for thousands years before us.
- The Supper Klub offered a wine tasting and cabaret...

#### On the negative side:

- Notably absent from the programme was any involvement from the Richmond public library, which was closed for most of the weekend

<sup>13</sup> [http://www.ubuntu.gov.za/index.php?option=com\\_content&view=article&id=22&Itemid=52](http://www.ubuntu.gov.za/index.php?option=com_content&view=article&id=22&Itemid=52)

<sup>14</sup> Festival for the Book-hooked would be an appropriate translation

stopping only for petrol.

- Demand for overnight occupation has risen dramatically and in response to this growing demand, available beds for accommodation has increased from 100 in 2004 to about 150.
- The first three bookstores are now complemented with three more and two new B & Bs have opened.
- Property prices have escalated dramatically: Baker bought his first property in Richmond in 2004 for R30 000. His estimate is that he could sell it now at R500 000. There are houses that were bought in 2005 for R20 000 that have sold since at R300 000 – R400 000. This has enabled some old residents to gain capital that enabled them to move elsewhere.
- Booktown involved the National Library in Cape Town to present classes during the festival in restoration of books. A total of 22 people attended these workshops over the 4 days and the Library is of the opinion that 3 of the participants are good enough to, after a further 6 months training, be skilled enough to operate on their own. That could form the nucleus of a small service industry in Richmond and, there are sufficient books that require restoration.

But Richmond Booktown story is not only one with positive aspects. There are difficulties and stumbling blocks as well. Baker talks about the disinterest of the municipality. A new library, computerised and all, was built in the township. The municipal librarian from the old library in town – who has no librarian training and is definitely not a book person – is continuing in her position in the new library. Baker got the University of Pretoria interested who indicated that they would get their final year library graduates in the library and to providing training. "It would not cost the municipality a cent, but they declined the offer<sup>15</sup>."

Baker says the lack of a book culture in the local community is a drawback: at most 10 local residents attended the talks held by interesting speakers, such as Prof Jonathan Jansen, rector of the University of the Free State. The rest of the audience were visitors. The organisers invited the teachers and students from the schools in the black and coloured community to attend for free some of the talks, including one by Dr Ian Palmer, well-known ecologist. Not a single pupil came, but worse: neither a single teacher.

Baker's complaints about the Municipality, is not without base. The relevant documentation of both the local and the district municipalities carry no mention of Booktown Richmond that was launched in 2006 and five successful Boekbedonnerd Feeste since. In the Ubuntu Local Municipality's Ten Year Tourism Strategy there is no mention of the Booktown concept as this extract from the document shows:

**Extract from the Ubuntu Ten Year Tourism Strategy, 2010 - 2020**

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<sup>15</sup> Interview by Johannes Wessels with Peter Baker (October 2010).

#### 4.8 Tourism SWOT Analysis

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> <li>• The Apollo Development in Victoria West</li> <li>• The Karoo habitat as draw card for nature tourists</li> <li>• Victoria West Museum excellent facility</li> <li>• Good hiking trails</li> <li>• The railway line that passes through the region</li> <li>• Utilization of flying school air strip</li> <li>• Local artist</li> <li>• Good game farms</li> <li>• Organized hunting industry</li> <li>• Friendly inhabitants</li> <li>• Ample accommodation</li> <li>• Architecture of the region</li> <li>• Safety</li> </ul>	<ul style="list-style-type: none"> <li>• The quality of some facilities is below what is desired</li> <li>• Lack of recreational facilities</li> <li>• Richmond museum needs attention / not in high quality</li> <li>• Lack of petrol stations in Loxton</li> <li>• No Marketing</li> <li>• Lack of assign posts</li> <li>• Poor roads for tourists</li> <li>• Lack of Tourist information in the region</li> <li>• Vandalism that causes the destruction of information boards</li> <li>• Lack of tourist packages</li> <li>• Long distances it difficult for tourists to visit the region</li> </ul>
<ul style="list-style-type: none"> <li>• Clean, pure air, clear skies</li> <li>• Indigenous culture</li> <li>• The N1 and the N12 services the region that ensures a large volume of traffic through the region</li> </ul>	<ul style="list-style-type: none"> <li>• Poor marketing</li> <li>• Littering spoils the surroundings</li> <li>• Race relations leaves much to be desired and impacts negatively on tourism</li> <li>• Poor infrastructure in the townships hurts the tourism industry</li> <li>• Water in Richmond is brack and cannot be consumed by tourists</li> <li>• Mosquitoes and lice are problematic</li> </ul>
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> <li>• Job creation through economic development</li> <li>• Opportunity to sell bottled water to tourists</li> <li>• Game farms can be mote optimally utilized</li> <li>• Excess to information</li> <li>• Huge opportunities do exist for inter-sectoral tourism</li> <li>• Game farms can be more optimally utilized</li> <li>• The tourism information offices of Ubuntu can be integrated in order to provide an improved service</li> <li>• Recycling of all material</li> <li>• Loxton needs a museum</li> <li>• Upgrading of Caravan park in Loxton</li> <li>• Marketing</li> <li>• Upgrading of railway line that passes the region can benefit community</li> </ul>	<ul style="list-style-type: none"> <li>• Integration within the tourism sector and cooperation among people are not up to standard</li> <li>• Alcohol abuse impact badly on tourism.</li> <li>• Long distances</li> <li>• Competition against other regions</li> <li>• Duplication of services and facilities</li> <li>• Name change</li> <li>• Typical crime (patty crime)</li> <li>• Lack of knowledge</li> <li>• Protest marches with the blockage of roads impacts negatively on tourism and local businesses</li> </ul>

The emphasis is on improving the existing museum and the need to establish a Tourism Information Centre in the town. The IDP of the Ubuntu Local Municipality is also ignoring the Booktown concept: it reiterates the upgrading of the Horse Museum. Even the Ubuntu Municipality website has no link to the numerous Richmond Booktown websites<sup>16</sup>

Also the Pixley ka Seme District Municipality is not taking note of this transformation in their midst: in the 2010 IDP strategy published in March 2010<sup>17</sup> there is under LED and specifically under LED 4 (Tourism Promotion and Development) no mention of Richmond as a town, less so of the Booktown concept. In the 141 page document the name Richmond appears only twice: both in connection with the Water Reservoir that was under construction.

This private initiative, ignored by the local authorities and even by the municipal institutions like the library, has already succeeded in:

- A substantial improvement and investment in the town's economy with B & Bs, coffee shops and the book stores operating.
- Luring more travellers on the N1 to make a determined stop in Richmond, with many of them staying overnight as well. And all available accommodation is taken up during the Boekbedonnerd Fees.
- Property prices in Richmond have increased dramatically, despite the housing market slump, with the average price from 2005 to 2010 has increased dramatically.

## **6.2 Gariep Dam:**

This a small town in the southern Free State that developed from the original construction site when the Gariep Dam (then known as Verwoerd Dam) was built in the late 1960s and early 1970s. The formal transfer of ownership of rented houses to long term residents took place only around 1990. Gariep Dam is known for tourism with a modern hotel with conferencing facilities and the resort at the dam (now privatised, but previously a provincial authority resort).

Apart from the dam that provides the largest inland lake for sailing and which also is a popular angling location, Gariep Dam has for at least 25 years housed the annual national gliding competitions. The hot summer days of December, coupled with the large dam surface, provide ideal upward surge potential and the location also boasts a large and well-built airstrip. In December several overseas teams from mainly Germany also stay in Gariep Dam to participate in the gliding championships.

The town is a popular location for retired couples, being less than 2 hours' drive from Bloemfontein. In 1999 Gariep Dam was incorporated into the Kopanong Local Municipality with its seat in Trompsburg.

The purpose of this case study is to demonstrate that focusing on local municipalities obscure the situation at small town level and that there is urgent need to capture data at town levels as well before integrating them into the larger picture. It also highlights the fact that it is wrong to assume that local authorities would take care of their best performing and high potential towns. The research had quite a struggle to obtain the following information from the local

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<sup>16</sup> [http://www.ubuntu.gov.za/index.php?option=com\\_content&view=article&id=22&Itemid=52](http://www.ubuntu.gov.za/index.php?option=com_content&view=article&id=22&Itemid=52)

<sup>17</sup> <http://www.pixleykasemedm.co.za/budget/Summary%20of%20the%20IDP%20for%202010-11%20Financial%20Year.pdf>

municipality and it was only after direct requests from the DCoG that the information was availed<sup>18</sup>.

From Figure 8 it is clear that Gariep Dam is even in a municipality comprising nine small towns, the smallest.

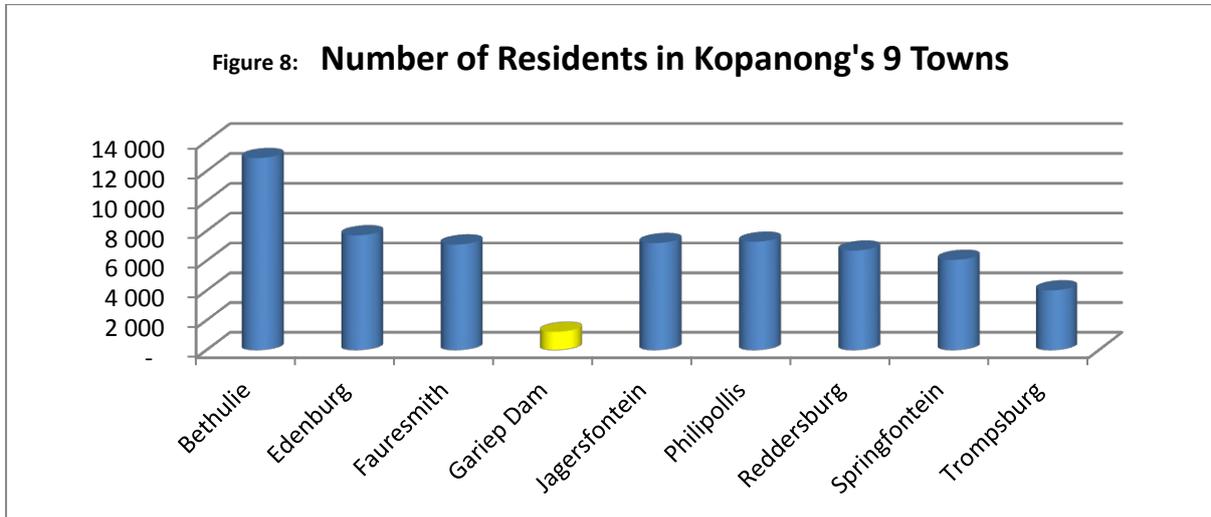
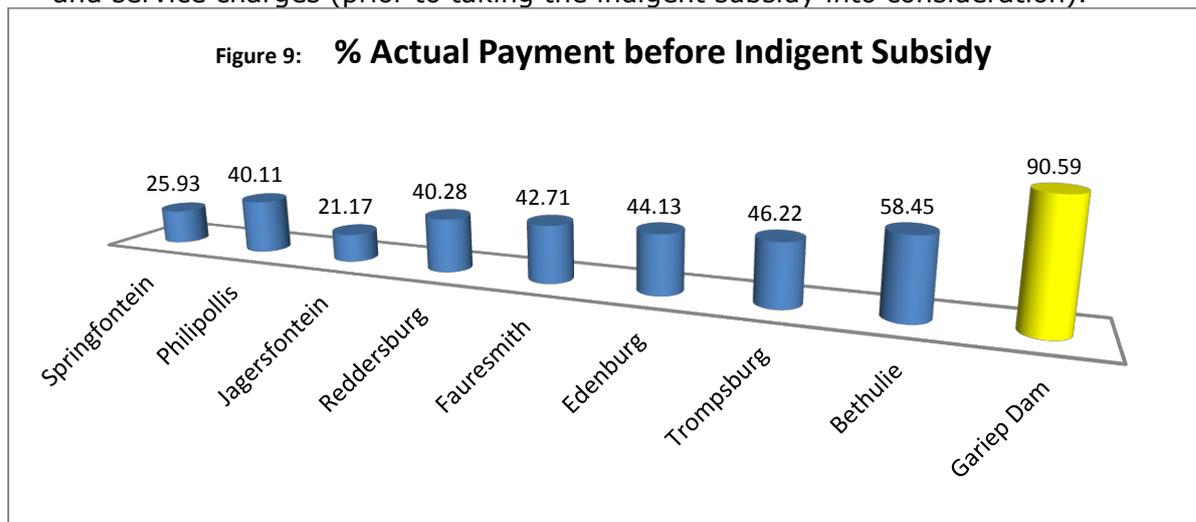


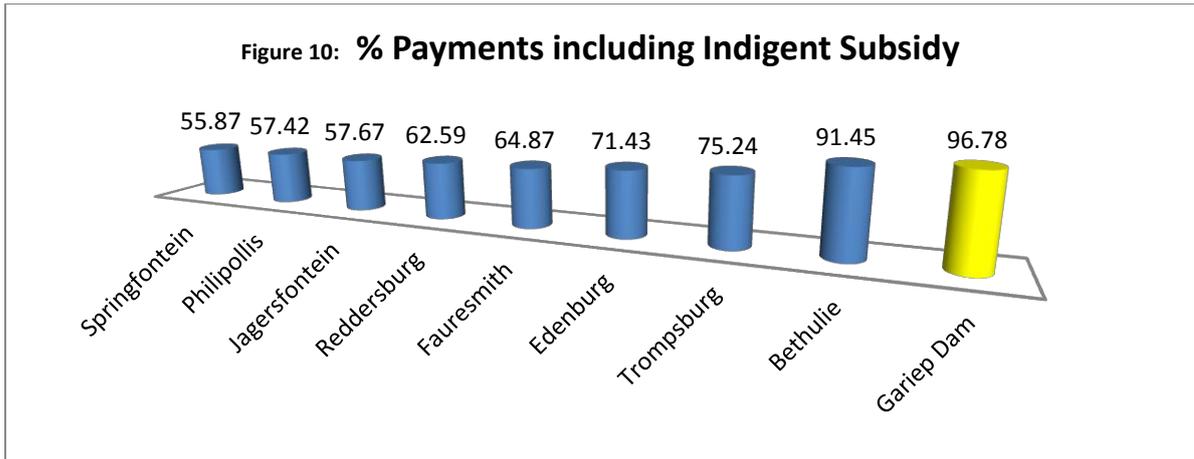
Figure 9 indicates that Gariep Dam has the highest percentage payment for rates and service charges (prior to taking the indigent subsidy into consideration).



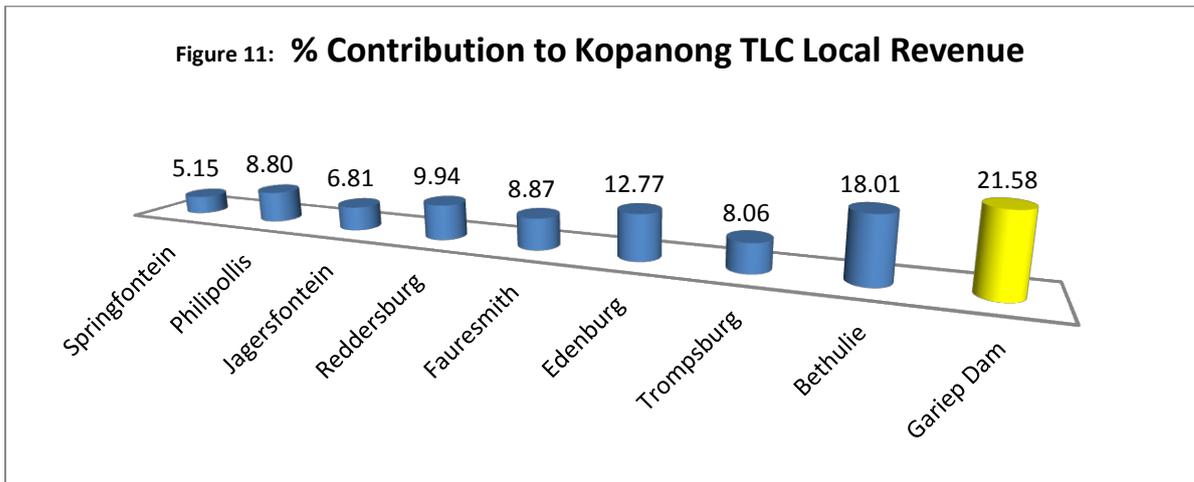
Even with the indigent subsidy counted in, the percentage payment of Gariep Dam remains the highest (Figure 10).

<sup>18</sup>

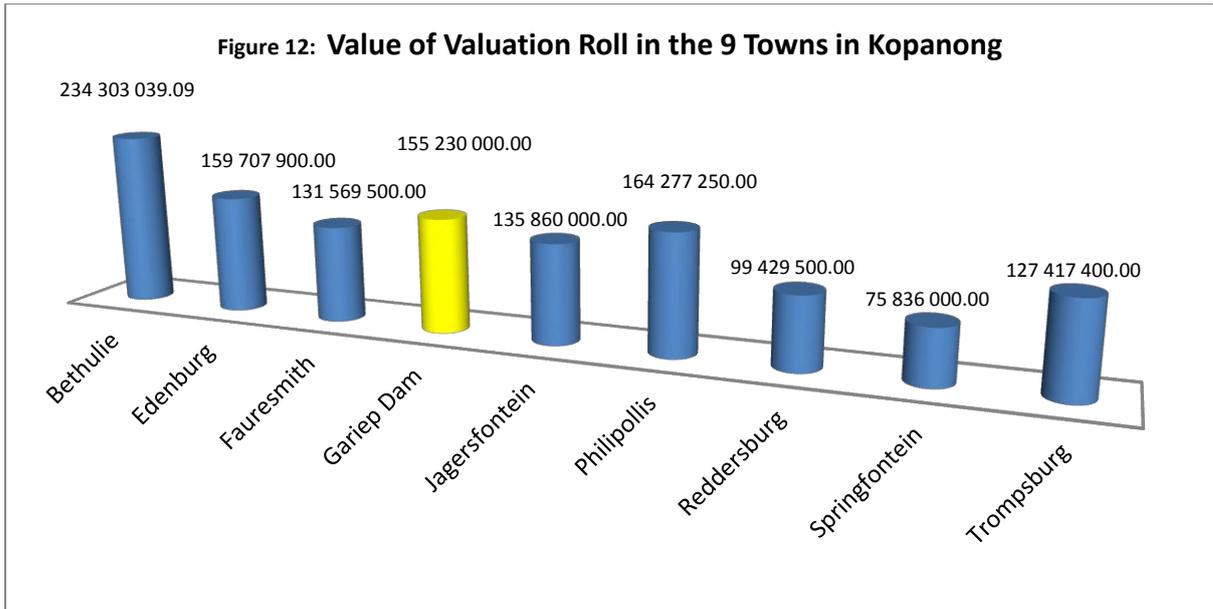
The research team is thankful to Mr Japie Stayne of the Kopanong Local Municipality who provided the information. However, the information about the number of households serviced with metered water per town, as well as the average number of accounts sent out monthly in each of the towns and the average number of payments (the percentages indicate percentage of payments compared to value of invoices issued) received, as well as the breakdown per town between value of residential properties and commercial properties, were not available. If such data is not readily available at local municipal level, the municipality is not capable of making sufficiently informed decisions.



It could be argued that the percentage payment is of no real importance, given the small component of overall number of residents. However, Figure 11 indicates that Gariep Dam provides the largest contribution percentage wise of all locations in the Kopanong Local Municipality.

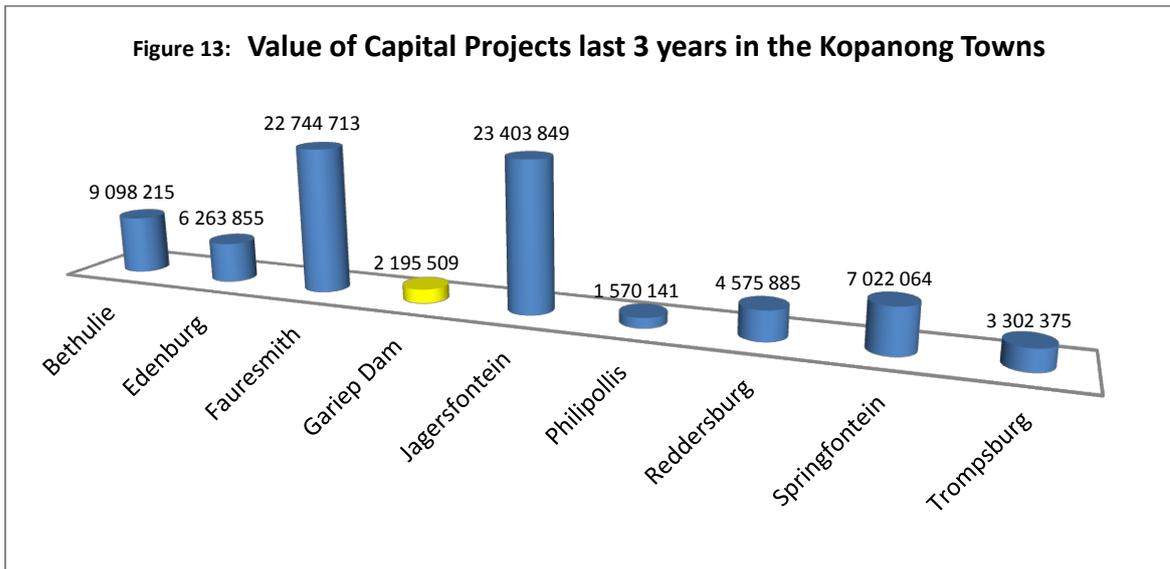


It could be argued that the payment by two large private sector players (the Hotel and the Resort) is responsible for this situation and that certainly is a major factor, but not the only reason. The valuation roll of the Kopanong Municipality is indicative that the properties in Gariep Dam are not the highest in value in the Kopanong Local Municipality (Figure 12).



It clearly shows that Bethulie, Edenburg and Phillipolis have property values higher than the property values of Gariep Dam.

But the Kopanong Local Municipality is not really assisting or nurturing this town: over the last three years only 2.74% of capital project expenditure took place in Gariep Dam (Figure 13).



Considering that Gariep Dam Transitional Local Authority (prior to the incorporation into Kopanong Local Municipality) paid a town planner and land surveyor to do township establishment for additional residential sites and installed 70% of the infrastructure for nine of these sites with majestic vistas of the southern Free State landscape. Since the formation of Kopanong Local Municipality the municipality never voted funds to complete the infrastructure of the nine sites. Not only would the Kopanong Local Municipality have derived more funds from disposing these sites than their investment into the remaining infrastructure, but it could have added nine higher income households as both ratepayers and active citizen households in the local community.

## 7 Key lessons:

Whilst there is not a typical small town (a small mining town has a different dynamic and enterprise composition than, say, a tourist town)<sup>19</sup>, based on the work by Toerien and Seaman it is possible to cluster towns according to the enterprises that occur there.

Whilst there will be some generic approaches that would enhance the economic situation in some of these clusters (e.g. tourism towns), the local conditions are also determined by a number of key factors. The first factor is the relationship between the town in question and its economic linkages to the closest city-region.

### 7.1 The relationship between locality and economic linkages to the city-regions is for small towns of the utmost importance.

Low linkages undermine economic potential. Small towns linked to city regions (and to the outside world) through corridors, services, marketing outlets and skills are in general the small towns with potential. Not all small towns have growth potential<sup>20</sup>, and even those with potential have different strategic opportunities. There can therefore not be a template approach, since one will also have to distinguish between:

- The nature of the town's main functionality. If the main functionality is that of mining, the question would be how the value chain for the commodity can be enhanced, as well as how the economic base of the town could be diversified before the mine reaches the end of its cycle, or the demand for the commodity runs out. That would require a different approach than if the main economic functionality is tourism.
- Options for the future: Is the most realistic option for each small town that of growth in population and growth in economic terms, or could it in some cases only be to become well-functioning small towns? Is the option for some towns even to manage its decline? Clarens, McGregor, Dullstroom and Greyton will be threatened when they become too busy and too big. There are already some people who had settled in Clarens in the early 90s but have since relocated to Rosendal to escape the tourist hustle and bustle over weekends. Keep in mind here the concern emanating from the European small towns: some are complaining that they are too remote and de-linked, and other places complain about being trampled by tourists and visitors from the cities.

### 7.2 Economic growth will be unbalanced, but development still can be inclusive – also for small towns and the rural areas.

The World Development Report 2009 concludes that as countries grow from low to high income levels, production becomes spatially more concentrated, but an

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<sup>19</sup> Toerien, D (2012a) Enterprise proportionalities in the tourism sector of South African Towns, In: ed. M. Kasimoğlu, *Visions for Global Tourism Industry: Creating and Sustaining Competitive Strategies*, pp. 113-138, InTech, Rijeka, Croatia. / Toerien, D.F. and Seaman, M.T. (2010) The enterprise ecology of towns in the Karoo, South Africa, *South African Journal of Science* 106, 24-33. / Toerien, D.F. and Seaman, M.T. (2012a) Bounded and unbounded entrepreneurial space in South African towns, Submitted to: *South African Journal of Entrepreneurship and Small Business Management*. / Toerien, D.F. and Seaman, M.T. (2012b) Proportionality in enterprise development of South African towns, *South African Journal of Science*, 108 (5/6), 1-10.

<sup>20</sup> In some cases the localities would hardly have potential to propel the inhabitants out of poverty: the future of such poverty traps has to be considered carefully

accompanying feature of that spatial concentration is a process where living standards become more uniform across space over time. The introduction since 1994 of a range of social grants boils down to a mechanism that enhances inclusiveness.

### 7.3 Spatial transformation is needed for large scale structural shifts from agriculture to industrialisation and services.

For a long period such spatial transformation was seen as a consequence of these structural shifts. New evidence suggests that the acceleration of globalisation since the 1990s brought some spatial requirements to the fore for achieving successfully such structural shifts. In that sense ***spatial transformation is not only a consequence, but also a condition for achieving developmental gear shifts.***

The lesson for towns in agricultural producing areas is that the towns have to re-design their economic rationale since in the scaling up of agricultural production (farm consolidation, improved technology and transportation) the farm-town linkages became more brittle. In several districts farming is making way for post-productive land-use (e.g. service oriented game farming - there are now more lions in the Free State Province than in the last three decades of the Oranje Vrijstaatsche Republiek).

### 7.4 Think globally, then nationally and then regionally:

This has two important implications for small towns:

- Global awareness is not the opposite of LED attempts, but actually getting the context for LED correct. Since the economy is seamless sustainability of economic activities in a locality depends also on global developments. *The L in LED should actually be written as a lowercase "l" rather than an uppercase "L".* A town should determine which linkages it and its immediate district activities have with the City-regions and their exports, whether there are any supplies or services that could be produced in the locality for the benefit of such value-chain platforms. Market demand is more important than the production process. The failure of many LED interventions can be ascribed to poor market linkages and an overconcentration on local production.
- *IDP planning* should simultaneously be more town-specific than the current IDPs that deal with the municipal area as a whole and based on well researched locality strategies, but simultaneously not be *boxed in by the municipal boundaries*. Municipal boundaries worked in many IDPs as dam walls confining thinking processes about economic strategies. It is time to open the sluices. Provincial boundaries can also become obstacles to effective economic linkages.

Regional and/or cluster linkages are of extreme importance for small towns. *Regions* with common characteristics (e.g. the Lower Orange River Valley with their synergies in grape and fruit production could develop integrating strategies like co-operative wine-making, dried fruit marketing, joint marketing abroad of table grapes, joint investments in warehousing and cooling facilities, etc.). In a sense the region – stretching from Groblershoop to Onseepkans - could imitate and echo the advantages of agglomeration. This is possible in a region that has a certain physical togetherness (good linkages and several logistical advantages) and some low-tech differentiated produce.

*Clusters* are geographic concentrations of interconnected companies, specialized suppliers, service providers, and associated institutions in a particular field that are present in a nation or region. Clusters arise because they increase the productivity with which companies can compete. The development and upgrading of clusters is an important agenda for governments, companies, and other institutions. Cluster development initiatives are an important avenue in economic policy, building on earlier efforts in macroeconomic stabilization, privatization, market opening, and reducing the costs of doing business. Clusters are denser than regions.

### 7.5 Institutions should be smart:

This boils down to two related aspects:

- ***Leadership and skills:*** Winning towns will have to attract high skills and leadership qualities. The transformation of formal production and services described above (closure of banks, schools offering less choice in subjects offered, closing of dairy processing plants and grain mills, etc.) at town level, together with the fact that many towns have lost their local governance function, has resulted in brain drain in many localities. Towns will have to strategize to replenish their skills and leadership base. The experience of the Economic Development Agency in the Blue Crane Municipality (Somerset East) and of ASPIRE in the Amathole District Municipality illustrate the importance of pragmatic and innovative economic leadership.
- ***Well-functioning and intelligent municipal management:*** Whilst the vibrancy of a town does not depend on the municipality and local governance alone, but rather on the creative and productive utilisation of local potential and regional linkages by the range of its population, the current low capacity of local municipalities is indicative that municipalities cannot drive successful towns. The example of Kopanong indicates a fundamental lack of understanding of the basics of economics and development. A municipality that fails to achieve clean audits, cannot supply safe water or prevent sewage spilling into the rivers and streams, meet their obligations to Eskom or manage a proper interface between a rate-paying formal business sector and informal hawkers is not capable of pursuing higher level more complex functions. It calls for a radical rethink of the way municipalities are staffed and operating.

Text Box:

### **Without capacity low quality is guaranteed**

*There is "convincing evidence that small town functions should be backed by an emerging modern middle class of entrepreneurs, professionals and civil servants, who have the training, knowledge and the means to exploit new opportunities. This is corroborated by both negative and positive examples... In cases where the urban middle class was lacking or poorly developed as in the Mali town of Mopti urban functions often were poorly performed and of low quality. The presence of ethnic minority merchants and entrepreneurs in many south-east Asian and African towns clearly contributed to their dynamic functioning."*

- Hinderink & Titus: 2002

Whilst there has undoubtedly been progress in de-racialising the urban landscape since 1990 (major land invasions in the spell immediately before and after the unbanning of the ANC), the developmental problems in many towns remain acute. In several localities the problems have in fact become more intense. Many towns have lost their economic vitality, sometimes because of the burden of a fast growing low

income and low skilled population on the infrastructure, sometimes because of out-migration of some high skilled (often white) people, sometimes because of the collapse or changes in a specific industry (note the decline of Welkom).

## **8 Some conclusions and proposals: *Place or People?***

Apartheid was one of the most interventionist government driven geographic targeting exercises of the 20<sup>th</sup> Century. In order to minimise black urbanisation the apartheid government implemented influx control mechanisms (the Pass Laws) and border industries and later on industrial growth points in the homeland areas (e.g. Butterworth and Phuthaditjaba). Since 1994 there have been several policy and programme initiatives to address the geographic legacy of apartheid. In an attempt to address this spatial legacy, several instruments have been designed to improve the situation of black townships (e.g. the Neighbourhood Partnership Fund Projects, informal settlement upgrading, integrated rural development initiatives, etc.) all trying to improve the circumstances of the poor where they find themselves: on farms, in TAAs, in small towns, in informal settlements. In infrastructure provision (access to water and housing delivery) there have been major advances, but in linking the poor into the economic dynamics of the country, the results are not that impressive.

Were the economic results of all these interventions perhaps poor because they were so spatially specific without paying sufficient attention to the underlying economic dynamics? Numerous households living in RDP houses in small towns are experiencing the old homeland situation again: the breadwinner is not at home, as he or she is trying to get an economic foothold in a large town or city. As people were politically trapped in the homelands under apartheid's influx control and job reservation mechanisms, so are many households trapped in RDP-houses in small jobless towns. In this sense *several RDP housing schemes amount basically to an expansion of homeland boundaries and have in effect the same result as the old homeland policy*: settlements away from and without linkages to the mainstream economy.

The question arises whether this is the result of a lack of a clear urban policy for South Africa and also because of in capacity to ensure institutional harmony between not only the various spheres of government, but also between national departments. The National Spatial Trends Overview developed for the Office of the Presidency but that remains shelved and without any status (see 5 above) is.

Whilst locality is important and often revokes fond memories and the sense of emotional belonging can be a positive factor, it can also tie people down in localities that are geographic poverty traps.

Some land reform programs suffer the same fate as some attempts to revitalise small towns in that sentiment about the place overrides the interest of the people. The result, unfortunately, is eventually to the detriment of both people and place, since economic viability in the regional, national and international

contexts were not considered sufficiently. That brings the irony to the fore: if "People First" is a leading principle, then the fixation with specific places should be less important. Given the knowledge that place is in today's global village the most important correlate of a person's welfare, *care should be taken not to bind people through RDP houses and social grants to localities with an uncertain future*. The only escape routes from such rural communal areas and struggling small towns would be revitalising local economies or relocation to places of better opportunities.

That kind of movement has been taking place for centuries. Some people with initiative risk being caught, but still slip illegally through the border from a Mexico to the US or from a Zimbabwe to South Africa. Young boys from Africa still slip into the undercarriage of an airliner in an attempt to get to Europe, just to freeze to death on their escape route. The reason: they have no future in their locality and need to get out. They realise their future is dim in their current place and that a more dynamic society and economic dispensation elsewhere will offer better opportunities. Given the economic and cultural forces that shape society, the single most important determinant of what would become of a child, is locality.

**Text Box**

***Place is the most important correlate of a person's welfare.***

*"In the next few decades, a person born in the United States will earn a hundred times more than a Zambian, and live three decades longer.*

*Behind these national averages are numbers even more unsettling. Unless things change radically, a child born in a village far from Zambia's capital, Lusaka, will live less than half as long as a child born in New York City—and during that short life, will earn just \$0.01 for every \$2 the New Yorker earns.*

*The New Yorker will enjoy a lifetime income of about \$4.5 million, the rural Zambian less than \$10,000."*

- **World Development Report 2009**



That is the reason why millions in the SA context prefer a shack in the city rather than eke out a living based in a rural area based on self-reliance.



Ruicon conducted in 1989 in the Leribe District research for DfID and also from 2001

– 2003 for the Ministry of Local Government on district development planning. One of the exercises in the PRA-fieldwork was to ask villagers where they would like to see their children work. A paper with four images was shown and the parents were asked to place a stone on the image that matches their expectations. An image of a rural village represented life in the rural village; life in a district town was characterised by an informal trade scene; a future in governmental employment was suggested by an image of the Lesotho flag; a future in South Africa was suggested by a picture of a mine shaft.

The results were significant: 56% of the parents selected South Africa, 32% considered Lesotho government employment as best, with 8% choosing the traditional lifestyle and 4% a non-agricultural informal future. The reality was that a vast segment of the Lesotho *rural population whilst still bottled up in the rural villages has emotionally already urbanised elsewhere*: either to Maseru (a government job) or to South Africa. None of the Lesotho government programmes supported by aid agencies in the rural areas were aimed at cultivating urban skills for the younger generation there. All were aimed at agricultural production, safe water for rural households, low-tech rural technological choices (cooker boxes). The interventions were more fixated by the past and present, than by the future.<sup>21</sup>

One of the most important LED interventions in small towns, on farms and in the TAAs would be skills development: skills that would enable people to earn a living in a non-agricultural urban context. This could range from artisan training to high speed typing, computer electronics, but most important: economic literacy and entrepreneurship.

8.1 Not all small towns have the same path to the future: some will grow economically as well as in population, others have potential to become well-functioning and effective small towns and some will struggle and decline. To determine the possible future path requires an assessment of the potential of a town to grow or sustain its current economic activities and thereby its population is a process that should be informed by proper analyses (trends, rather than snap-shots) exploring:

- a. the reasons for growth and/or decline of some of the major economic drivers in the locality (e.g. mining, tourism, government services, agriculture, social grants, etc.),
- b. the changing impact of regional, provincial and national value chains and the linkages of the town with such value chains;
- c. a thorough SWOT of all economic and social service sectors as well as institutions of the locality;
- d. resources and skills audit.

<sup>21</sup>

Research on this basis in the TAA as well as in social grant-driven small towns would be interesting to assess the emotional readiness to move to larger towns or cities.

The attractions of a Clarens and a Greyton and Prince Albert would not have resulted in the kind of local investment and flow of tourist money, if they were not accessible also for weekends by well-off city-dwellers. Riemvasmaak is therefore simply in a different category than a Clarens or a Prince Albert.

8.2 The future of small towns cannot be de-linked from a national and regional spatial perspective. In that sense a small town regeneration strategy can only be viable if it would form part of a national spatial perspective. Small Town Regeneration is not an additional and separate intervention requiring a separate institutional delivery framework.

8.3 There cannot be a single national template approach for small town regeneration: Towns have characteristics and location character. This is also an argument against a single national strategic approach to small town development: there should rather be a strategy on how small towns could be individually assessed within the national and regional economic context and be classified in categories of similarity, e.g. would it be possible for a category of towns (say, tourism towns) to pursue a joint agreed to strategy for all towns belonging to that category? Within a category factors like location and size will have implications for the future. Whilst agglomeration is important for diversification, it is not a pre-condition for certain ways of diversification. This requires therefore thorough work: the interventions seen in some localities of improving entrances, paving sidewalks in the CBD-area, and the relocation of a taxi-rank to around the corner of the main street, represent some quick implementation options, but will seldom have a meaningful impact on enabling the town and district and their residents to maintain or even improve their relative position in the regional, not to mention the national, economy.

8.4 Investments in localities should be informed: funding of infrastructure and subsidisation of services will not in itself transform a small town into a viable one. Public investments should in the main be targeted at strengthening sustainable linkages with the economic corridors and that has implications for differentiation in funding by the public sector.

8.5 Skills development interventions remain one of the best rural and small town development strategies. The current framework of skills development has been more attuned to the needs of cities. Artisan skills development as well as urban literacy programmes (many town dwellers come from deep rural TAA-settings and are not street-wise) will enable new urbanites to find opportunities locally, but also elsewhere, in the modern sector. Skills development at improving agricultural production without some value-adding activities and linked to marketing, is not contributing much.

8.6 Given the fact that some localities are poverty traps and, due to demands for basic and a range of social services, become traps for municipalities<sup>22</sup> and through them, the Treasury, as well, serious attention should be given to those towns (and also the smaller settlements like villages and hamlets) with virtually no growth or poverty reduction potential to reflect on the nature of public investment: Consideration should even in the most severe cases be given to combined instruments to enable residents to locate to viable alternatives, e.g. a

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The constitution binds the Government to meet basic needs where they manifest, but the question arises about the right to schooling, etc. Social investment in some localities is not feasible: there cannot be a school and clinic in every locality. These investments should be placed in localities that have a carrying capability for them. An equal difficult question is the one on the nature of some basic services? What kind of sanitation would be acceptable? The “*Away with VIPs and buckets*” in some localities resulted in unaffordable sewer treatment works that now burden the municipalities, resulting in attempts to minimise the operating costs and therefore the numerous tales about environmental damage. Furthermore: The real need for further bulk infrastructure investments in such towns should be carefully weighed.

package comprising a housing subsidy, a relocation grant as well as an artisan skills development programme. Koffiefontein is a case in point: should there be further residential infrastructure development and RDP-houses to cater for the housing needs of unemployed, whilst the diamond mine is in its final phase, or should such unemployed households be enabled to settle in, say a Kimberley or a Bloemfontein where they would have a foothold in a larger more diverse economy? What is suggested is not apartheid style forced removals, but an incentive-based approach that will require proper interaction with such communities.<sup>23</sup>

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At the 13 – 15 September 2010 Planning Africa Conference in Durban, during several discussions, the theme emerged that non-viable small towns and settlements in especially the TAAs should be closed down. This has to be weighed up against the potential of the town: all places have some potential, but whether they have potential to propel people out of poverty is a different issue. And it often boils down to leadership and entrepreneurship: several of these “dying towns” would, if privatised, have great potential to operate as exclusive private weekend retreats for city dwellers. Thereby the small town link with the City-regions will be established: a link not possible given the dilapidated current physical situation, a largely unemployed local population ravished not only by lack of economic opportunities, but also a range of social ills (e.g. alcoholism and crime) – an environment not conducive to investment.