

# **CIVIC CULTURE AND LOCAL ECONOMIC DEVELOPMENT IN A SMALL TOWN**

**Deidré van Rooyen**

**February 2013**

# The journey...



# **CIVIC CULTURE AND LOCAL ECONOMIC DEVELOPMENT IN A SMALL TOWN**

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This thesis is submitted with the requirements for the degree

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in the Faculty of Economic Management Sciences,

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February 2013

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## DECLARATION

I declare that the thesis hereby submitted for the qualification *Philosophiae Doctor* at the University of the Free State is my own independent work and that I have not previously submitted the same work for a qualification at/in another university/faculty.

I herewith cede copyright of the study to the University of the Free State.

.....

Deidré van Rooyen

Bloemfontein

February 2013

This piece of work is dedicated to:

# **PETER SMUTS GRIESHABER**

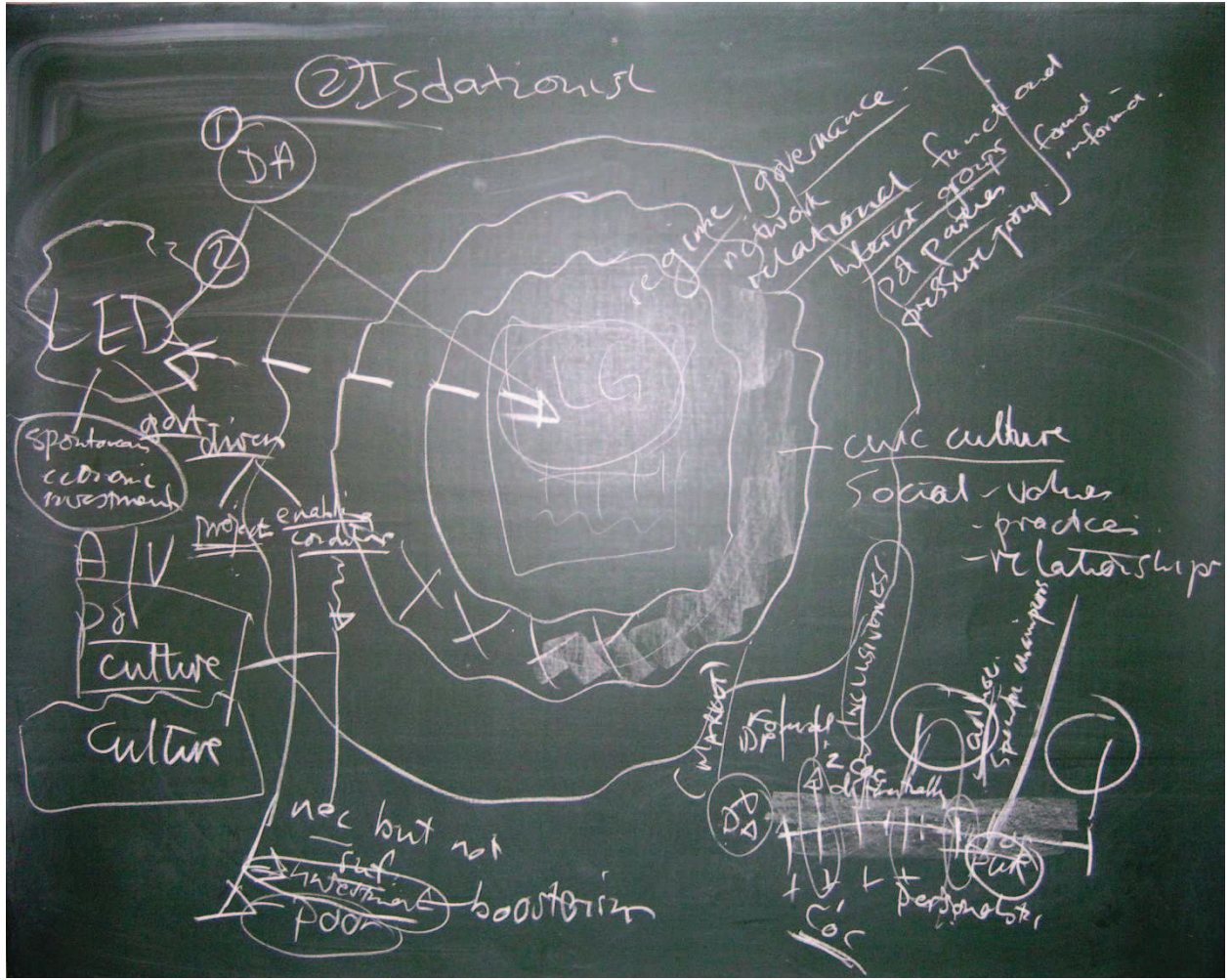
*(My Father)*

**6 November 1941 – 9 August 2003**

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*All our dreams can come true - if we have the courage to pursue them*

**Walt Disney**

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## **LIST OF ABBREVIATIONS**

ADS	Agency Development Support
AHI	Afrikaanse Handelsinstituut
ANC	African National Congress
AsgiSA	Accelerated and Shared Growth Initiative in South Africa
BBSEE	Broad-Based Socio-Economic Empowerment
BCI	Business Confidence Index
BCRM	Blue Crane Local Development Agency
BER	Bureau for Economic Research
BUSA	Business Unity South Africa
CBO	Community Based Organisation
CDE	Centre for Development and Enterprise
CDS	Centre for Development Support
CEO	Chief Executive Officer
Ciret	Centre for International Research on Economic Tendency Surveys
CKDM	Central Karoo District Municipality
CKEDA	Central Karoo Economic Development Agency
CSIR	Council for Scientific and Industrial Research
CTRU	Cape Town Routes Unlimited
DA	Democratic Alliance
DBSA	Development Bank of Southern Africa
DCoGTA	Department of Co-operative Governance and Traditional Affairs

DFID ICEE	Department for International Development Investment Competition and Enabling Environment
DFID	Department for International Development
DME	Departments of Minerals and Energy
DPLG	Department of Provincial and Local Government
DTI	Department of Trade and Industry
ETU	Education and Training Unit
FABCOS	Foundation for African Business and Consumer Services
GDP	Gross Domestic Product
GDPR	Gross Domestic Product per Region
GEAR	Growth, Employment and Redistribution
GTAS	Local Government Turnaround Strategy
GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit
HSRC	Human Science Research Council
IAEA	International Atomic Energy Agency
ICMM	International Council on Mining and Metals
ICOSA	Independent Civic Association
IDC	Industrial Development Corporation
IDP	Integrated Development Planning
IEM	Integrated Environmental Management
IFO	Institut für Wirtschaftsforschung
ILO	International Labour Organisation
IRASA	Independent Ratepayers Association of Southern Africa
ISRDP	Integrated Sustainable Development Programme

Khanya-AICDD	Khanya-The African Institute for Community-Driven Development
LBE	Local Business Environment
LED	Local Economic Development
LEDA	Local Economic Development Agency
L-E-P	Locality, Economic, Partnership
LTO	Local Tourism Organisation
MFMA	Municipal Finance Management Act
MPRDA	Mineral and Petroleum Resources Development Act
MSP	Municipal Service Partnership
NAFCOC	National African Federated Chamber of Commerce and Industry
NBI	National Business Initiative
NEDLAC	National Economic Development and Labour Council
NGO	Non-Governmental Organisation
NSDP	National Spatial Development Perspective
O and M	Operations and Maintenance
OECD	Organisation for Economic Co-operation and Development
PGDS	Provincial Growth and Development Strategy
PPD	Public Private Dialogue
PPP	Public-Private Sector Partnership
RIDS	Regional Industrial Development Strategy
RMB	Rand Merchant Bank
RSA	Republic of South Africa
SACCI	South African Chamber of Commerce and Industry

SACOB	South African Chamber of Business
SADC	Southern African Development Community
SALGA	South African Local Government Association
SAPOA	South African Property Owners Association
SBRB	Small Business Research Board
SDF	Spatial Development Framework
SLA	Sustainable Livelihood Approach
SLP	Social Labour Plan
SMME	Small, Medium and Micro Enterprise
UCLG-A	United Cities and Local Governments of Africa
USA	United States of America

# INTRODUCTION

## 1. OVERVIEW

*Local economic development offers a “means to counteract or take advantage of the forces of globalization by maximizing local potentials”*

(International Labour Organisation (ILO), 2006: 2).

The origins of modern Local Economic Development (LED) practices can be traced back to the 1960s (Swinburn, 2006). Rodriguez-Pose (2009:1) claims that Europe can be regarded as the “cradle of LED approaches”. Although interest in LED approaches was first apparent in Western Europe and North America (Blakely and Leigh, 2010, Clarke and Gaile, 1998), notions and approaches to LED spread to other parts of the world (Rogerson and Rogerson, 2010). The LED activities initially concentrated on place marketing, and investment attraction, often linked with an incentive system like tax breaks, recruitment of cheap labour, grants and subsidies for “hard infrastructure” (Swinburn, 2006; World Bank, 2003). The goal was to improve equity and increase demand (Bingham and Mier, 1993: viii). Programmes sought to provide for regions in poverty to stimulate economic activity and broaden economic opportunity through education, job training, social services and community development (Koma, 2012: 60).

During the 1980s, the second phase of LED grew from business retention strategies and growth of existing business (Swinburn, Goga, and Murphy, 2006). The key term used was public-private partnerships and inward investment to generate employment and jobs through capacity building. The main tools that supported LED during this period was the provision of business incubators, start-up support and technical support for small to medium enterprises (World Bank, 2003: 5). Governments did not aim to create jobs but facilitated the enhancement of market mechanisms to create wealth and in turn also create jobs (Bingham and Mier, 1993: viii). The focus moved on to the development of ‘soft infrastructure, for the improvement in the quality of life for communities (Swinburn, 2006). With the advance of globalisation and growing decentralisation, the 1990s saw a diffusion of LED ideas and practices from the global North to the South (Nel and Rogerson, 2005; Rogerson and Rogerson, 2010).

These LED ideas and practices now follow a holistic approach where individual business support and sectoral development approaches are enhanced by “making the entire business and community environment more conducive to economic development” (Ruecker and Trah, 2007: 13) and the improvement of general quality of life (Tassonyi, 2005). The emphasis is now on providing a competitive local business environment to broaden the benefit of the development within local groups.

At the close of the 1990s, debates about LED emerged as growing policy significance in several nations of the developing world. Brazil, China, and Mexico are among a number of important developing countries in which debates about LED are prominent (Chien 2007; Lowe 2006; Ma 2005). Planning for LED is now a widespread facet of international development planning, in terms of pervasive trends towards decentralisation (deliberate and planned transfer of resources away from central state towards local government and of shifting structures of government and governance (Christensen and Van der Ree, 2008; Rodriguez-Pose and Ezcurra, 2009; Rodriguez-Pose and Sandall, 2008; Rodriguez-Pose and Tijnstra, 2007).

Local economic practitioners have started recognising that social relationships and networks shape local economies (Blair and Carroll, 2009: 265); yet academic research is only starting to incorporate social concepts into LED analysis. The arrangements for economic development decision-making include the nature and extent of community resources and networks devoted to economic development structure (metaphorically speaking) of LED as an initiative (Reese and Rosenfeld, 2001: 324). Only a few writers (Bradford, 2003; Reese and Rosenfeld, 2002a) have taken the concept “civic culture” into consideration when analysing the LED of a nation, region or city or town.

In this endeavour, there are two academic traditions: authors have either investigated the civic culture of countries (Almond and Verba, 1963; Bacot, 2008; Gainsborough, 2008; Rice and Sumberg, 1997; Savitch, Tsukamoto and Vogel, 2008) or the local economic development of a town, city or region (Binns and Nel, 2002; Boland, 2007; Chien, 2007; Gunter, 2005; Nel and Rogerson, 2007; Rogerson, 2008; Rodriguez-Pose and Tijnstra, 2007). The scholars that have published on LED typically analyse policy and practice issues of how the local economy can be stimulated, often by means of case studies. Similarly, the theorists of civic culture have also used



case studies to prove their theories of how people are governed and how larger patterns of understanding and community behaviour are formed.

In this thesis, the concept of “civic culture” is used to refer to *local* rather than national political arena; it refers to the life of a community and therefore signifies the patterns of way of life in a local community (Reese and Rosenfeld, 2002c: 644). Lee (2011: 193) argues that “the locality shapes development” and “development shapes the locality”– the one is always insinuated in, and formative of, the other. Local civic culture therefore also helps explain how local economic development decisions are made, who is involved, and what policies result. Therefore, a discussion of how LED and civic culture can be linked will be unpacked in the rest of the introduction.

Consequently, this research will show how LED (as a government policy) and civic culture (as a relationship between government and economic actors) are relevant to one another and can be used in the growth and development of a region.

### **1.1 Aim and objectives**

The main aim of the study was to explore the relevance of LED, as a government policy that stimulates economic development within localities, and civic culture, as the relationship between government and economic actors, to one another. Beaufort West, a Karoo town, was used to illustrate the nature of relationships between business and government, as well as the role of a potentially big investment as it impacted on this relationship. In order to achieve the aim of the research, objectives identified for this study were:

- To integrate the theories of LED and civic culture;
- To reinterpret South African LED policy and practice;
- To explore the LED partnerships in South Africa in the absence of the concept of civic culture;
- To analyse the civic culture in a typical South African Karoo town (Beaufort West);
- To highlight mining as an example of the lack of participatory planning in South Africa; and
- To illustrate changes in business confidence underpinning LED and the impact of civic culture in determining local business confidence.

## 1.2 Structure and presentation

Apart from this Introduction and the final thought at the end of the thesis, the contents of this research endeavour is structured in terms of five distinct parts. More specifically, it takes the form of five clearly demarcated papers, each with its own format deriving from literature reviews, policy documents and primary data collection. This format of a doctoral thesis is commonly known as the “article option”, and can be followed at several universities, both locally and abroad.

## 1.3 Academic papers in this collection

The findings of the study are contained in the following five academic papers:

1. *Reinterpreting LED Policy and Practice in South Africa* – This paper will interpret what LED is in South Africa in terms of the policy and practice. The “L-E-P” model will also be applied to the policy and practice of LED in South Africa.
2. *Transforming LED Partnerships in South Africa* – This paper will reflect on partnerships in South Africa and their importance to enhance service delivery. Possible solutions to partnership problems will be argued.
3. *A South African typology of civic culture: The case of Beaufort West*<sup>1</sup> – A Karoo town is used as an example in this paper to illustrate the nature of local civic culture and how it can complement the LED practice.
4. *Uranium in Beaufort West: Partnerships developing the local economy*<sup>2</sup> – This paper shows that mining is an example of the lack of effective local planning in South Africa generally, and Beaufort West in particular. This is partly due to the lack of effective communication and partnership between government and business.

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<sup>1</sup> Large parts of this paper was published as: **Van Rooyen, D.** 2012. Missing the uranium train: Local economic development and civic culture in Beaufort West, in Donaldson, R and Marais, L, *Small Town Geographies*, Nova Press, New York. And presented as van **Rooyen, D.** 2012. Civic culture and LED in a Karoo Town. 2<sup>nd</sup> Karoo Development Conference, Beaufort West, 15-17 October 2012.

<sup>2</sup> Large parts of this paper was published as: **Van Rooyen, D.** 2010. Uranium in Karoo: What would be the implications for local economies?. *New Generation Science*, 8 (1): 321 -334.

5. *The “U-turn”: Business confidence in a Karoo Town*<sup>3</sup> – This paper discusses business confidence. It compares the changes in business confidence from 2007 to 2009, and the implications for future investment and relationship between government and business.

This thesis will therefore firstly argue that, although the definition of LED may vary widely, the essence of LED is local partnerships for planning locally – based on economic development. Consequently, the analysis is based on the “L-E-P model”, combining elements of “*Locality*”, “*Economic*” and “*Partnerships*”. The concept of “civic culture” is at the heart of the element of “*Partnership*”. The contention will be elaborated on below. The reason for this finding will be highlighted later in the introduction.

#### 1.4 Theoretical approach and research methods

Effective LED interventions require a good understanding of the causal mechanisms that trigger responses such as investment, place marketing, job creation and economic partnerships. Such causal mechanisms are inevitably theory-laden, as they depend on non-empirical theoretical concepts. Causal mechanisms are not visible to the naked eye; they need to be postulated and theorised. Of course, this means that there may not be one single “correct” theory describing these causal mechanisms. Analysts from different theoretical persuasions will postulate different concepts and causal relationships (Ritzer, 2010).

In this thesis, the approach will be broadly structural-functional, in that it identifies different social structures, which perform different (but inter-related) functions. This sociological approach is sometimes also known as social systems theory (Babbie, 2010: 38). It focuses on a macro level and concentrates on the relationships between various social institutions that make up society such as government, business, family, education and religious organisations. A key characteristic of the structural functionalist approach is that it views society as constantly striving to be in a state of equilibrium in a cohesive manner (Durk, 2007: 295). By means of institutional integration, social relationships and interrelationships are regulated. This integration reflects a need to co-ordinate, adjust and regulate relationships among institutions within a system (Wallace and Wolf, 1995: 39 –

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<sup>3</sup> Large parts of this paper were presented as: **Van Rooyen, D.** and Atkinson, D. 2008. The U turn: Business Confidence in Beaufort West. Desert Knowledge Conference, Alice Springs, Australia, 2 - 5 November 2008 and published as: **Van Rooyen, D.** 2011. ‘The ‘u-turn’: business confidence in a Karoo town. *Southern African Business Review*, 15(2): 122 – 142.

40). By means of selected interventions to strengthen these structures and their mutual interactions, LED can be more effectively promoted.

The research project was explorative in nature to be able to gain a deeper understanding of the concept of LED and to illustrate the central role of the concept of “civic culture” in understanding LED (Ivankova, Creswell and Plano Clark, 2008: 265). Explorative studies always yield new insights into a topic of research to generate and build theory (Babbie and Mouton, 2001: 79). Beaufort West (a Karoo town) has been used as a case study to illustrate the usefulness of the concept of “civic culture”. The main study was conducted from 2007 until 2010, and the thesis does not include changes subsequent to that date.

In order to achieve the objectives of the research, the study used triangulation to confirm the findings. This involved a combination of qualitative and quantitative methods. According to Olsen (2004: 3), triangulation is the mixing of data or methods so that diverse viewpoints cast light upon the topic. Qualitative research examines and interprets observations for the purpose of discovering underlying meanings and patterns of relationships and develops explanations of social phenomena (Hancock, 1998: 2). Quantitative research is an iterative process whereby evidence is evaluated, and theories and research questions are refined. Triangulation was used not merely to validate the findings, but to contrast and compare different findings as well as produce a well-argued conclusion and innovative conceptual framework. Therefore, the results from the qualitative and quantitative analysis are not contradictory but complement each other. Not only were the questions of “how many?” and “to what extent?” answered but also “why?” “how?” and “in what way?” (Neuman, 2000: 123).

In terms of the qualitative research, an exhaustive literature review on LED and civic culture was undertaken because “a comprehensive and well-integrated literature review is essential to any study” (Mouton, 2001: 180). The literature review is a systematic, explicit and reproducible method of identifying, evaluating and interpreting the existing body of recorded work produced by researchers, scholars and practitioners (Fink, 1998: 3). Academic literature was identified through the academic databases provided by the library of the University of Free State. In addition, semi-structured interviews were conducted with important role players in government (for example district and local municipalities) as well as in the town (business people and key informants in the town). A list of the people interviewed has been provided in Annexure D.

Investigations took the form of open-ended semi-structured interviews so that the researcher could explore the ideas, views, beliefs and attitudes about an event or phenomenon (Maree, 2008: 87). According to Rubin and Rubin (1995: 43), qualitative interviewing is characterised by “flexible, iterative and continuous conversation rather than prepared in advance and locked in stone”. The interviewer therefore had a general plan (interview schedule) so that the conversation could be guided in a general direction (See Annexure C). The person being interviewed responded creatively to answer questions posed and the researcher guided the discussion (Babbie and Mouton, 2001: 289).

In terms of the quantitative aspects of this research project, two surveys were conducted amongst the businesses in Beaufort West. Surveys give the researcher a picture of what the people think (Neuman, 2000: 31). During the surveys, face-to-face interviews were conducted with as many business owners/managers as possible. A sample was not drawn because the survey attempted to include as many respondents as possible from the business community. The researcher also established a database of businesses in Beaufort West that could be used for further studies. Two surveys were conducted in November 2007 (Annexure A) and again in November 2009. (Annexure B) This enabled the researcher to compare the changes in the business environment as well as the confidence of the business sector in Beaufort West between 2007 and 2009. A questionnaire with various closed and open-ended questions, covering the micro, macro and market environment of the business as well as the evaluation of the business confidence, was formulated to be able to establish the level of business confidence in Beaufort West. The Community Development Workers from the Beaufort West Municipality performed the task of fieldworkers so that they gained experience in interviewing.



The rest of this Introduction will outline the main objectives of the research as well as highlight the core ideas of each paper. Firstly, the nature of LED will be introduced in the context of civic culture. The next section will illustrate how the concept of civic culture or business-government relationships has been neglected in South African research, as well as policy and practice, creating a chronic disjuncture between municipalities and economic stakeholders. Thirdly, the argument will show how the LED academic literature in South Africa has not properly been theorised in terms of the concept of “*L-E-P*” (combining the concepts of “Locality”, “Economic” and “Partnerships”). Furthermore, Beaufort West will be used to analyse the inadequate consultation between government and business because large potential investments are neglected in planning systems of the government. The main reason for this is the lack of proper “civic culture”, as defined as a mutually supporting network of municipal-business relationships. Lastly, changes in business confidence remain insulated from municipal involvement even in the context of large potential investments.

## **2. NATURE OF LOCAL ECONOMIC DEVELOPMENT (LED) THEORY: Using the “*L-E-P*” model**

### **2.1 Defining LED**

The discipline of LED is a complex mix of concepts, practices and rhetoric (Rowe, 2009a: 3). Several observers have pointed out that the concept of LED is elusive and drawing on different disciplines and therefore a lack of consensus exists (Pike, Rodriguez and Tomaney, 2007; Sebugwawo, 2012; Trah, 2004). The complexity is due to the fact that various disciplines like geography and urban planning, economics, urban studies, political science and sociology highlight

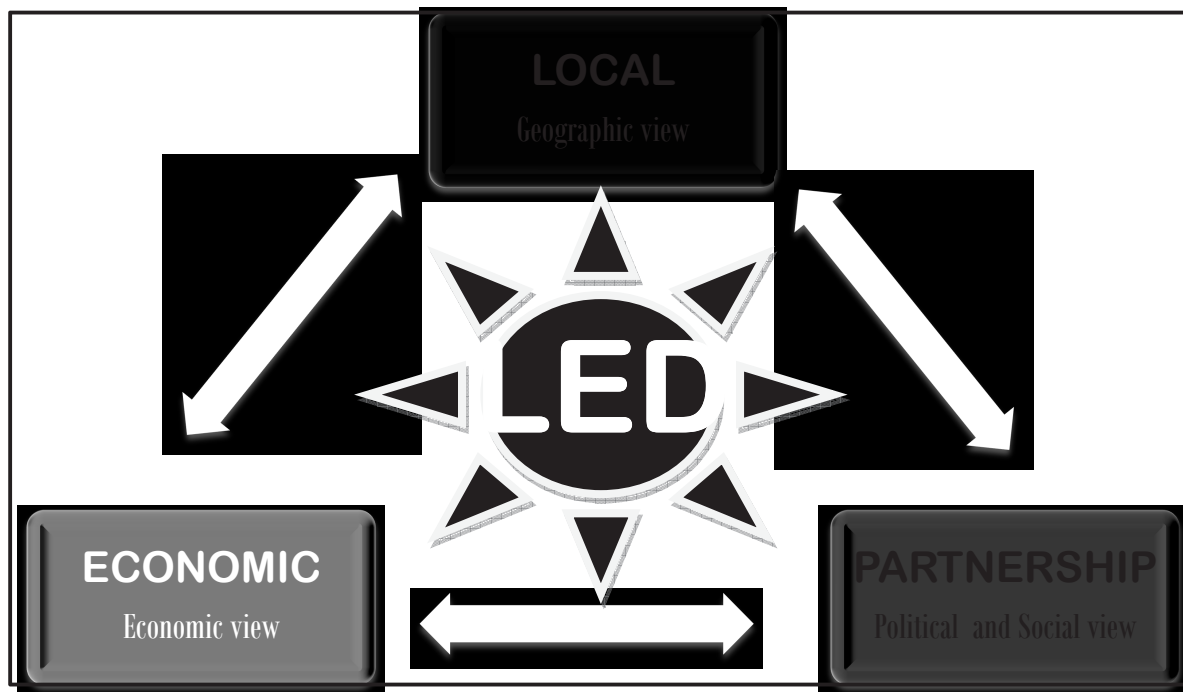
different dimensions of the concept of LED. Pike, Rodriguez-Pose and Tomaney (2011: 3) argue that the most fruitful way forward is to acknowledge that there is “no best way” to achieve development and that no one model should be privileged.

A real insight to any problem requires interdisciplinary orientation. This goes beyond a multi-disciplinary approach towards a perspective that sees LED from different points of view but in an interconnected way (Jones, 2009: 76). In a globalised world, an entirely new, unprecedented form of knowledge production exists where the creation and utilisation of knowledge is no longer seen as a linear process. There is a growing demand for multiple disciplines to unravel and scientists transgress disciplinary boundaries in their search for new knowledge creation and dissemination (Haque, 2012:8). Interdisciplinary studies go beyond establishing a common understanding and moves towards the development of new methods and theory crafted to transcend the disciplines in order to solve problems (Newell, 2001). There are several divergent analyses of LED, springing from different disciplines that prevent a coherent theoretical approach, which could meaningfully inform LED practice. The researcher argues that LED could then be seen in terms of three elements - Locality (L), Economic (E) and Partnerships (P). Thus it is important to approach LED in an interdisciplinary way (Carroll and Blair, 2012: 51) because these three elements have foundations in various disciplines:

The *Locality* factors originating from the discipline of geography, the *Economic* factors from economics and lastly the *Partnership* factors from the political and social sciences (See Figure 1). The “*L-E-P*” model is a new approach to LED, as an attempt to provide new theoretical depth to research on LED. The overriding argument is that successful *L-E-P* will contribute to local development. Ultimately, the “*L-E-P*” model implies that LED is not just a form of economic redistribution, nor is it merely the general economic developments within localities. LED implies a level of *deliberate* orchestration. Furthermore, LED refers to initiatives taken within specific localities, not at a national or regional level. It should always take place in a relationship of partnerships between business and government – with the possible participation of other actors, such as community based organisations (CBOs) and non-governmental organisations (NGOs). “Business”, in this context, does not necessarily refer to “big business” or even “formal business”. It could include small-scale and informal enterprises, such as small-holder farmers. But crucially, government cannot “do LED” on its own; it needs a partnership with people who undertake profit-

driven economic enterprises. If business attempts to promote business on its own, then it becomes a form of government-owned enterprise development – which is not LED.

Figure 1: Illustration of “L-E-P” model



Not all role players who have attempted to define LED have used all these concepts. Sebugwawo (2012: 20) defined LED as a “localised response relying on local initiatives and the principle of communities taking ownership of the development process”. This author clearly ignored the “E” (economic) as well as the “P” (partnership) concern. According to the World Bank (2003: 7), “LED is the process by which public, business and non-governmental sector partners work collectively to create better conditions for economic growth and employment generation”. Here, the World Bank has concentrated on partners (working collectively) and economic growth, neglecting the “L (local)” in LED. Timothy Bartik’s representation of LED as “local economy’s capacity to create wealth for local residents” neglects the issue of “P” (partnerships) (2003: 1). Khanya-The African Institute for Community-Driven Development (Khanya-AICDD) (2011: 9) also neglects to mention the “P” (partnership) aspect when defining LED as “any economic development that occurs within a specific localized geographic area”. A wide range of concepts are available which explain *necessary* aspects of LED, but remain partial. They are not *sufficient* to explain LED.



Only a few authors such as *Deutsche Gesellschaft für Technische Zusammenarbeit* (German Technical Co-operation) (GTZ) (Rueker and Trah, 2007), Helmsing and Egziabher (2005), International Labour Organisation (ILO) (2008) and Zaaier and Sara (1993) have used all three “L-E-P” elements – (1) a defined territory (locality), (2) stimulating economic activity (3) by means of government-business partnerships. Helmsing and Egziabher (2005: 1) consider LED to be “a process in which *partnerships* between municipalities, NGOs, community-based groups and the private sector are established to manage existing resources, to create jobs and *stimulate the economy* of a *well-defined territory*”. Similarly, the GTZ maintains that LED is “an on-going process by which key *stakeholders and institutions* from all spheres of society, the public and private sector as well as civil society, *work jointly* to create a unique advantage for the *locality* and its firms, tackle market failures, remove bureaucratic obstacles for local *businesses and strengthen the competitiveness of local firms*” (Ruecker and Trah, 2007: 15). Correspondingly, Zaaier and Sara (1993: 129) state that LED “is 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 the *economic area*”. Furthermore, the ILO (2008:2) also defines LED as a “participatory development process that encourages *partnership* arrangements between the main private and public stakeholders of a *defined territory*, enabling the joint design and implementation of a common development strategy, by making use of the local resources and competitive advantage in a global context, with the final objective of creating decent jobs and *stimulating economic* activity”.

These definitions offer a glimpse of what a proper LED analysis should entail – including a simultaneous focus on the *economy*, a *partnership* and a *locality*. A *sufficient* theory would require all three main elements:

- **L (locality)**: Some factors related to the hierarchy of settlements (such as services are available in an area, the attractions the region has so that people from others areas need to visit the location and relocate their business or investments there, or which transport networks serve the area) explain the success of LED;
- **E (economic)**: Some factors related to micro-economics (the behaviour of the firm) and economic clusters, such as companies that compete or who forms co-operations and how are these formed, explain the success of LED;
- **P (partnership)**: Some factors related to social capital, such as the formation of volunteer organisation, social networks and social institutions, explain the success of LED.

## 2.2 Theorising LED

A “dedicated coherent body of theory” for LED does not exist or explains LED adequately (Blakely and Bradshaw, 2002: 55; Rodriguez-Pose, 2001: 8; Rowe, 2009a: 3). Other planning fields, such as urban and regional spatial planning, have evolved over time and are constantly updating their often contradictory theoretical bases. However, no unifying theoretical framework has emerged for LED (Valler and Wood, 2010: 140). “International academia has not been as favourable to the advancement of LED as the practical demands of the public and government officials” (Carroll and Blair, 2012: 51). Although theoretical research earns more recognition at universities, LED is oriented towards applied topics, which are deemed more useful to government officials and other stakeholders. Academics often debate about whether LED research should be “applied” or “theoretical”. This bifurcated approach fails to recognise that good applied research is usually anchored in theory. In fact, not enough theoretical analysis has been captured in LED research, and this has impoverished LED practice.

Bingham and Mier (1993: xvi) tried to establish the foundations for “using theory in local economic development” by drawing from a wide variety of disciplines. They observed that all these theories (a total of 50 discussed in their book by various authors) should be incorporated into a framework of metaphors (1993: xv) to understand LED in distinctive ways. The process of LED is often seen as building a “growth machine” (Holupka and Shlay, 1993: 179-180). This growth machine is an “interconnected web of interests” (Rowe, 2009c: 103) that are alliances between local government, some unions, and place-bound business interests such as utilities, newspapers, real estate developers, and retail establishments pursuing their various agendas of regional development. The metaphors therefore do not necessarily measure the powers of explanation and prediction but are useful as tools of reading, thinking, seeing, inspiring and acting (Bingham and Mier, 1993: 287). They assist in making sense of complex, paradoxical situations by bringing diverse perspectives together (Rowe, 2009b: 301).

Similarly, Abrahams (2003: 187) notes that there is a large body of literature potentially describing various aspects of the theory and practice of LED. For example, why some actors engage in LED and others not, or why does LED succeed or fail? Similarly, Rowe (2009b: 310) used the poststructuralist or a constructivist approach to think differently about the [*relationship between*]

theory and practice in economic development. This view will always be “partial and subjective”, because various, unpredictable connotations can be deducted. He noted that LED needs an overarching meta-theory in order to explain all the complexities in the field, global forces and multiple actors (Rowe, 2009c: 101).

This thesis offers a synthesis of several theories (location and spatial, capital, political as well as social) that can be considered when explaining LED. This approach will be useful in explaining the reasons for different types of LED. It may be initiated by different stakeholders (government or the private sector); or different kinds of partnerships may result; or different types of localities may be involved. In each dimension of LED, different factors may cause success or failure of LED, or put differently, what the preconditions for success may be.

At the moment, theories of LED draw on a wide range of disciplines. Spatial and location theories draw on the disciplines of geography, urban planning and political science. The social capital theories concentrate more on perspectives from the social disciplines. Furthermore, theories of citizenship, entrepreneurship and technological transfer largely view LED in terms of political science, public administration and economics respectively. This has caused on-going confusion amongst academics as well as practitioners. Consequently, the researcher maintains that these theories can be streamlined by making use of the three “*L-E-P*” elements of local, economic and partnerships from the various disciplines discussed previously. The “*L-E-P*” model was developed by the researcher, during the process of writing the thesis, as the weakness of the current LED literature became evident. LED is about development and has a long history in developmental practise from regional and government led development evolving to more participatory and localised processes. “*L-E-P*” model is a new approach to theorising LED, and may encourage further theoretical explorations in the future. The overriding argument is that successful “*L-E-P*” will contribute to local development and improve human well-being in the long term.

The “*L-E-P*” model suggests the importance, *simultaneously*, of an *economic* initiative, based on a (government-business) *partnership*, at *local* level. However, there are several theories which address, to some extent, the likelihood of economic growth at local level, and therefore they *help* to explain the possible success of LED. They may therefore highlight *necessary* aspects of LED, but are not *sufficient* to explain LED, because they cannot explain all three aspects of the “*L-E-P*” phenomenon.

Consequently, these theories are valuable to suggest some of the *causal factors* useful to explain the success or failure of LED – but they are not sufficient to explain LED, as all these explanations are only partial. Presumably, if these factors were to be combined, in different ways, it would facilitate the success of LED, both in terms of academic enquiry, as well as political practice.

### 2.3 Explaining LED in terms of the “L-E-P” model

What should a theory of LED explain? The researcher proposed that there are at least three important *explananda*: (1) why does LED take place (a causal explanation), (2) what does it achieve (an explanation of impacts, and possibly the preconditions for success), and (3) are there different *types* of LED (a categorisation).

Table 1: Explaining LED: “L-E-P” factors

<b>L-E-P factors</b>	<b>Explaining why LED is initiated</b>	<b>Explaining why LED is successful</b>	<b>Explaining different TYPES of LED</b>
<b>L factors (locality)</b>	Local intentions to make a difference in the local economy and make the area attractive to visit	Settlements with a sufficient number of facilities, infrastructure and attractions	Different characteristics of localities
<b>E factors (economic)</b>	Local leaders intending to enhance economic growth in the area for more investment and employment opportunities	Behavior of firms, dependent on effective input and output markets	Different economic dynamics and markets in different localities
<b>P factors (partnerships)</b>	“Bridging” social capital – local leaders reach out to other stakeholders	“Bonding” social capital – successful alliances created.	LED initiated by different types of stakeholders

The rest of this section elaborates on these distinctions.

#### 2.3.1 “Locality” (L)

To explain the success of some localities, “central place theory” is a useful point of departure. This theory hypothesises a “hierarchy of settlements” (Bingham and Mier, 1993: 62), with some settlements being bigger and having more functions than others, in a system of *relative* importance. Jorg Meyer-Stamer (2005) refers to this as locational factors - those features which determine whether a given town, city or region qualifies as a favourable setting for doing business. Central places are made up of networks, movements and complementary regions (Preston, 1971). This

model can explain the location of retail services as well as educational and health services (Bingham and Mier, 1993).

Each large urban area interacts with many smaller places that provide for economic development, such as raw materials, products and markets. In a region, towns, villages and farms are related through "circulating movements (money, migrants, freight) and the energy inputs come through biological and social needs of the community" (Preston, 1971: 137). Key settlements (for example, government headquarters) can serve as providers of goods and services in excess of those demanded by the centre's own inhabitants, and provide for their neighbouring settlements as well, who travel to the larger settlements.

Regional factors are important too (Rodriguez-Pose and Tijmstra, 2007), as they will facilitate (or retard) investment in specific localities. Regional development theories have used the underpinnings of central place theory to explain resource allocation among large centres in a region (Blakely and Bradshaw, 2002). Regions which are well placed in relation to the competitive strategies of global and national capital will be better able to produce effective market-led local economic development initiatives (Scott and Pawson, 1999).

Meyer-Stamer (2005) further differentiates between *tangible* and *intangible* aspects of the local economy. Tangible factors are features like location in relation to markets, transport and communication infrastructure, labour, real estate and taxes. The intangible factors refer to the nature of localities (such as quality of life), the entrepreneurial culture of companies (such as career opportunities), and the characteristics of individuals, particularly business and government leaders.

Central place theory is only able to *partially* explain LED, because partnerships often require a measure of on-going success to sustain them, and if the local economy is very depressed, such partnerships may come adrift. It is based on the assumption that inherited advantages tend to accumulate into additional advantages, in a virtuous cycle. Central place advantages *may* promote LED as economic successes stimulate local confidence and partnership. Arguably, if a location suffers from an unreliable electricity supply, water scarcity, and dreadful roads, even excellent supporting institutions and the most effective business network programme will have only a limited effect (Meyer-Stamer, 2005). If a locality is unique and has something different to offer than the

next area, people will be attracted to this area thereby stimulating new economic thinking and new partnerships.

Central place theory is useful in explaining LED, as it suggests an underlying dynamism in the local economy. But it is neither a *necessary* set of variables to explain LED, nor a *sufficient* set. Creative LED can take place in settings with very few inherent advantages, and towns with many economic advantages may not develop an LED partnership or strategy. Arguably, central place theory may be more successful in explaining the *success* of LED (once it is initiated), rather than the *emergence* of LED. A small town with few advantages may attract some dynamic leaders (as was the case of the Richmond Book town in the Karoo). In such cases, central place theory does not serve much purpose in explaining the emergence of LED. However, stimulating sufficient economic growth to keep local interest in LED alive may be more challenging, and this may be more likely in larger towns, which would make central place theory more useful.

### 2.3.2 “Economics” (E)

Conventional economic theory typically is not focused on theories of location, because markets are assumed to function spontaneously and tend towards equilibrium. Gomez and Helmsing (2008) refer to these theories as market-led development theories. Nevertheless, spatial factors are increasingly recognised as important variables in explaining the success of markets. Regions will progress through stages of growth, directly related to the demand for its goods, services and products from areas outside its local economic boundaries (Blakely and Leigh, 2010). Geographic clusters are geographic concentrations of interconnected companies, specialised suppliers and service providers, networks of firms in related industries, and associated institutions (for example universities, standards agencies, and trade associations) in particular fields that compete but also co-operate. (Porter, 2000).

This opens the door for three types of variables that can explain the economic dimensions of LED: Micro-economics, macro-economics and the “*New Economic Geography*”.

(a) *Micro-economics*

In micro-economics, firms are the central objects of analysis. A wide range of factors that determines business location decisions, including access to raw materials, labour, skills, support services and markets (Blair and Premus, 1993).

For micro-economists, the attractiveness of a locality is the object of public policy or local action (Capello, 2011). Porter argued that competitive advantage could be actively created through the strategic management and upgrading of corporate activities or value chains (Porter, 1985). In this model, the political activity of boosting local attractiveness lies with decision-makers outside the firm – typically, with local government. According to Collits (2000), decision-makers seek to attract businesses to create direct and indirect jobs (“multipliers”). Strictly speaking, LED theory lies outside the realm of micro-economics, but LED theory can benefit from the understanding of firm-level economic dynamics in the sphere of private business. Innovation at firm level may well contribute to partnership formation within the public sphere.

(b) *Macro-economics*

Neoclassical economic theory offers two major concepts that are useful for regional and local development: (1) equilibrium of economic systems and (2) mobility of capital.

According to Pike, Rodriguez-Pose and Tomaney (2006), regional output growth depends on three factors of production: capital stock, labour force and technology. In a market economy, all communities must attract capital, and disadvantaged communities should attempt to gain the resources necessary to reach an equilibrium status with surrounding areas (McCann, 2009).

But once again, it requires stepping outside of the strict field of economics. The phenomenon of entrepreneurship has two dimensions. Economists emphasise monetary rewards in relation to alternative employment, while sociologists focus on cultural factors, where the entrepreneur benefits from support networks (Bates, 1993). The likelihood of local partnerships will also depend on such sociological factors. Firms and market economies are the engine of entrepreneurship; LED requires that entrepreneurship steps beyond the confines of the firm or the economy.

## (c) “New Economic Geography” (NEG)

NEG provides an integrated approach to spatial economics (Venables, 2005), and explains why areas diverge economically (Fujita and Krugman, 2004). It draws heavily on the notion of “clustering” of a “critical mass” of enterprises within a certain industry within a locality (Fujita and Krugman 2004: 147). The attractiveness of any given location can be represented by an index of “market potential”, derived from the underlying economics. It has proven to be a valuable tool kit for business seeking to make better location decisions and for public officials seeking to make their communities more attractive sites (Blair and Premus, 1993).

Regional development refers to the change in regional productivity (population, employment, income, manufacturing value added) as well as social development (quality of public health, environmental quality and creativity) (Nelson, 1993). Presumably, then, LED is more likely in a locality where economic clustering has taken place (Pike, *et al.*, 2006). However, the matter is more complex than this.

There are two predominant schools of thought on regional development. The *development-from-above* school views development as starting from global markets, and then filtering down to national, subnational and even hinterland regions. It assumes that regional development is stimulated by exogenous forces like export markets, investment from outside and migration. In such theories, purposive activity would be based at national or provincial level, and would be aimed at stimulating local responses to global demand (Nelson, 1993). This would not be a case of “LED” at all, since the economic policy innovators would not be based locally. But *if* such nationally driven strategies were to awaken local leadership capacity, it may *indirectly* stimulate LED. Countries can be compared according to two variables: (1) their adoption of regional equalisation policies, and (2) the way in which those policies may be implemented (centralised or decentralised measures). These two variables could influence LED (indirectly). Regional equalisation policies could stimulate new government investments in previous disadvantaged areas and decentralised measures could stimulate new partnerships in more remote areas.

On the other hand, the *development-from-below* school argues that regional leaders purposively shape their regions. They aim to create regional development through the integration of various local factors, including natural resources, culture, landscape and quality of life. This requires a



proactive approach – driven at regional or locality level - by harnessing selected regional resources to promote clustering and thereby stimulate growth (Nelson, 1993). To explain why such LED initiative emerge would, however, require us to move beyond economics, and enquire about local partnerships. This leads us to an analysis of the third element in LED – the nature of local partnerships.

### 2.3.3 “Partnership” (P)

A key factor in LED is the partnership between business and municipalities – a phenomenon typically explained by sociologists and political scientists. The process of LED is often seen as building a growth machine (Holupka and Shlay, 1993), as an “interconnected web of interests” (Rowe, 2009b: 103), that consists of *alliances* between municipalities, trade unions, and place-bound business interests like utilities, newspapers, real estate developers, and retail establishments pursuing their agenda of regional development.

Collaboration can effectively advance shared visions, where stakeholders recognise the probable advantages of working together. Collaboration is “a process of joint decision-making among key stakeholders of a problem domain about the future of that domain” (Gray, 1989: 227). Though decisions are made jointly on an agreement basis, stakeholders are autonomous since they maintain their independent decision-making powers while abiding by common rules within the collaborative association (Wood and Gray, 1991). Problems are often intricate and require an inter- or multi-organisational response, since they cannot be solved by any single individual or organisation (Jamal and Getz, 1995). Complex problems require a “functional social system that occupies a position in social space between the society as a whole and the single organisation” (Trist 1983:270). Resolving societal level issues under conditions of interdependence, complexity, and uncertainty requires collaborative strategies that optimise the payoffs to stakeholders and diminish social turbulence (Jamal and Getz, 1995).

Collaboration can build support for public programmes. More public officials are making the strategic choice to collaborate with stakeholders, based on expectations of effective outcomes (Majumdar, Moynihan and Pierce, 2009). Collaboration with the public can help reduce cynicism among people (Berman, 1997) by including their inclinations in the decision-making process (Irvin and Stansbury, 2004). This has led to a new era of new “civism” (citizenship and activism)

(Frederickson, 1982), providing local citizens with greater access to information and influence. Collaboration can teach community members to accommodate their interests with the interests of others and to lobby government organisations using a non-confrontational approach, without demonstrations, protests, and litigation (Cooper, Bryer, and Meek, 2006). It has great potential to build social capital by developing a trusting and a mutually supporting relationship with members of the society (Loury, 1987).

A further distinction must be drawn between spontaneous forms of collaboration (i.e. relationships that evolve gradually and organically) and deliberate forms of collaboration (relationships that are initiated by one or more stakeholders). Both forms of collaboration should qualify as elements of LED. But their causal relations and consequences are likely to be very different. Explaining *why* LED takes place would depend significantly on whether collaborative relationships evolved organically or deliberately; and the *impact* of LED will likely also differ according to the nature of collaboration.

However, planners and managers need to be aware of the possible difficulties that may arise during collaboration, and implement suitable actions to resolve them (Jamal and Getz 1995). For example, the sharing of resources could induce "freeloading," whereby some stakeholders may depend on others in the collaboration to produce necessary benefits but do not contribute any effort. Hence, an organisation may become reluctant to collaborate. Furthermore, organisations that have little experience of collaboration may be hesitant to join, out of fear of losing control over their resources.

The key question becomes: Who is included in this type of alliance? The concept of collaboration can either be viewed in terms of Marxist analysis or through the prism of "social capital".

(a) *Marxist class relations*

Capital accumulation and the social forces of class conflict are integral to Marxist political economy, and emphasise the critical role of external forces in shaping economic and social change in localities and regions (Pike, *et al.*, 2006). In Marxist theory, social classes are defined primarily in economic terms, specifically on the basis of their relationship to the means of production – predominantly regarding the ownership of the means of production (productive assets), and the

value produced by labour. Generally, Marxists maintain that the state is at the service of this economically dominant class, enabling it to maintain its control over the economy (Mandel, n.d.). According to Tabor (2002), the state (with its related political processes) is the chief vehicle through which the different sections of the capitalist class communicate with each other, argue over, and come to agreement about their interests. In this way, social relationships are developed beyond the firm.

For a Marxist point of view, LED – denoting a partnership between business and the local state – should be relatively easy because the business elites and the state try to protect local productivity. Capitalists and state officials are likely to share the same values, in a hegemonic normative system. The real debate, regarding LED, is whether a capitalist state can involve partners *other than* business leaders in local initiatives. Can the friendly relationship between capital and the state be broadened to include community organisations and labour? And furthermore, does the “P” factor (partnership) override the immediate interests of capital? Can it take the interests of the whole locality forward? Are such shared interests possible? And on what terms? The real question, from an LED point of view, is whether a pro-growth partnership will transcend the narrow interests of the business sector, or whether a more flexible, long-term coalition of local interests is possible.

From the Marxist point of view, the key LED question is therefore: “Does the local state-business relationship include interests other than business?”

*(b) Social capital theories*

LED practitioners recognise that social relationships and networks mould local economies. This leads to theories of social capital. This also includes governance issues, where “governance” refers to the relationship between government and non-state agencies collaborating on issues of public interest. The consensual approach does not necessarily assume a consensus between business and the local state or municipality. There may well be conflict between them. However, whereas the Marxist approach assumes a consensual relationship between business and the state, non-Marxist sociologists keep an open mind on the likelihood of consensus or conflict. But non-Marxists are more likely to observe consensus amongst economic classes, particularly where it is underpinned by other values, such as ethnicity or social norms.

“Social capital” is the bond that links individuals to groups and groups to each other and shapes the performance of the local economy (Blair and Carroll, 2009). It is concerned with relationships and trust (Docherty, Goodlad and Paddison, 2001) and with how people interact over time and institutionalise certain norms of behaviour. Putnam, Leonardi, and Nanetti (1993: 35) refer to social capital as “features of social organisation such as networks, norms and social trust that facilitate co-ordination and co-operation for mutual benefit”. According to Bayat (2005), “social capital” encompasses both formal and informal relationships and networks including volunteer organisations, clubs and civic associations. These groups join together in collective action to resolve common problems or to ensure that governments address such problems.

The concept of “social capital” brings together three major disciplines: sociology, political science and economics (Anheier and Kendall, 2000). Social capital theory plays a major role in explaining the community organisation and the development of the economy (Blair and Carroll, 2009). Economists focus on individual actors with freedom of action that makes rational self-interested calculations in the market, which may lead to the creation of social networks. Sociologists, on the other hand, view actions as part of a collective system, constrained by social structure, motivated by non-rational feelings, traditions and values, occurring throughout the society (Swedberg, 1991). Social capital can make positive contributions to local economies by improving performance of both profit maximising firms and social economy organisations (Blair and Carroll, 2009).

Gittel and Vidal (1998) differentiate between two types of social capital – bonding and bridging capital. “Bonding social capital” represents the construction of social networks with *intragroup* (links people with similar outlooks and objectives) ties with the exclusive ‘*one of us*’ syndrome (Putnam, 2000:22; Putnam and Feldstein, 2003). In contrast, “bridging social capital” denotes the construction of *inter-group* (others that may have different views) networks that strive towards inclusivity. Related to “bridging social capital” is Woolcock’s notion (2001) of “linking social capital”, referring to the connections between those with differing levels of power or social status (engaging vertically with external agencies). This could link the political elite and the general public, or link individuals from different social classes.

The local government may or may not promote local social capital (Woolcock, 1998). Maloney, Smith and Stoker (2000) argue that the government can, and possibly should, play a substantial role in creating the conditions for social capital. To build social capital effectively, municipalities

must share decisions with citizens, moving beyond its role of controller, regulator and provider to new roles as catalyst, convener and facilitator (Warner, 2001). This suggests that the government can initiate LED in terms of building relationships. Alternatively, private citizens can initiate LED, in partnership with government.

To summarise: to qualify as an instance of “LED”, an economic initiative should be (1) local, (2) economic, and (3) involve a partnership (either deliberately initiated or spontaneously evolving) between government and entrepreneurs.

## 2.4 Causal explanations of LED

There are three possible types of LED-related causal relations:

1. What causes LED to be initiated?
2. What causes LED to be successful?
3. How can we categorise different types of LED?

The range of theories, outlined above, becomes very useful in causal explanations.

To explain what causes LED to be *initiated* is primarily within the realm of partnership theories – either collaboration theory, Marxist theory or social capital theories. Of course, the local economic conditions may provide a useful explanatory background for such initiatives. Dynamic firms, for example, are likely to produce dynamic entrepreneurs, who may well spot opportunities for partnerships; a growing macro-economy may produce business confidence which encourages dynamic collaborative initiatives; and regional clustering of enterprises may create the conditions for networking amongst business and government leaders. All these variables may be useful in explaining a local civic culture of partnerships.

To explain what causes LED to be *successful*, can draw on a range of variables. Local conditions favouring growth may create a suitable economic climate for partnerships. A dynamic regional economy or an entrepreneurial culture at the level of firms is likely to promote the effectiveness of LED strategies. The Partnership factors are important too: Collaborative skills and close

government-business relationships are likely to sustain LED initiatives until steady growth is reached.

Finally, to explain different *types* of LED, we can draw on the theory of the hierarchy of settlements (smaller and larger settlements), as well as the regional location of towns (towns that are within a dynamic clustered region and those that are not). The spatial positioning of localities may well stimulate different kinds of partnerships. For example, towns that have a district tourism base may well develop effective tourism forums. We can also draw on the distinction between Marxian business-state collaboration (tending to exclude other sources of political competition) and broader forms of bridging social capital (which include a wider range of stakeholders) In some localities, where municipalities are, dominated by local economic elites, LED partnerships may well have a class bias; in other towns, where small businesses, trade unions or NGOs are more dominant, local partnerships may be more inclusive.

The concept of “social capital” has been lacking the “human” side of the local economic development. Navid (2011) correlated social capital with economic development and noted that social capital is essential in the macroeconomic environment. The next section further elaborates on this discussion by introducing the concept of civic culture which highlights this relationship and network building factor. In both social science and public policy, a robust “civic culture” is seen as supporting economic competitiveness. In this way, the government, together with business can influence creating the conditions in which social capital is generated (Docherty, Goodlad and Paddison, 2001: 2230). Therefore, it links very well with the above analysis of LED, particularly in terms of the “*Partnership*” aspect where social capital and trust between government and business in particular is used in the development of a region.

### **3. TOWARDS A NEW APPROACH TO LED: UNDERSTANDING “CIVIC CULTURE”**

Social networks as an important form of social capital increase the trust that individuals feel towards others. This encourages people to join together in collective action to resolve common problems or to ensure that governments address such problems. Balkundi and Kilduff (2006: 422) discussed three actual networks – the ego network, the organisational network and the inter-organisational network.

In this context, the focus needs to be on the inter-organisational networks (sometimes referred to as “whole” networks (Kilduff and Tsai, 2003)) that consist of multiple organisations linked through multiple ties, to achieve a common goal. Unlike traditional network research, the focus is here on the structures and processes of the entire network, rather than on the organisations that composed the network. It is a unique multi-organisational social structure or even a social system in its own right (Provan, Fish and Sydow, 2007: 479).

Relationships between organisations in a network are understood to be formally maintained, through the existence of contracts, rules and regulations (Coleman, 1990; Kogut, 2000; Provan, Fish and Sydow, 2007) but also informally maintained through the structure of the network (Coleman, 1990) and norms of reciprocity and trust (Alter and Hage, 1993). These formal and informal control mechanisms protect organisations in their relationships with one another (as dyads) and not the network’s activities as a whole. Goal-directed inter-organisational networks have become extremely important as formal mechanisms for achieving multi-organisational outcomes, especially in the public and non-profit sectors where collective action is often required for problem solving.

Putnam (1993) argued that dense social networks, such as those found in civic associations, with norms of reciprocity, are the preconditions that create the civic culture behaviours (Edwards, 2009: 127). He invoked James Coleman’s (1990) concept of social capital as the basis of civic culture and defined it as “features of social organisation, such as trust, norms and networks that can improve the efficiency of a society by facilitating co-ordinated actions” (Putnam, 1993:167).

Docherty, Goodlad and Paddison (2001: 2229) conceptualised social capital as the relations between citizens, demonstrated in trust, and arising as a consequence of social interaction, whereas civic culture is a particular form of *political* culture that results from political experiences and behaviour. Social capital can then be seen as an outcome of culture (including political culture) and of social behaviour that foster trust in institutions of all types

Civic culture then qualifies as the local or community sum of “attainments and learned behaviour patterns” (Reese and Rosenfeld, 2002a: 41). It relates to the local community rather than national political arenas, oriented to the life of a community and denotes the way of life in a local community. Local civic culture influences how local problems are defined, how solutions are found,

who is involved and how the decisions are made. Organisations adopt shared visions as part of partnerships (Reese and Rosenfeld, 2002a: 18). It encompasses the governing regime, but transcends the notion of political culture. Civic culture applies to the local or municipal community and it incorporates not only how people govern themselves but also larger patterns of understanding and community behaviour. Civic culture shapes governmental institutions, governing regimes, and the design of policies. According to Reese and Rosenfeld (2012: 3), civic culture is a “means for understanding how municipal policy-makers weigh the interests of different groups, govern the local community, frame local goals, engage in decision-making, and ultimately select and implement public policies”.

Much of the academic work completed on the concept of “civic culture” explored a combination of “political culture” and “regime” as the main tenets for a theoretical base (Andrews, 2007; Almond and Verba, 1963; 1980; Bacot, 2008; Cox and Reese, 2006; Docherty, Goodlad and Paddison, 2001; Putnam, 2000; Reese and Rosenfeld, 2002a). “Regime” is the relationship between civil society and government (Stone, 1989) whereas “political culture” focuses on political attitudes, orientations, and behaviour, which lead to patterns of participation and involvement (Bacot, 2008: 396). Political culture is viewed as a combination of a catalyst and a fertilizer, providing the conditions for change and sustaining the product of that change (Street, 1994: 98). Moreover, political culture forms the context or environment for political action. The concept of “political power” will be used in terms of governmental systems (Lukes, 2005) and not merely to refer to civil society institutions. Figure 2 explains how the concepts of regime or governance, civic culture and political culture are related to one another as well as the link in LED and civic culture.

Each of these aspects will be unpacked during this introduction. The figure focuses on two specific issues:

- It highlights that government is a critical component of LED – i.e. official policies towards local economic development. This means that the spatial and economic theories listed above highlight important things, but the critical variable is that LED is an orchestrated;
- Deliberate set of actions initiated by government. The variable “P” (for “Partnership”) is therefore of crucial importance; and
- The continuum of formal to informal relationships is important, especially in the South African context.

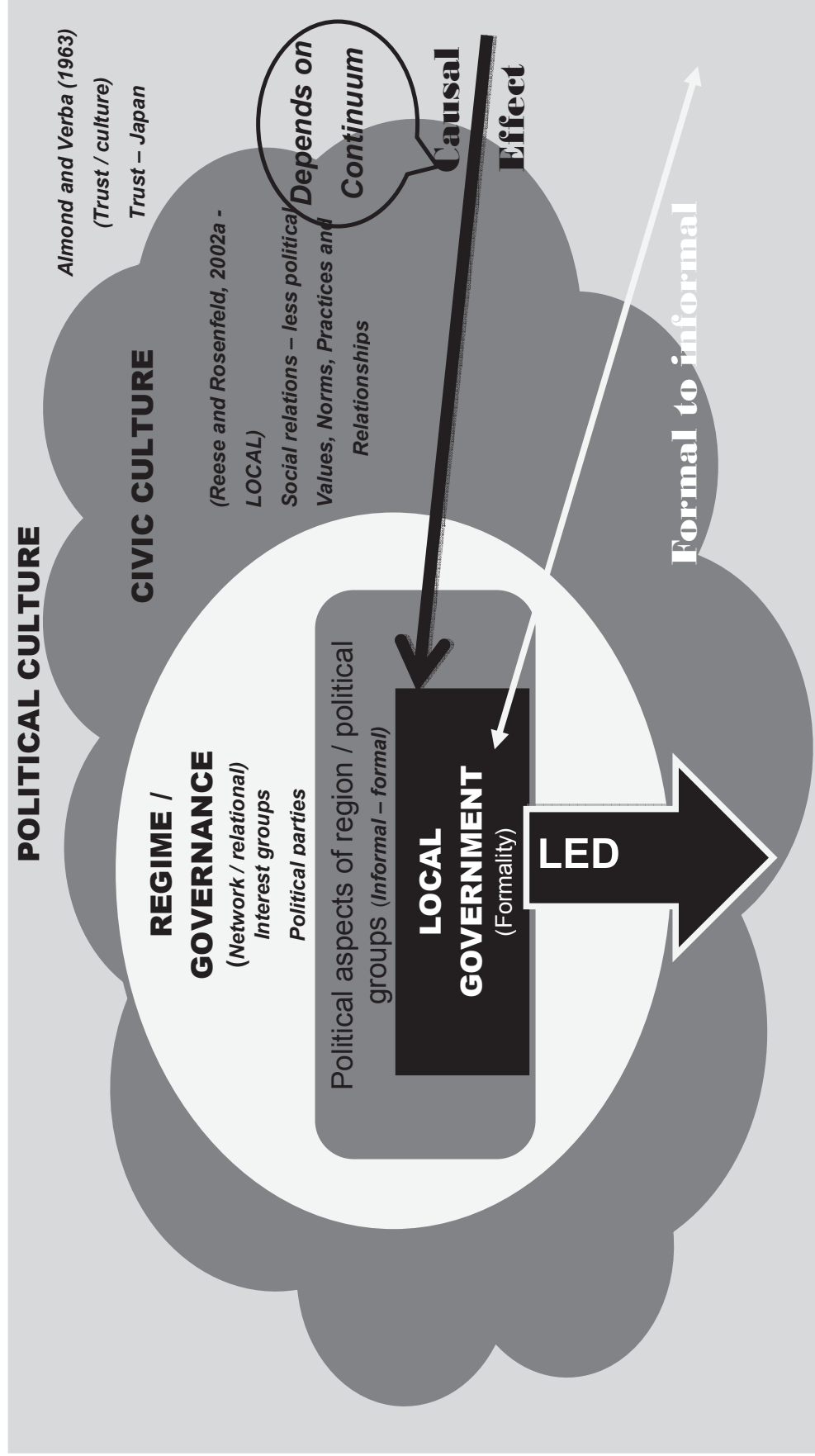


### 3.1 Political Culture

According to Almond (1980: 1), the notion of political culture has “been around as long as men have spoken and written about politics”. As far back as the Greek and Roman poets, historians and dramatists commented on the culture of nations and city-states. Plato’s *Republic* argues that “governments vary as the dispositions of men vary, and that there must be as many of the one as of the other. We cannot suppose that States are made of ‘oak and rock’ and not out of the human natures which are in them” (*The works of Plato* cited in Almond (1980: 3)). Aristotle not only recognised the importance of political culture variables but also highlighted the relationship between the political structures. The concept of political culture, however, became very popular in the 1960s when enlightenment and liberal views were widely criticised. European sociology (Auguste Comte, Karl Marx, Emile Durkheim and Max Weber), social psychology (Graham Wallas, Walter Lippmann as well as William McDougall, E.L. Thorndiek and John Dewy) as well as psycho-anthropology (Sigmund Freud, Bronislaw Malinowski, Ruth Benedict, Margaret Mead and Harold Lasswell) all influenced our understanding of the concept of political culture.

Other authors (Almond and Verba, 1963; Elazar, 1994; Peterson, 1981; Reese and Rosenfeld, 2002a; Reese and Rosenfeld, 2008b: 356; Sharkansky, 1970; and Stone, 1989) also explored the role of political culture in understanding international, national, and provincial-level institutions, policies and processes.

Figure 2: Relation of civic culture, political culture and regime



According to Reese and Rosenfeld (2008b: 357) political culture is defined as “the normative context within which politics takes place”. This includes the ideals, beliefs, values, symbols, stories, and public rituals that bind people together and direct them in common action. Furthermore, Almond and Verba (1963: 13) identified political culture as the psychological dispositions of individuals: “attitudes towards the political system and its various parts, and attitudes towards the role of the self in the system”. Political culture reveals “the relationship between the attitudes and motivations of the discrete individuals who make up political systems and the character and performance of political systems” (Almond and Verba, 1963: 33).

In 1966, David Elazar (1966) developed three political subcultures: moralistic, traditionalistic and individualist. The moralistic political culture places greater emphasis on the advancement of public communal interest. It is regarded by such cultures as legitimate for the government to intervene in private sector activities to secure public interest. In such cases, the role of the citizen *vis-à-vis* government is much larger because citizens were obliged to be aware of and participate in politics (Reese and Rosenfeld, 2002a: 20). In contrast, individualistic political cultures favour limited government engagement and maintain free market operations where individuals bargain and exchange to achieve private goals and politics functions with values of business (Sharp, 2005: 134). In these cultures, there is little role for citizen initiatives and participation in political processes. Lastly, traditionalistic political cultures do not trust the private marketplace and widespread citizen participation, but tend to favour elite or paternalistic views and their interests. Under such systems, the ruling government has to preserve both the interests of the elite and their place in the community hierarchy in order to preserve the existing social order (Reese and Rosenfeld, 2002a: 20; Sharp, 2005: 134).

Elazar’s (1966) discussion of political culture focused government-private relationships: either government intervenes in private activities, or plays no role, or not putting any trust in the private sector. In *American Mosaic*, Elazar (1994) furthermore suggested that political culture has a dual manifestation, based on individual and community beliefs expressed through political symbols (patterns of understanding) and community and individual political style (patterns of action). In other words, political culture shapes perceptions of how the government should function, who has access to it and how and what policy outputs result (Cox and Reese, 2006: 2).

More recently, scholars have begun to explore the larger cultural context in which local governing regimes are analysed in different ways. Rosil (1991:77) and Sharp (2002: 861 and 2005: 132), focused on “unconventional” political cultures. They argued that the diffusion of higher education, changing gender roles, the replacement of traditional religious faith with secular or non-Western beliefs, the growth of non-traditional household arrangements, and the rising importance of human services employment combine to generate countercultural regions in urban areas. These antagonistic subcultures reject the dominant culture's emphasis on growth promotion, in favour of more socially responsible policy outcomes. Furthermore, Clark and Inglehart (1998: 9-10) as well as DeLeon and Naff (2003) identified a “new political culture” in certain places. They developed a New Political Culture Index that includes demographic measures of non-traditional families and gender roles, strong gay and lesbian presence, low religious traditionalism, and high levels of income and education. Florida (2002) also elaborated on the “creative” political culture.

He noted that because of the decline of physical constraints on cities and communities' creativity has become the principal driving force in the growth and development of cities, regions, and nations. He argues that it is not the factories and raw materials that empower regions, but the creativity of people. This has clear implications for government-private relationships. Creative people could therefore stimulate governments to respond creatively, and thereby possibly create partnerships.

This then leads us from the concept of “political culture” to that of “regime theory that has dominated the field of urban politics and policy.

### **3.2 Regime Theory**

According to Mossberger and Stoker (2001: 810), regime theory is used as a tool to explain relationships between the public and private sector. Clarence Stone (1989) employed a theoretical framework in the study of urban politics that drew on both a social-structuralist theory as well as pluralist perspectives to introduce the concept of “political regime”, with an emphasis on “governing coalitions” (Reese and Rosenfeld, 2008b: 357). Stone (1989: 1) referred to “the regime” as the informal arrangement that surrounds and complements the formal working of governmental authority; whereas the “governing coalition” is a way of making the notion of regime more institutionalised (1989: 5). Regime theory argues that the coalition of government officials and other private actors carries out “social production” and

“assembles the capacity to govern” (Imbroscio, 1998; Ramsay, 1996; Stoker and Mossberger, 1994; Stoker, 1995; Stone, 1989).

Although regimes represent the way in which municipalities manage external pressures such as economic change, it also explores the internal dynamics of coalition building, on “civic co-operation” (Stone 1989:5) or informal modes of co-ordination across institutional boundaries. According to Stoker (1995: 54), regime theory emphasises the interdependence of governmental and non-governmental forces in meeting economic and social challenges. This is why it pays attention to the problem of co-operation and co-ordination between government, business community, and the third sector or civil society. Similarly, Mossberger and Stoker (2001: 813) noted that collaboration is achieved not only through formal institutions, but also through informal networks. These stakeholders may change the way in which government behaves and what its aims may be. Policies are shaped by the composition of a community’s governing coalition, the nature of relationships between members and the resources that members bring to the governing coalition (Reese and Rosenfeld, 2002a: 30).

Stone (1989) initially described three types of political regimes: the corporate, caretaker and progressive regimes. Firstly, in the “maintenance or caretaker regimes”, the government plays a limited role except for providing basic services (Mossberger and Stoker, 2001; Stone, 1993). These regimes simply carry out routine functions and fail to grow dynamically. Secondly, the “progressive regimes” includes aims such as environmental protection, historic preservation, and affordable housing. Such measures emphasise human investment policy and widened access to employment and ownership. There is a measure of coercion and regulation (rather than voluntary co-operation) between the business sector and the authorities (Stone, 1993:19-22). Lastly, “corporate regimes” represents growth machines, and attract business by offering incentives and employing land-based strategies with large realtors, bankers and developers (Reese and Rosenfeld, 2002c).

Ramsay (1996) further elaborates on the type of governance that should be strived for because the regime is composed of small business owners, minorities, the poor and those making their livelihoods from local resources. In addition, the “petty-bourgeois regimes” described by Imbroscio (1998) incorporate small local business, corporate elites and governmental officials. Similarly, the “development regimes” promotes growth by linking private investment and public action (Stone, 1993: 18). The hallmark of this regime is a policy agenda that uses “public authority and resources to subsidise investment (tax

abatements for new business development)” in an effort to “tilt development costs toward the public sector” (Stone, 1993: 277-278).

Regime theory also has its limitations. Ramsay (1996: 22) noted that regime theory tends to emphasise a “too narrow focus on interests”, and that “life patterning social structures and cultural values” should be included to understand local development. Regime can therefore be considered as only a single aspect of the larger concept of “civic culture”. This therefore leads to the next section, discussing the features of civic culture in more detail.

### 3.3 Civic Culture

The term “civic culture” was coined in Gabriel Almond and Sidney Verba’s influential 1963 book, *The Civic Culture*, and revived in their *The Civic Culture Revisited* (1980). Gabriel Almond (1980: 15) noted that their work emerged from a confluence of several streams of thought: public-opinion studies, macro-sociological theorising, psycho-cultural anthropology, and the technique of the sample survey. These authors discussed the historical origins of the civic culture and the functions of that culture in the process of social change. They compared and contrasted the patterns of political attitudes in the five countries and attempted to link political culture to democratic attributes.

In revisiting Verba and Almond’s (1963) study, Jackman and Miller (1996: 633) concluded that “cultural accounts of political life” are overrated and that the “political culture approach needs to be recast in institutional terms that more directly acknowledge the role of *political* considerations in explaining performance”. In the same vein, Reese and Rosenfeld (2002a) further described the concept of “civic culture” as “a means for understanding how municipal policy makers weigh the interests of different groups, govern the local community, frame local issues, engage in decision-making and ultimately select and implement public policies” (Reese and Rosenfeld, 2008b: 355). Reese and Rosenfeld (2002a: 41) noted that the concept of “civic culture” includes the structure of local economic decision-making (competitive environment *vis-a-vis* other localities); the process through which decisions are made (locus of primary power); the interests involved in decision-making; and the decision-making styles evident in local public arena (world views of participants, how goals are set, how community envisions itself, language, symbols and myths, perceived proper role of government). As Reese and Rosenfeld (2002a: 652) specify, “Each community, then, embodies a civic culture—a historically informed local system for political and/or public action and processes for distribution of goods”.

### 3.3.1 Three Systems of Local Civic Culture

Reese and Rosenfeld (2002b: 8) used three elements to clarify the local civic culture: The community power system, the community value system, and the community decision-making system. These “systems” have been drawn from the body of research on urban politics and represent topics commonly studied and understood to make-up the dominant social and political order in which groups compete and municipalities make policy decisions (Reese and Rosenfeld, 2012). In other words, the local culture is defined by who has power in local governance, how policy decisions are made, and the types of values and mores that animate those systems. Each system has arenas that Ferman (1996: 4-5) refers to as “spheres of activity” with precise logic, norms, rules and principles.

Table 2 highlights the specific questions asked in each of the systems.

*Table 2: Systems within civic culture*

<b>COMMUNITY POWER SYSTEM</b>	<b>COMMUNITY VALUE SYSTEM</b>	<b>COMMUNITY DECISION-MAKING SYSTEM</b>
<b>Input arena - Access:</b> <i>Who has access?</i> Citizens Business Government Media Unions	<b>Conflict tolerance</b> Extent (episodic / consistent) Reaction (tolerance) Community cohesiveness	<b>Rationality</b> Planning Evaluation Political rationality Fiscal rationality Innovation vs. emulation
<b>Electoral/governing arena:</b> <i>Who governs?</i> Recruitment Campaign funding Turnover/ Margins of victory Structural stability / progressiveness Voting turnout Partisanship	<b>Policy orientation</b> Government v. market Regulatory activism Entrepreneurialism Policy innovation Risk tolerance Liberal / conservative Economic vs. social issues Moralistic vs. secular	<b>Decision drivers</b> Demands Rationality Competition Goals Funding
<b>Influence arena:</b> <i>Who has power?</i> Decision-making dominance Policy opposition Elected vs. Appointed officials Intergovernmental effects	<b>Community goals</b> Public vs. Private oriented Effectiveness / quality of life Effectiveness / competitive positioning Effectiveness / alleviation of social problems Redistribution Efficiency	<b>Resources</b> <b>Departmental structure</b> Locally-determined Stand-alone vs. integrated Internal vs. external
<b>Intergovernmental arena:</b> Quality and quantity of interactions with other government bodies?	Regulatory activism	Innovation versus emulation

*Source: Adapted from Reese and Rosenfeld, 2002b: 7; 2008b: 361; 2012: 10*

Firstly, community power systems vary according to key criteria: Who has access to the system? Who governs, who has influence, and who interacts with other government systems? Secondly, community value systems vary according to the extent of conflict tolerance, the policy orientation of the locality, and community goals. Finally, community decision-making systems vary according to the type of rationality they embody, the decision drivers, and the available resources. This analytical system, drawn from several writings of Reese and Rosenfeld (2002a; 2002b; 2008a; 2008b; 2012), offers a multi-dimensional approach to understanding the complex political and social relationships between governments and the private sector.

By making use of these variables, Reese and Rosenfeld (2002b) were able to suggest four hypothetical types of civic culture: market, inclusive, bureaucratic, and individualistic. These typologies are based on the United States literature and were used to explain and differentiate the appropriateness to the South African context. This is clarified in more detail later in the thesis. .

Reese and Rosenfeld produced a typology of civic culture. Firstly, a civic culture dominated by business interests; secondly, competition amongst a wide range of pluralistic interest groups; thirdly, a political system dominated by bureaucrats or dominated by key individuals, who relate to each other on a basis of social networks, trust and friendship (possibly, but not necessarily, an “old boy” network). Each of these types is explained briefly to develop background knowledge in terms of these categories.

Market based civic cultures typically display high levels of business dominance, and political candidates are often drawn from the business community so that a business-friendly environment can be encouraged (Reese and Rosenfeld, 2008b: 361). Government resources are usually devoted to economic development and the authority normally vests in an independent free-standing department or in an external development corporation with close ties to the private sector (Reese and Rosenfeld, 2002b: 8).

In an inclusive civic culture candidates usually are drawn from and receive the support of many segments of the community- businesses, citizens, and volunteer groups. Compromises in these communities are often made because all the groups agree on working together to develop the local community (bootstrap goals) (Reese and Rosenfeld, 2002b:9).



Government staff typically plays a dominant role in bureaucratic civic cultures. The locus of power for economic development often rests within the local government and bureaucrats are usually being preferred over elected politicians. A more active development role is characteristically noticeable in the recognition of public involvement in private markets, which could possibly promote growth management as well as a more liberal and ground-breaking policy and performance guarantees (Reese and Rosenfeld, 2008b: 362).

Individualist civic cultures are typically embedded in the dispositions of individual leaders or entrepreneurs: a mayor, an influential businessperson, the leader of a community, group, a religious leader, or the owner of a local paper. This is often a relatively closed system (for example an old boys network) and there is almost an influence vacuum where business, intergovernmental, and interests groups have little influence over public policy (Reese and Rosenfeld, 2002b: 31).

#### **4. BRINGING CONCEPTS TOGETHER**

Now that all the concepts and issues have been put on the table, the researcher would once again just like to bring it all into context. Firstly, LED can be explained in terms of the “*L-E-P*” model. Theories have been used from different speciality fields of study to elaborate on various aspects of LED but have never managed to explain LED in a holistic view. Some factors related to the hierarchy of settlements, such as what services are available in an area, what attractions the region has so that people from others areas need to visit the location and relocate their business or investments there, or which transport networks serve the area, explain the success of LED. Some factors related to micro-economics (the behaviour of the firm) and economic clusters, such as which companies compete or who forms co-operations and how are these formed, explain the success of LED. And finally, some factors related to social capital such as the formation of volunteer organisation, informal relationships and clubs explain the success of LED.

Many authors have concentrated on the “*Local*” as well as the “*Economic*” aspects. What makes this approach different is that the “*Partnership*” initiative is highlighted. This has been elaborated on in terms of private-public partnerships (Rogerson, 2010), but the researcher would like to take this concept a step further by putting the spotlight on social capital, social networks and collaboration. The government, together with business, can essentially influence creating the conditions in which social capital is generated. Domhoff (2006)

emphasises that municipalities do not have the capacity to govern without entering into a coalition with one or more private groups or classes.

This, therefore leads the reader to the second point, social capital can be used as a basis for civic culture. Social capital is an outcome of culture and social behaviour. It is not only how people govern themselves but larger patterns of understanding of community behaviour. To complicate things even further: regime and political culture was also used in the previous section to build on the concept of civic culture. This is why all these perceptions have been elaborated on in this introduction. All the issues intermingle relationships, participation, involvement and collaboration through trust.

#### **4.1 The “*L-E-P*” model in South Africa**

The understanding of LED in terms of the “*L-E-P*” model has been developed and the important missing link with civic culture has been acknowledged. It is now necessary to apply these aspects to the South African context. Therefore, the papers that follow will firstly explore the South African LED policy and practice and evaluate the experiences in terms of the “*L-E-P*” model. Secondly, the South African partnerships will be scrutinised for not including soft factors of co-operation like trust, social capital and civic culture. Beaufort West will then be used as a typical example of a small town in South Africa where the lack of civic culture in the LED processes has been rife. By using the United States literature, the type of civic culture in Beaufort West will also be determined and contextualised in a South African perspective. Lastly, the changes in business confidence from 2007 to 2009, and the implications for future investment and future relationship between government and business will be highlighted.

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# CIVIC CULTURE AND LOCAL ECONOMIC DEVELOPMENT IN A SMALL TOWN

## PAPER I: REINTERPRETING LED POLICY AND PRACTICE IN SOUTH AFRICA

### ***Abstract***

Local Economic Development (LED) programmes across sub-Saharan Africa are critical in addressing poverty and inequity in South Africa. Although there have been several cases of successful LED programmes and initiatives in South Africa, there are still a number of key issues to be addressed and challenges to be overcome. One of these aspects is the fact that the concept of an “enabling environment” has never been adequately explained in the South African Government’s policy literature. This paper explores this enigmatic concept. Furthermore, the paper, which is mainly on South African LED policies and practices, creates an analytical framework for understanding LED, within the context of a model focusing on three elements: Locality (L), Economics (E) and Partnerships (P). The “*L-E-P*” model could be an answer to make sure that all three the key elements are covered in a LED initiative, be it policy or practice.

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# PAPER I: REINTERPRETING LED POLICY AND PRACTICE IN SOUTH AFRICA

## 1. INTRODUCTION

*“LED is not a development fashion, as it does not claim to provide some sort of magic recipe that will deliver development to every space and every time. LED is much more a philosophy about how development problems should be approached, who should be involved, and how to design and implement development strategies. It proposes a participatory, bottom-up, territorially decentralised development approach that focuses on maximising the endogenous potential of every territory” (Rodriguez-Pose, 2008: 23).*

Policies and practices targeted to promote local development are “highly fashionable” in all developed economies and are gathering momentum in the developing world (Rogerson and Rogerson, 2010: 469). The rising importance of Local Economic Development (LED) programmes across sub-Saharan Africa is signalled by the activities of the United Cities and Local Governments of Africa (UCLG-A) (Swinburn, Yatta, Kreutz and Beez, 2007).

The UCLG-A, an association of local governments, individuals and entities, is the united voice of local government in Africa. As part of its mission of “building African unity from within and driving development through the grass roots”, it identified LED as one of six priority areas for action for the period 2006 to 2015 (Swinburn, *et al.*, 2007). Compared to other African countries, planning for LED in South Africa is the most advanced (Nel, 2007; Roderiguez-Pose and Tijmistra, 2007).

Cohen (2010: 12) confirms that LED could be a critical success factor in addressing poverty and inequity in South Africa. The growth of LED planning in South Africa is viewed as an integral component of what has been described as the “re-engineering” of municipalities in South Africa (Thornhill, 2008). LED could make a “meaningful and sustainable contribution to local development” (Nel, Binns and Bek, 2009: 234). Although there have been some cases of successful LED programmes and initiatives in South Africa in the past 15 years (Rogerson, 2011: 149), there are still a number of key issues to be addressed and challenges to be overcome before LED can make a meaningful impact (Lawrence, 2009: 21).

“LED” is meant to create an “enabling environment” for local economic growth. However, the term “enabling” has been poorly understood in South Africa. This paper, which is mainly on South African LED policies, creates an analytical framework for understanding LED, within the context of a model focusing on three elements: Locality (L), Economics (E) and Partnerships (P). “*L-E-P*” (as an analytical model) can be considered an adjunct to LED policies (a normative practice).

- **L (LOCALITY)** - Refers to locality-based features, which should be promoted by LED strategies. Examples could be sustainable natural resource management and infrastructure creation and maintenance. Often, municipalities do infrastructure and natural resource management, but they do not see it as a key part of LED. In contrast, municipalities sometimes equate LED with infrastructure management *per se*. Both of these approaches are conceptually mistaken. LED should *include* natural resource management as well as infrastructure creation and management – but it should not be *reduced* to these issues.
- **E (ECONOMIC)** - Refers to economic and fiscal issues: Tax regimes, service charges, municipal budgeting, planning and bylaws which affect business, trade, tourism and manufacturing.
- **P (PARTNERSHIP)** - Refers to partnerships, including: networking, communication, business incubators, and information centres (for example, on investment opportunities and tourism services).

In this paper, it will be argued that effective LED approaches should address Locality-based factors (L), Economic factors (E) and Partnership factors (P) *simultaneously*. This will require a theoretical understanding of institutions and their relationships with one another, within a mutually supportive social structure, which is analysed as the “civic culture”, in Paper II (*Transforming LED Partnerships in South Africa*) in the thesis.

In this paper, the “*L-E-P*” model is used to analyse the Government’s normative approach to LED. Government policy documents have frequently referred to the need to create an “enabling



economic environment” at local level. However, there is no coherent perspective on what an “enabling economic environment” actually is. This explains why, despite the large number of LED policy papers, there is still a very limited understanding of what LED is meant to achieve (Rogerson, 2010a: 484). Only by means of an understanding of the “*L-E-P*” dimensions can we understand the three key elements that should underpin the enabling economic environment, and what LED policies should actually strive for. The “*L-E-P*” dimensions are also highlighted in the case studies that academics have used to clarify LED practice in South Africa.

Therefore, this paper will start by elaborating on the South African LED policy and legislation. Emphasis will be placed on developing an understanding of the “enabling environment” and thereby, to review the Government’s normative approach to LED. Most of the case studies that have been used by academics to illustrate the LED practice in South Africa imply that the “*L-E-P*” model should be used in the LED practice. However, a coherent theoretical model such as the proposed “*L-E-P*” model approach has never been clearly espoused in South Africa. This paper therefore addresses a crucial theoretical lacuna in South African research.

## **2. SETTING THE SCENE FOR AN “ENABLING MUNICIPALITY”: THE WHITE PAPER ON LOCAL GOVERNMENT**

In the Apartheid era, the National Party Government tended to use top-down (authoritarian) style policy-making approaches to centralise control over all aspects of society (Nel, 2001: 1007; Rogerson, 2004: 401). Strictly speaking, this was not always true. Democracy for white people was quite robust, and informal participatory mechanisms existed for whites (including white businesses) at local level. However, this was limited, not only racially, but also to the dominant political relationships, often informed by organisations such as the dominant political parties, or the “Broederbond” (Wilkins and Strydom, 1980).

During the 1990s, LED was recognised by the new African National Congress (ANC) government of South Africa as a key strategy to alleviate poverty in local areas (Binns and Nel, 2002: 8). This concept has emerged from a few local initiatives (Nel and Rogerson, 2007: 2) undertaken by the authorities in the larger cities as well as some sporadic examples of smaller towns like Stutterheim during the 1990s (Nel and McQuaid, 2002). More recent examples are

those of Ladysmith (Nel and Hill, 2001), Harrismith (Abrahams, 1998), Nelspruit (Rogerson, 2000) and Midrand (Rogerson, 2003a).

Since 2000, municipalities have been obliged to pursue LED within the contexts of several pieces of legislation drafted by national government (Human, Marais and Botes, 2008; Lawrence and Hadingham, 2008; Nel and Rogerson, 2005a; Nel and Rogerson, 2007: 2; Rogerson, 2004; Rogerson, 2008; Xuza, 2007). These include the National Constitution (Republic of South Africa (RSA), 1996), the Local Government White Paper (RSA, 1998), the *Local Government Municipal Systems Act* (RSA, 2000) and the Stimulating and Developing Sustainable Local Economies Framework (Department of Provincial and Local Government (DPLG), 2006a).

The National Constitution of 1996 was the first piece of legislation to oblige municipalities to implement social and economic development (RSA, 1996). In terms of sections 152(c) and 153(a) of the Constitution, “A municipality must structure and manage its administration and budgeting and planning processes to give priority to the basic needs of the community (both economic and social development)” (RSA, 1996). For municipalities, LED is therefore not optional, voluntary or unconditional (Malefane, 2009: 156); they are required to implement LED to benefit their local communities. However, Parts B of Schedules 4 and 5 of the Constitution, that identify the functions of municipalities, do not include LED as a municipal function. The Schedules provide a very limited range of municipal (“Part B”) functions, particularly in the light of the developmental mandate of municipalities. It can therefore be argued that LED is an unfunded mandate for municipalities (DPLG, 2006a).

The Local Government White Paper of 1998 further elaborated on the concept of “*developmental local government*” (RSA, 1998; Schmidt, 2008). This was 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 needs, and improve the quality of their lives in terms of economic growth and employment stimulation” (Nel and Rogerson, 2005a; Nel and Binns, 2001; Nel and Binns, 2003; Nel, Binns and Bek, 2009; RSA, 1996: 17). In other words, municipalities should involve citizens and stakeholder groups in the development process of sustainability to meet their social, economic and material needs and improve the quality of their lives (RSA, 1998:17). Local municipalities therefore have a critical role to play as

influential policy makers and as institutions of local democracy. The South African government decentralised power in order to create better opportunity for direct participation in service delivery, policy and decision-making processes by civil society (Mgwebi, 2010). These actions were conducted in an effort to speed up reformation of developmental local government. In this White Paper it is clear that local government is not responsible for creating jobs but for promoting economic and social conditions (creating an “enabling environment”) in the area to be conducive to creating employment opportunities (Triegaardt, 2007). In terms of the “*L-E-P*” model, the White Paper clearly concentrated on the “*local*” and “*economic*” elements of the model. Aspects of “*partnership*” were not emphasised at this stage of the developmental life cycle of South Africa.

Many of the municipalities have evolved their own approaches to LED. According to Atkinson, *et al.* (2003), various programmes originating from Department of Trade and Industry (DTI) and Department of Provincial and Local Government (DPLG) promote LED in terms of funding, but do not provide adequate technical support and support for operational management by the municipalities. Funding is often provided for capital projects, but not for running costs, or for technical support. Such projects suffer from “short termism”, that is, funding is provided for a very limited time, and the projects are not geared to becoming self-sufficient in the longer term. Instead of only providing funding opportunities, partnerships with different departments should rather have been built, in terms of an “*L-E-P* philosophy”.

The concept of an “enabling environment” has never been adequately explained in the South African Government’s policy literature. The next section explores this enigmatic concept.

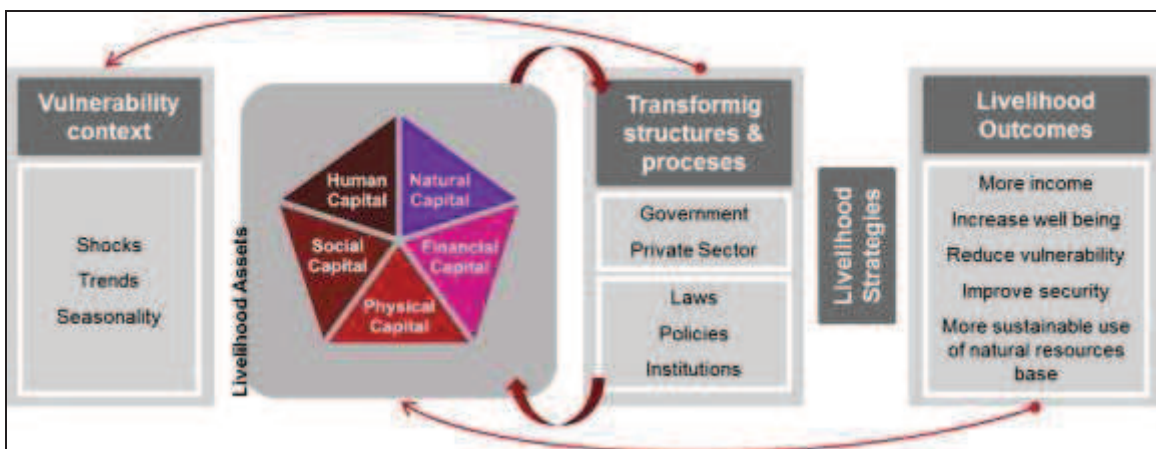
### **3. WHAT IS AN “ENABLING ENVIRONMENT”?**

Although not being an infinitely elastic concept, the idea of an “enabling municipality” has not been clearly defined (Leach, Stewart and Walsh, 1994: 233 - 250). The concept generally highlights the need for municipalities to create a favourable environment and provides support measures to help all public and private actors to contribute to social, political and economic development, rather than to undertake such developments themselves (Hindson and Vicente, 2005; Smith, 2000: 80). According to Rogerson (2010c: 350), an enabling environment can alternatively be referred to as the “investment climate”, “business climate” or the “business

environment”. This, then, is “the extent to which government policies, laws and regulations set the rules of the game for business and influence, positively or negatively, the performance of markets, the incentives to invest, and the cost of business operations” (Department for International Development Investment Competition and Enabling Environment Team (DFID ICEE Team, 2004: 4 -5). The enhancement of local business environments (LBEs) to provide more favourable conditions for “doing business” by the private sector in an important factor for local economic development planning (Hindson and Meyer-Stamer 2007). If challenging governance arrangements, burdensome political procedures, laws and regulations, and ineffectual administration dictate the local business climate, enormous and preventable costs are enforced upon the private sector with correspondingly negative effects for local economic development (Ruecker and Trah, 2007: 57).

The term “enabling” can be understood through the prism of the Sustainable Livelihood Approach (SLA). The SLA is an “asset-based” approach – that is, it starts with an understanding of the assets of individuals, households and organisations that are useful to create sustainable livelihoods. Government or donors use this paradigm to analyse communities’ in order to direct their efforts to maximising the impact of these assets. An asset or capital pentagon was developed by the Department for International Development (DIFD, 1999) to bring to life important inter-relationships between the five different types of assets (Brocklesby and Fisher, 2003). Figure I.1 illustrates these five types of assets (capital) within the sustainable livelihood framework.

Figure I.1: DFIDs Sustainable Livelihood Framework



Haidar, 2009: 5

“Human capital” represents the skills, knowledge, good health and ability to work. It can be seen as a building block or means of achieving livelihood outcomes. This form of “capital” is required in order to make use of any of the other four types of assets.

“Social capital” is the social resources people draw on to meet their livelihood objectives. These include networks that are either “horizontal” (individual with similar or equal power relations) or “vertical” (connections with people of differing levels of power or social status) (Woolcock, 2001). This approach enables groups to leverage resources, ideas and information from formal institutions beyond the community. Social capital influences the other types of assets because it improves economic relations that in turn also increase incomes and savings (financial capital). It also improves management of common resources (natural capital) and the maintenance of shared infrastructure (physical capital). This type of capital also makes an important contribution to people’s sense of well-being, through identity, honour and belonging. A strong link can be made between the concept of “social capital” and the “*partnership*” element of the “*L-E-P model*”. By making use of partnerships and networks, economic relations and development seem to be easier to achieve.

“Natural capital”, which refers to environmental assets, refers to natural stocks like land and agricultural produce, wildlife, water resources, biodiversity and environmental services. Many poor people derive their livelihoods from their environmental assets such as fishing, farming, forestry and mineral extraction) (Lowe and Schilderman, 2001). However, even wealthier or urban people, who do not seem to rely on natural assets, also rely on key environmental services and food production, which are derived from “natural capital”. In a sense, “natural capital” is a critical underpinning of any society – not just poor or rural communities.

“Physical capital” comprises the basic infrastructure like transport, buildings, water, sanitation supply, energy, and communication. Tools and technology such as seeds, fertiliser and pesticides needed to support livelihoods, also form part of the assets. Infrastructure is a public good and the public can usually make use of it without direct payment. Without reliable access to services, such as water and energy, human health declines because time is spent on non-productive activities like the collection of water and fuel wood (Lowe and Schilderman, 2001).

Poor infrastructure can also impede education, access to health services and income generation.

“Financial capital” signifies financial resources, including savings, remittances, pensions and wages, credit and income from employment and remittances. This type of capital is the most versatile of all the assets because it can be converted into any of the other types of capital (DFID, 1999).

Where a policy or programme promotes the development and growth of these assets, we can regard it as an “enabling local economic policy”. Non-enabling municipalities do not take positive steps to create a positive investment or developmental climate. In the case of local economies, such “enabling” practices could include reducing red tape in securing land use approvals; maintaining electricity, water and road infrastructure, which will reduce business costs; undertaking appropriate spatial planning, to encourage investment; and maintaining transparent and effective tendering practices. All these refer to the effective use of natural resources (for example water), infrastructure (roads, pipes and electrical networks), and financial assets (investment). In the model above, natural resources, physical and financial capital refer to the “L” (Locality) and “E” (Economic) aspects of development. However, this is not sufficient for effective LED, as it does not harness shared energies.

To introduce the power of collaboration, it is important that we turn to the question of “social assets”. An effective enabling environment should include the promotion of “social assets”, such as businesses’ ability to organise, and the ability of their organisations to liaise effectively with the municipalities. Hinderson and Vicente (2005: 29) refer to this specifically as market and business enablement. This refers to the “P” (Partnership) dimension of the model described above.

The literature on “enabling local authorities” can also be explored through the lens of the SL asset-based approach. Smith (2000: 81 - 89) has identified six key dimensions of enabling local authorities. These six elements will be used, in this paper, as a framework for evaluating the South African Government’s approach to LED.

Firstly, *contracting out* is the most familiar form of enabling where municipalities specify service requirements but purchase the service from another supplier. These services could include contracting out construction work, building maintenance, cleaning services, street lighting and even financial and technical services (such as engineering and spatial planning) to private firms. This form of “enabling” already exists within South African municipalities, where local service providers are contracted to perform certain duties on behalf of the municipality. In such cases, the social assets of municipalities and businesses are strengthened. Business partners complement the skills base of municipalities, thereby creating a more effective economic base.

Secondly, the choices of the *clients or customers* of public services signal to municipalities to provide where the demand is the greatest. Significantly, “enabling” municipalities define their citizens as “clients” or “customers”, rather than “recipients” or “beneficiaries”. The notion of a “client” suggests a much more active and empowered citizen, than the more passive idea of a “recipient” or “beneficiary”. In terms of the philosophy of customer service providers, customers specify sufficient standards of service and means of redress. Municipalities compile statements of citizens’, customers’, or clients’ rights, and information on performance levels.

The White Paper on Transforming Public Service Delivery (*Batho Pele* White Paper) was launched in October 1997 so that the public servants could commit to serving the South African people and improve service delivery (RSA, 1997). “*Batho Pele*” means “People First” in Sesotho. The eight principles of “*Batho Pele*” are intended to enhance the quality and accessibility of government services by improving efficiency and accountability to the recipients of public goods and services (Department of Public Service and Administration, 2007). Public officials should therefore undertake to abide by the following principles: consult with customers; set service standards; increase access to services; ensure high levels of courtesy; provide more and better information; increase openness and transparency; remedy failures and mistakes; and give the best possible value for money. Local government often fails to make use of “social capital” assets to enhance their ability to render services. They rely on financial and physical assets to achieve the desirable outcomes instead of using the human and social networks that are available to solve the problems.

In South Africa, these principles have often remained poorly implemented (Ingle, 2011). Some municipalities have lost sight of the fact that they have *customers* to whom they are supposed to

be rendering a service. Municipalities' budgeting priorities tend to suggest that some institutions exist as ends in themselves. Their main priority appears to be to provide inflated salaries to as many staff members as possible (De Kock, 2012; Masondo, 2011). In the process, the actual services that should be rendered become 'residual' to be provided as and when finances allow, which they rarely do. To address these problems, President Jacob Zuma launched the Presidential Hotline (Number: 17737) on 14 September 2009. The facility offers the citizens of South Africa an effective way of providing accurate information to government institutions at all levels and spheres. The public can also report problems or make complaints, as well as provide tip-offs to authorities about fraudulent and corrupt activities. High resolution rates by the Presidential Hotline shows Government's seriousness in responding to the needs of the people and transform the public service culture (The Presidency, 2011). The Presidential Hotline has been a valuable avenue of securing redress. However, this is always a *post facto* resolution of severe service delivery failures. The "customer approach" is aimed at proactively strengthening the social assets of municipalities and their clienteles, by creating a mutual commitment to a high standard of service delivery.

Thirdly, *community planning* equips municipality to adopt a synoptic view of the community by identifying immediate needs not falling in the statutory responsibilities of the municipality. In the South African context, this is encapsulated in the Integrated Development Planning (IDP) approach promoted by national government and implemented by municipalities. IDPs have had a mixed record of success. As planning documents, IDPs have varied from excellent to mediocre (Ngamlana, 2010: 28). Furthermore, the extent of public participation in the IDP drafting process has also varied greatly, and many IDPs have remained technocratic documents drafted by consultants (Patel, 2003: 20). Nevertheless, IDPs have been valuable in integrating the development of natural and physical assets in a holistic planning approach. Where they have been participatory, they have strengthened social assets as well.

Fourthly, Smith (2000: 85) suggests that *community leadership* should seek to meet the needs through influence on, and co-operation with a range of public and private agencies. Ennals and O'Brein (1990: 4) refer to this as a "wider view", where a "local authority uses all the means at its disposal to enable the needs of those who live within its area to be met". This includes direct provision of services, with or without contracts, and regulation, but also involving partnerships, influence, co-ordination, facilitation, co-operation, advocacy, consultation, and grants-in-aid. In



South Africa, Local Economic Development Agencies (LEDAs) have been created by municipalities, and often funded by national government. LEDAs operate in specific areas such as townships, rural areas, small towns and poorer provinces, which face huge challenges due to high levels of poverty and underdevelopment (Lawrence 2010). These agencies provide formal institutional mechanisms to create public-private partnerships of stakeholders in an area and receive support from a variety of sources. Some LEDAs, such as that of the Blue Crane Local Development Agency (BCRM) in Somerset East have been spectacularly successful (Industrial Development Corporation (IDC), 2011), but many others have become embroiled in local politics (Rogerson, 2009: 57). The BCRM functions as the “LED arm” of the municipality and four project managers are currently leading the projects in the following sectors: Tourism, Aviation, Business, Agriculture, Renewable energy and Culture (IDC, 2011: 3). The Industrial Development Corporation (IDC) no longer funds this agency. It is now entirely financed by the Blue Crane Municipality. An analysis by the IDC of the Blue Crane LEDA experience emphasised the urgency of going beyond the planning phase to implementing development plans in practice.

The success of LEDAs has depended fundamentally on their ability to create relationships and partnerships with all stakeholders such as municipalities, provincial governments, and the private sector. Successful participatory LEDAs have greatly enhanced the social assets of municipalities and their business partners.

According to Smith (2000: 87), the fifth factor relevant to an “enabling municipality” is that of *pluralist collectivism*, which stimulates alternatives to conventional municipalities. In such cases, municipalities use their power and influence to encourage the growth of alternative forms of service delivery. Examples are social trusts, management co-operatives and municipal housing companies. Several of the larger municipalities in South Africa operate as stakeholders in non-profit housing companies in their area. Such initiatives not only promote natural and infrastructural management (for example bulk water and reticulation management), but also promote social assets and social responsibility, by stimulating service delivery without a profit motive.

Lastly, Smith (2000: 88) argues that an enabling local authority empowers ordinary citizens to *participate* in policymaking and manage their local area proactively, rather than function as

passive consumers. These authorities are concerned with the rights of citizens to make their own choices in terms of the development of their area. Leach, *et al.* (1994) describes neighbourhood councils, which form part of municipalities' management structures, as a form of "community-oriented enabling system". Hindson and Vicente (2005: 29) refer to this as "community enablement". These refer to strategies by municipalities to co-ordinate and facilitate the efforts of community and neighbourhood-based organisations to initiate, plan and implement their own projects. In South Africa, Government has created ward committees at municipal level to enhance community participation in decision-making. Ward committees were originally formed in 2001 to be advisory bodies, which can represent communities on an impartial basis, without fear, favour or prejudice (Naidu, 2008).

The formation of ward committees has not always guaranteed better service delivery. Some communities feel that "participation in ward committees does very little to express their voice" (May and De Visser, 2011: 17). Ward committees are purely advisory structures; therefore, communities may become apathetic regarding ward committees. These committees were supposed to "enhance participatory democracy", but some committees have become little more than extensions of local political party branches. Because the ward councillors chair these committees, they often use these committees to their political, and even economic, advantage (Department of Co-operative Governance and Traditional Affairs (DCoGTA), 2009a; De Visser, 2007: 6; Kimermia, 2009: 2; Sokupa, 2009: 9).

Ward committees are not doomed to failure. If they are properly facilitated, are actively involved in policy-making processes, are allocated resources, are given an appropriate mandate, and the skills of the councillors and the ward members are developed, then they can achieve a measure of success (Masiwa, 2008: 9; Madzivhandila and Asha, 2012: 373; Raga and Taylor, 2005: 245; Smith and De Visser, 2009). David Schmidt from the Good Governance Learning Network (2008: 12) argued that these committees "have crowded out other means of effective public participation". The ward committee system can be referred to as "an invited space" for participation. This is a socially constructed space, which in theory should serve as an embodiment of governance (Naidu, 2008: 1). These invited spaces have taken over the role of "claimed or created space". Created spaces are created autonomously, and form dynamic communities. They include residents associations and other networks or alliances that can channel information, experiences and demands from other agencies.

One systematic weakness of ward committees is that they have very seldom included business interests. South Africa also lacks a strong representative civil society structure that can be an engine for mobilising community and community organisations. This suggests that the existing structures may be limited in terms of achieving genuine participation (Madzivhandila and Asha, 2012: 373). Smith and De Visser (2009) analysed several case studies of ward committees. In two cases, ward committees were complemented by a ward forum that consisted of representatives from various sectors (for example older persons, political parties, churches, sports groups, environmentalists, youth groups, and business). The main purpose of the ward committees was to give people a voice in municipal decision-making. The creation of “social capital” has been an unintended benefit. Where these committees have been successful, they can play a valuable role in building social relationships and participation in government decision-making.

When municipalities provide appropriate public services that can be accessed by the majority of the population including various social strata, from the business sector to the poor, it contributes to the creation of an enabling environment. Under the right conditions, individuals and groups then have the ability to make use of the opportunities available and to resist poverty, violence, crime, disease, malnutrition, corruption, discrimination and social exclusion (Tsheola and Mokgokong, 2012). However, some form of partnerships is required (social capital) to create an enabling environment. The provision of services is therefore not sufficient. Economic development could then be realised through the generation of employment, income, business entrepreneurship and marketable opportunities. Investment is also crucial – it reflects trust and business confidence, and it creates new financial, physical and social assets in a community. Investment is also a sign that the economy is healthy and growing.

#### **4. LED POLICY IN SOUTH AFRICA: DOES IT CREATE AN “ENABLING ENVIRONMENT”?**

After 2000, the South African Government initiated various policies and programmes to create and improve on the “enabling environment” in specific localities. It is clear that the six key dimensions of enabling municipalities mentioned above are enhanced in this legislation. The section below will discuss each of these acts or programmes in more detail

#### 4.1 The Local Government Municipal Systems Act (2000)

The national legislation, in the form of the *Local Government Municipal Structures Act 117 of 1998*, provides for the structures of local government while the *Local Government Municipal Systems Act 32 of 2000* provides for the systems for managing developmental local government. The *Local Government Municipal Finance Management Act 56 of 2003* provides for implicit prescripts on how municipalities must go about managing their finances. The preamble to the *South African Municipal Structures Act 117 of 1998* provides that the Constitution establish local governments as distinctive spheres of government, interdependent and interrelated with the national and provincial spheres (Nkuna and Nemutanzhela, 2012: 258).

In Section 26 of the *Local Government Municipal Systems Act* (No. 32 of 2000), several significant LED functions and responsibilities are stimulated. The aim of the Act is “to provide for the core principles, mechanisms and processes that are necessary to enable municipalities to move progressively towards the social and economic upliftment of local communities” (Cohen, 2010: 6; Van der Heijden, 2008). Analysts such as Harrison (2001) as well as Nel and Rogerson (2005a) regard LED as a key element in the development of a town or district. The *Municipal Systems Act* of 2000 stipulates that Integrated Development Planning (IDP) is a compulsory activity for municipalities. Furthermore, the drafting of IDPs is “conceived as a tool to assist municipalities in achieving their developmental mandates” (RSA, 2000: 21), and as a planning and implementation instrument to manage the various functions and development goals of municipalities (Koma, 2012: 62). As Toerien (2005: 1) put it, South African local municipalities became “the wardens of economic growth in their jurisdictions”. Other spheres of government have to ensure that their development priorities are channeled through local government in the form of IDPs that must be spearheaded by local municipalities. Communities should also be consulted because the municipal IDP tool is expected to contribute to transformation of service delivery initiatives by focusing attention on community-felt needs and priorities. This enhances the Partnerships and networks in the “L-E-P model”.

The IDP is a local development planning tool that helps local municipalities to develop a comprehensive and long-term plan to advance development and services. Madzivhandila and Asha (2012: 372) argue that IDPs have not adequately served their developmental intentions, for at least two reasons. Firstly, meaningful participation by communities and local stakeholders

have been absent and therefore not reflecting the needs and priorities of the entire community. Secondly, poor interdepartmental co-operation and lack of horizontal integration has hampered effective local development planning and thereby contributed to crippling service delivery.

## 4.2 LED Strategies

Between 2000 and 2005, the DPLG initially prepared LED framework documents. These included the 2001 LED policy paper entitled *Refocusing Development on the Poor* and the 2002 Draft LED Policy Document that enhanced the pro-poor and the community-oriented approach of LED (Patterson, 2008:7). This document preferred the redistributive and pro-poor oriented slant where local government leads the region in LED (Koma, 2012: 66; Nel and Rogerson, 2005b).

The period 2005–2007 marked a momentous transformation in the history of LED with a major change in policy direction in South Africa (Rogerson, 2008; 2009: 17). Until then, South African municipalities received a legislative mandate, but no national government guidelines existed to assist these authorities with initiating and managing LED activities (Rogerson, 2008). The release of the 2006 framework document, *Stimulating and Developing Sustainable Local Economies*, indicated a “maturity” (Nel and Goldman, 2006) surrounding LED policy frameworks. This was a turning point in a “phase of consolidation in LED activities and planning” (Rogerson, 2008:308) in South Africa.

In the 2006 National Framework for LED, there are ten guiding principles identified for the framework. These guiding principles were supported by seven main objectives and eight main planned outcomes for the period 2006 – 2011. The document referred to the classic LED ideas for creating “robust and inclusive local economies, exploiting local opportunities, and competitive advantages, addressing local needs and contributing to national development objectives” (DPLG, 2006a: 8). Significantly, these ideas reinforce the importance of “L” (Locality) and “E” (Economic) factors in the “*L-E-P*” model mentioned above.

Furthermore, a core focus of the 2006 National Framework is to enhance local competitiveness “by providing an approach to developing local economies *with the participation of all relevant*

*stakeholders*” (DPLG, 2006a: 8). This requirement indicates the importance of “P” (Partnership) dimension in the “L-E-P” model.

Overall, the proposed LED approach aimed “to link profitable growth and redistributive development” (Bond, 2003: 152). According to the 2006 Framework, the national government should “assist and create the conditions for local action to emerge and grow” (DPLG, 2006a). The Framework did not dictate what should happen in each municipality, but “focused on what the state should do to support local leaders, communities, businesses, NGOs, organised labour and other stakeholders to realise their own and their collective objectives” (DPLG 2006a). Once again, this suggests an awareness of the importance of Partnerships. Nevertheless, this begs the question: How should such local partnerships be created? What kinds of partnerships should they be, and how should they function?

The 2006 Framework did not provide clear ideas in this regard. It did indeed suggest that the local government should act as a *facilitator or enabler* (in line with international best practice) in LED processes (Nel and Rogerson, 2007: 5; Rogerson 2008; Rogerson, 2009: 20). Hindson and Vicente (2005: 34) note that it is difficult to pin down what exactly are the roles envisaged and how municipalities are to carry them out.

Three core local government roles were identified in the framework. These are: (1) to provide leadership and direction in policy making (cutting red tape, improving business environment); (2) to administer policy, programmes and LED projects and (3) to be the main initiator of economic development through public spending, regulatory powers and promotion of industrial, small business development, social enterprises and co-operatives (DPLG 2006a; Rogerson, 2011: 155). None of these clarifies how the facilitating role should be implemented. What mechanisms should then be created? It seems that municipalities were left rudderless regarding the actual *modus operandi* of facilitation, enabling, and partnership creation.

In addition to the 2006 framework document, other national policy initiatives also had an impact on LED. The 2005 DPLG policy guidelines for implementing LED in South Africa suggest that municipalities should create “robust and inclusive local economies that exploit local opportunities, address local needs and contribute to national development objectives such as economic growth and poverty eradication” (DPLG, 2005: 10).

The DPLG had three priorities in the framework. These were (1) mainstreaming hands-on support to local government to improve municipal governance, performance and accountability; (2) addressing the structure and governance arrangements of the State in order to better strengthen, support and monitor Local Government; and (3) refining and strengthening the policy, regulatory and fiscal environment for Local Government and giving greater attention to enforcement measures (DPLG, 2006b). Priority One receives the most attention in the DPLG's strategic plan. One of the several key performance areas was LED. These programmes should be implemented through appropriately constituted LED capacity in municipalities and through strong partnerships with provincial and national government departments, state owned enterprises, organised business and labour, and communities. Once again, the framework does not dictate what should happen in different municipalities but focuses on what the government can do to support local leaders, communities, businesses, NGOs, organised labour, and other stakeholders to realise their own and their collective objectives. Therefore, the framework only supplies guidelines what municipalities could do to promote LED but never gives clear outlines of how to develop partnerships or facilitate these partnerships.

### **4.3 AsgiSA**

In 2005, President Thabo Mbeki introduced the notion of “two parallel economies”. This is actually socio-economic dualism: a prevailing first economy that is at the cutting edge, globally integrated and with a capacity to export manufactured goods, services and primary commodities. A “second economy” is marginalised and made up of large numbers of the unemployed. These “two economies” do not occupy distinct geographic spaces, but are interrelated and inter-connected (The Presidency, 2006b). President Mbeki's conception of a dual economy led to the creation of the National Framework and The Accelerated and Shared Growth Initiative's (AsgiSA). AsgiSA's core intention was to halve poverty and unemployment by 2014 (Department of Technology and Industry (DTI) 2005), particularly focusing on women and youth and bridging the gap between the “first” and “second economy” (Triegaardt, 2007). This strategy attempted increasing economic growth to a yearly average of 5% so that net new jobs created exceeds the number of new entrants into the labour market. It also aimed at improving skills and qualifications of people so that work opportunities which this economic growth is likely to create, will be taken up (Du Plessis and Thomas, 2007: 16). AsgiSA was not a government

programme but a national collaborative initiative supported by key groups in the economy like business, labour, state-owned enterprises, government economic agencies, entrepreneurs, as well as all spheres of government. AsgiSA was an attempt to incorporate the Partnership element of the “*L-E-P*” model into the developmental state. Collaboration between the different stakeholders was the main aim. Du Plessis and Thomas (2007) highlight the fact that this programme should have promoted economic development by using the three “F” principles of: (1) finding potential investors, (2) facilitating the investment and (3) fostering the relationship with the investor.

Interestingly, the first and second economy concept and the AsgiSA partnership with business should have led to a clear focus on municipal business partnership, to overcome the divide between the first and the second economy. Most of the municipalities are not capable of creating partnerships with business. The officials and institutions at national level seem to be more open to interactions with organised business, for example through the National Economic Development and Labour Council (NEDLAC) and AsgiSA. By bringing the first and second economy closer together, in terms of partnerships with different stakeholders, LED is a simpler process, and local development can be enhanced to a greater degree with everybody included in this development.

#### **4.4 The National Spatial Development Perspective (NSDP)**

Another key policy framework was the National Spatial Development Perspective (NSDP). The NSDP puts forward a set of five normative principles to be considered when making infrastructure investment and development spending decisions by all three spheres of government (The Presidency, 2006a):

- *Principle 1:* Rapid economic growth that is sustained and inclusive is a prerequisite for the achievement of other policy objectives, amongst which poverty alleviation is key.
- *Principle 2:* Government has a constitutional obligation to provide basic services to all citizens (e.g. water, energy, health and educational facilities) wherever they reside.



- *Principle 3:* Government's spending on fixed investment should be focused on localities of economic growth and/or economic potential in order to gear up private sector investment, stimulate sustainable economic activities and create long-term employment opportunities.
- *Principle 4:* Efforts to address past and current social inequalities should focus on people, not places. In localities where there are both high levels of poverty and demonstrated economic potential, this could include fixed capital investment to exploit the potential of those localities. In localities with low demonstrated economic potential, Government should not focus beyond the provision of essential services. Human capital development should focus primarily on social transfers such as grants, education and training and poverty relief programmes, and reducing migration costs by providing labour market intelligence. This will lead to citizens receiving better information, opportunities and capabilities to enable people to gravitate, if they choose, to localities that are more likely to provide sustainable employment and economic opportunities.
- *Principle 5:* Infrastructure investment should primarily support localities that will become major growth nodes in South Africa and the Southern African Development Community (SADC) to create regional gateways to the global economy.

This perspective is the first set of spatial guidelines that analyse the understanding of the national spatial economy by describing the spatial manifestations of the main social, economic and environmental trends. It also provides a principle-based approach to co-ordinate and guide policy implementation across government. The NSDP states that the "principles and methodology of the NSDP should inform the development plans, policies and programmes of all spheres and agencies of government as a matter of policy" (The Presidency, 2006a: 90).

The NSDP focuses government's economic infrastructure spending in areas with some potential for economic development. This concept seems to exclude many other areas from development. Mark Oranje from the University of Pretoria, Elsona van Huyssteen and Cathy Meiklejohn from the Council for Scientific and Industrial Research (CSIR) (2008) argue that this is not the case. Different regions have different economic potential and the spatial variations in the incidence of poverty are vastly different. However, they further argue that when deciding (1)

where and (2) in what the best investment would be for each area, it is important to remember what would be best for a shared, inclusive and sustainable national economic growth. This opinion equally does not emphasise the LED idea that has been illustrated in previous policies. The NSDP only seems to enhance the (E) *Economic* element of the “L-E-P” model. National economic growth receives greater emphasis than provincial and local development areas. LED signifies the importance of local development and the improvement of the lives of all people (even those in a small run down town far from the city).

#### **4.5 The Integrated Small Enterprise Development Strategy**

The Integrated Small Enterprise Development Strategy was drafted to promote small enterprise development in South Africa over a ten-year period (i.e. 2005 to 2014) (DTI, 2006a). The strategy is based on three pillars: to increase the supply of financial and non-financial support services; to create demand for small enterprise products and services; and to reduce small enterprise regulatory constraints. The diversity and complexity of support strategies, policies and programmes requires good co-ordination. Private sector associations, profit-making service suppliers, non-government organisations (NGOs), and community-based organisations are the primary bodies to supply support to small enterprises.

Local government has to assist in curbing poverty. This also includes the development, through technical and financial support, of survivalist entrepreneurs (DTI, 2006a:48). Furthermore, municipalities play a critical role in the success of small business development. Each municipality has to develop the necessary infrastructure as well as legal and regulatory environment for small business expansion. In order to be effective, small business support policies or “packages” have to be “tailor made” for each local circumstance in the various regions of the country. Although this strategy was not developed to enhance LED in small towns, the success of the small enterprises improves the chances of successful economic development of an area. Here the “L-E-P” model is once again essential because the “economic” development of a “locality” could be advanced by making use of “partnerships” for the support of the small enterprises. Therefore the local government and organised business play an essential role.

#### **4.6 The Regional Industrial Development Strategy (RIDS)**

The Regional Industrial Development Strategy (RIDS) aims at increasing the effectiveness of existing strategies. It also introduces innovative, support measures under one overarching strategy (DTI, 2006b). RIDS is designed to enable all geographic areas of the South African economy to attain their optimal economic potential and facilitate local development through linkages within existing industry and economic base (DTI, 2006b). The DTI wants to enhance current regional strengths and lead sectors of the economy. This includes the promotion of sustainable economic growth and employment, as well as building regional competitive capabilities and firm-level support measures. This is to be achieved through localised direct support to the small micro and medium enterprise (SMME) sector. Development and training of these SMEs, as well as comprehensive advisory services could be used in this regard.

According to RIDS, dialogue between government and private sector should be accelerated to develop a shared vision of a regional economic development strategy and remove constraints to growth. The development of partnerships and growth coalitions within regions are critical to the success of RIDS (Mpahlwa, 2006). Dynamic regional growth will only occur within the system of co-operation and drive of local stakeholders including the private sector, government institutions, departments and civil society. The private sector is recognised as the key driver of economic growth in the regions and will need to play a lead role in driving these partnerships.

#### **4.7 LED under the Zuma Government**

In 2009 the DPLG was renamed the Department of Co-operative Governance and Traditional Affairs (DCoGTA). This department launched the Local Government Turnaround Strategy (GTAS), which was, according to Rogerson (2011: 150), an important turning point in development planning for public administration in South Africa. This Strategy states that “nine years into the new Local Government system, despite impressive progress in many areas, local government is in distress and there are worrying trends and signs that are undermining the progress and successes achieved thus far” (DCoGTA 2009b: 2).

By creating the National Planning Commission and adopting the “New Growth Path”, the new Zuma government further expressed its interest in long term developmental planning through

Vision 2030 (The Presidency 2009; RSA, 2010; Turok 2010). The New Growth Path is about creating the conditions for faster growth and employment through government investment, micro-economic reforms that lower costs for business, competitive and equitable wage structures, and the effective unblocking of constraints to investment.

Many people have been wondering whether the New Growth Path is only wishful thinking (Acher, 2011; Van Tonder, Van Aardt and Ligthelm, 2011). The state consistently fails to access information essential in production. Although the Growth Path argues strongly in favour of a social unity (as did AsgiSA) between government, business and labour, which would imply an agreement achieved by compromise with the voluntary buy-in of the various parties, it rather autocratically wants to propose its substance. Planners and policymakers have ignored this partnership where economically active individuals should make decisions that affect them as well as social objectives in general. Government therefore cannot truly reach the economic sphere. However, this bureaucratic failure gives the government no reason to leave economic development in a country up to the market.

Sean Archer (2011) noted that a problem with economic policies is that they focus on some aspects of economic life, to the exclusion of others. In contrast, development economics argues that culture, social capital, ethnicity and group psychology are potent influences on national and local economic success.

#### **4.8 A critique of the South African LED Policy**

The New Growth Plan and the Vision 2030, like many of the other policies, do not apply the “*L-E-P*” model comprehensively. These policies are only developed at a national level and do not guide local government in terms of their challenges at a *Local (L)* level. Most of the policies only concentrate on the *Economic (E)* component of this model in terms of employment and investment opportunities. The *Partnership (P)* factor is often only emphasised as almost an afterthought.

Additionally, LED has become local government’s “prerogative” and therefore does not really support the critical role played by the private sector, NGOs and CBOs in the development process (Nel and Rogerson, 2005a: 7). It often appears that churches or other socially

responsible organisations act as key change agents in small towns, but they do not work with local governments to achieve local development together.

It seems that very few authors have discussed the nature of local municipal-business partnerships. Isolated attempts to address this issue appear in Atkinson (2012) and Rogerson (2012). However, these authors did not base their arguments on a theoretical framework. This illustrates the importance of the “*L-E-P*” theoretical model, which can also be used for practical applications. The practical implementation of LED in South Africa will therefore be examined in the next section.

## **5. LED ANALYSIS IN SOUTH AFRICA: A LACK OF THEORETICAL COHERENCE**

In South Africa, there is no single study discipline (for example economics or geography) that can claim to address all issues pertaining to LED planning and implementation (Xuza, 2007). Most of the academic research involves policy development and critical evaluative research of LED activities by means of case studies (for example Nel, 1994, 1999, Nel, Hill and Goodenough, 2007; Xuza, 2007). According to Rogerson and Rogerson (2010), South African research on LED grew from practical concerns, where solutions had to be found to deal with economic restructuring in declining localities. Still, limited (if any) theoretical work has been pursued in South Africa.

In this context, the “*L-E-P*” model is useful in “unpacking” the existing academic case studies on LED in South Africa.

Firstly, there are studies that emphasise the “*Locality*” (*L*) dimension of LED initiatives. Each of the localities has a specific purpose and promotes the area’s distinctive assets of attractions. A few examples are Clarens, due to the prevalence of mountain-based tourism, arts and crafts and second homes (Centre for Development Support, 2010; Hoogendoorn and Visser, 2010b); Bedford, which functions as a retirement centre (Keal, 2008); the Midlands, Magaliesberg and Highlands Meanders, which function as tourism routes (Lourens, 2007; Rogerson, 2002, 2007); Newcastle (Nel, *et al.*, 2003) and Welkom (Nel and Binns, 2002a), both of which are mining towns; Cape Town and Johannesburg, which have prioritised inner city renewal through law enforcement, environmental cleanup and infrastructure control (Makda, 2003; Rogerson, 2006);

and Johannesburg, which is an important fashion capital (Rogerson, 2004). The ideas for local development are usually generated amongst the local people or communities, based on the locality-specific features of the town. Furthermore, economic development usually takes place because of initiatives from the local private sector, a champion in the area or an organisation that promotes economic enhancement in the area. Such champions are alert to the locality-based advantages of the town, and build on such natural, physical or social assets.

Then there are studies, which emphasise the “*Economic*” (*E*) aspect of LED. In these case studies, the authors focus on job creation and local investment. Generally, these case studies imply that, if economic factors are promoted, then social issues are indirectly addressed. Several authors have analysed the case of Alicedale in the Eastern Cape. “Alicedale became a virtual ghost town, inhabited only by pensioners and those dependent on social welfare grants” (Graham 2004: 18). Mantis Group, in partnership with the provincial government, the private sector, and the host community, initiated a new set of investments in Alicedale (Gibb and Nel, 2007). Plans were formulated to establish a hotel, golf course/golfing estate, and game reserve complex (Bushman Sands) and the investors believed that their projects would contribute to sustainable LED.

In terms of the asset-based approach described earlier, the studies focusing on the Economic dimension of LED rightly emphasise the importance of economic and financial assets – in particular, capital investment. However, what is often overlooked is that many towns have low economic multipliers. This means that key investments do not necessarily generate financial flows throughout the communities. Job creation takes place, but these jobs may be only for a limited period (such as construction), or may be too few to stimulate investment in other sectors (such as retail), or there may be a large outflow of money (often due to better shopping facilities and services in larger towns nearby). Consequently, private investment can be regarded as a *necessary*, but not a *sufficient* condition for sustained LED. This, in turn, points to the need for other stakeholders to do their share to sustain the impacts of capital investments, and this highlights the importance of the third element of LED – the issue of “*Partnerships*” (*P*).

A third set of studies focus primarily on the *Partnership* (*P*) aspects of LED. These partnerships involve different stakeholders. Generally, in South Africa, such partnerships are initiated by the private sector. Strong partnerships are associated with private initiatives and innovative

community members (Nel and Binns, 2002b). In some cases, partnerships are developed between provincial government and private initiatives (Gibb and Nel, 2007). Local government has played a modest role in most of the local economic development initiatives (Moodley, 2009; Rogerson, 2002: 153). They tend to be only minor stakeholders in local initiatives and often join the stakeholders later in the development of the programme.

In rare cases, the municipality has been the front-runner in the LED process of an area (Boulle and Dibden, 2010). A good example is the case of Theewaterskloof Local Municipality, comprise seven towns in the Western Cape, namely, Botrivier, Caledon, Genadendal, Grabouw, Greyton, Riviersonderend, Tesselaarsdal and Villiersdorp. Here the stakeholder relations are based on co-operative governance between local government, the community and local business to develop the economy as well as social development of the area. By means of a municipal leadership team and “buy local” campaign, this municipality will create enabling conditions for the private sector to enhance their abilities to invest and produce goods and services. Another example is the Nketoana Municipality that was awarded the Vuna winner as a “people’s” municipality in 2004. Successful LED projects were launched in Reitz, Lindley, Arlington and Petrus Steyn. The focus here was based on self-employment. Although these projects did not generate major employment opportunities, a few jobs were created (Maxatshwa, 2004: 31).

Rogerson (2010b; 2010c; 2012) has started undertaking research to improve the local business environment and therefore public-private relations. Rogerson and Rogerson (2012) also address the Partnership (P) concept as a way to improve LED in South Africa. Yet, Rogerson (2012) lacks an appropriate theoretical vocabulary or conceptual schema to understand the limitations of Partnerships.

A conceptual relationship between the Locality (L), Economic (E) and Partnership (P) factors is required. In this thesis, we propose the concept of “civic culture” (Reese and Rosenfeld, 2002), as a theoretical device to analyse the relationship between the public and private sector. Within the concept of a local “civic culture”, the dimensions of *Local* specificity, *Economic* development and political *Partnerships* are simultaneously addressed. Organisations adopt shared visions as part of partnerships (Reece and Rosenfeld, 2002: 18). The concept of “civic culture” is more

adequately explained in Paper III (*A South African typology of Civic Culture: The case of Beaufort West*) in this thesis.

In terms of the concept of “civic culture”, the on-going relationships between municipalities and the business sector is a critical matter. Such relationships underpin specific attempts at project-based partnerships. The local “civic culture” influences how local problems are defined, how solutions are found, who is involved and how the decisions are made.

## **6. THE CHEQUERED PERFORMANCE OF LED PRACTICE IN SOUTH AFRICA**

Before 1994, LED practice in South Africa was limited because it occurred in isolated local development interventions, typically initiated by municipal authorities in partnership with key business organisations in the country’s largest cities (Rogerson, 2010a: 481). Since 1995, the responsibilities of LED in South Africa were embedded in the Department of Provincial and Local Government (DPLG), which was re-organised, and re-titled Department of Co-operative Governance and Traditional Authorities in 2009. Municipalities, with assistance from DCoGTA and Department of Trade and Industry (DTI), are required to pursue a facilitative or enabling role in LED processes (Rogerson, 2011: 155). However, the exact meaning of such an “enabling role” remains elusive.

Other key stakeholders like the South African Local Government Association (SALGA) (Van der Heijden, 2008: 24), the Development Bank of Southern Africa (DBSA) (DBSA, 2008), and international donors, including the European Union, the World Bank, German Technical Co-operation (GTZ) and Department for International Development in the United Kingdom (DFID) also assume essential roles (Patterson, 2008: 12). Therefore, some progress has been made since 1995 with LED in South Africa across national and subnational spheres of government (Rogerson, 2008: 313).

LED practice in some towns in South Africa draws on experiences from countries in the North as well as in the South (Nel 2001: 1005; Rogerson, 2000: 398). In North America and Western Europe, (more developed countries), the market-led approach seems to flourish in terms of place marketing and boosterism where central governments seek to catalyse growth at a local level (Nel, 2001; Rogerson, 2004: 403). These pro-growth initiatives tend to focus more on



investment attraction and economic growth. Investment attraction is different from focusing on the needs of the local communities such as parks and recreational areas (Nel and Rogerson, 2005a; Nel and Goldman, 2006). This approach enables local economies to adjust more successfully to macro-economic reforms, such as political, financial and global turmoil, to promote individual as well as small town self-reliance, entrepreneurship, competitiveness, sustainable economic growth and reduce unemployment (Rogerson, 2000: 399). Many large centres in South Africa have focused on place-marketing, CBD renewal, business attraction and convention centre development geared towards achieving competitiveness for manufacturing and productivity and sustainable high economic growth rates (Morris and Barnes, 2006; Nel and Rogerson, 2005a: 9; Rogerson, 2006; Rogerson and Visser, 2007; Rogerson, 2009: 28).

In the South (Latin America and India), on the other hand, a pro-poor or bottom-up approach promotes people-centred initiatives (Rodriguez-Pose, Tomaney and Klink, 2001). According to Sebugwawo (2011: 14), African countries such as Ghana, Uganda and Zimbabwe implement community-based planning for successful programmes. In South Africa, this approach is aimed at empowering the community, improving their livelihoods, building capacity and ensuring that the benefits have a trickle-down effect to the people on the ground, be they business or communities (Nel and Rogerson, 2005a; Scott and Pawson, 1999). The pro-poor approach to LED in South Africa is informed by the need to encourage self-reliance, economic efficiency and drawing the poor into the productive mainstream of local economic activities (Rogerson, 2011).

The LED policies of South Africa have mainly focused on substantive policies that promote the interests of the poor by formulating business incubators and allowing investments to benefit the poor indirectly (for example creating employment). According to Nel and Rogerson (2005a: 8), the “indigenous” interpretation of LED in rural South Africa has favoured pro-poor development (Tomlinson, 2003). This has led to project-style initiatives, like local sewing schemes, craft production and chicken co-operatives, and not focused on markets and that competitive business. Many of these pro-poor LED initiatives, such as business hives and livestock projects, have been unsuccessful.

Smaller centres face challenges in successfully implementing LED in terms of participatory decision-making, attracting large investments and ensuring that benefits from private investments are trickled down to the poor (Nel and Goldman, 2006; Nel and Rogerson, 2007: 6).

Abrahams (2003: 187), argues that municipalities in South Africa now have to strike a careful balance between the market-led and pro-poor approaches to LED. This is a difficult situation in South Africa because of the political and social context of severe racial class divisions, reinforced by linguistic and cultural divisions. However, according to Gibson, Scott and Ferrand (2004: 2), markets matter for the poor in the same way that they matter to everyone else. If these markets function effectively, it is an advantage for all. The poor benefit particularly because the market offers the primary means through which poor people can participate in economic activity. The poor participate in the market as consumers, producers and employees. As consumers, goods and services such as finance, water, electricity and food are important and, in rural areas, agricultural inputs. As producers, for example as small-scale farmers, participation is shown in their number, market share and in the prices or margins, they achieve. As employees, numbers and wages are key indicators. For general labour market analysis, a key indicator of market development is unemployment (Gibson, *et al.*, 2004: 13).

In many smaller centres, most municipalities are overwhelmed with daily tasks of service delivery to think coherently about LED initiatives (Rogerson, 2010a: 486). Therefore, LED mainly concentrates “on increased service delivery, extension of the social grants system, public works and SMME initiatives” (Hindson 2002; Nel 2001; Nel and Rogerson 2005a; Rogerson 2006; Rogerson, 2008; Tomlinson 2003; Van der Heijden 2008: 3). The public officials are not only overwhelmed by the daily tasks of service delivery but sometimes also ideologically threatened by the business sector. This can either be due to the difference in class, race and political background or because of different trajectories of personal advancement.

Through having communities actively participating in the planning and implementation of new developments, the impacts may be greater. Community development interventions could be used to deal with social problems (Meyer-Stamer, 2003; Cohen, 2010: 3). However, active participation does not mean that the initiatives will be sustainable. These initiatives have often proven unsustainable once donor or public sector funding run out, with no real impact on poverty reduction (Rogerson, 2010a). Large investments enable growth in small towns but once the investment is withdrawn, small entrepreneurial ventures cannot sustain the economic growth of the area.

In 2003, Mr Ebrahim Rasool, a Member of the Executive Council as Finance, Economic Development and Job Creation in Western Cape at that time, argued that, "every single town or city has economic possibilities - identify them and put together a plan that will enhance development. By looking to the outside world we intend to overlook possibilities in our towns and cities" (2003:12). In this way, the small business automotive industry was a catalyst for the development of the Tshwane community. Mr Alexander Stuck, the People Transport Divisional Manager with Daimler Chrysler, South Africa (2003) offered to assist the municipality with a public transport system. This would be a way to create sustainable jobs in the transport sector by building a global competitive economy as well as empower the local community (Wiese, 2001: 28).

Tourism has played a major role in the place marketing approach to act as a vehicle for LED in South Africa. Larger centres, as well as small towns, have made use of tourism as a way to promote investment to the town and draw people to visit and promote the economy of the town. Several examples of tourism place-marketing initiatives are present. The National Business Initiative (NBI) initiated a public private partnership, the Highlands Trout Triangle Initiative, to establish a tourism cluster in five towns (Dullstroom, Machadadorp, Waterval Boven, Belfast and Lydenburg) (Government Digest 1999: 9). In this way the private sector, the municipality and the community of each of the towns assisted in building this concept (Rogerson, 2002). This is in effect route tourism (Rogerson 2002; 2009) and an important way to promote several places at the same time. The same can be said for cultural heritage tourism (Snowball and Courtney, 2010). In this way, tourism promotes LED as well as the conservation of heritage sites.

Several other types of tourism can be highlighted such as dive tourism in Sodwana Bay (Mograbi and Rogerson, 2007); agricultural tourism in Theewaterkloof (Boulle and Dibden, 2010); birdlife tourism in Wakkerstroom and youth tourism in Coffee Bay (Rogerson, 2009). Festivals or creative tourism, as Visser (2007) calls it, has caused several secondary cities such as Bloemfontein, Potchefstroom, Oudtshoorn and Grahamstown to attract thousands of people and enhance the economic development of the locality. Even smaller town have established examples of specialised festivals to attract visitors to the region such as Ficksburg (cherry festival), Phalaborwa (Marula Festival), Knysna (Oyster Festival) and Victoria West (Apollo Film Festival) (Moodley, 2009; Van Rooy and Marais, 2012). Hoogendoorn and Visser (2010a;

2010b; 2011) have also discussed how second home development can enhance local economic development in the area where these homes are established.

However, in South Africa, the ability to promote development is inhibited by a range of factors including resource constraints, capacity shortcomings and absence of a guiding policy as well as the lack of local political and institutional mechanisms. These mechanisms consist of in-house municipal structures, interdepartmental approaches, partnerships, external forums, business support, funding and Section 21 companies (Nel and Goldman, 2006; Nel and Rogerson, 2007).

An honest examination of political and social divisions at local level, and a new understanding of the importance of municipal-business relationships in terms of the concept of civic culture should be examined. This is an indispensable foundation for the development of an asset-based approach to LED, where natural, infrastructural, social and financial assets can be developed within the “*L-E-P*” model.

## 7. **CONCLUSION**

LED is so important because it is not simply about economic growth, rather it is geared ultimately towards attaining “a sustainable development pattern which accommodates and reconciles economic, social and ecological issues and objectives” (Ruecker and Trah, 2007: 15). In addition to human, financial, and physical capital, civic society and social capital is also key to LED success (Nel and McQuaid, 2002: 62).

Although there seems to be more problems than positive outcomes, LED is firmly established on South Africa’s development agenda and enjoys rhetorical acceptance as an applied intervention which is seen as having the potential to partly respond to the country’s development needs (Nel and John 2006; Rogerson 2006). LED is an excellent topic that everybody can comment on, however, very few people have actually figured out how LED will be able to develop in a highly divided society. Therefore, the “*L-E-P*” model could be a new policy approach, to ensure that all three the key elements of Locality, Economy and Partnerships, are covered *simultaneously* in a LED initiative. Only by means of an understanding of the “*L-E-P*” dimensions can we understand the three key elements that should underpin the enabling

economic environment, and what LED policies and practice should actually strive for in South Africa. Although the researcher suggests making use of the “*L-E-P*” model it does not necessarily have to replace LED but is an adjunct to LED. If L-E-P is simultaneously adhered to and successful – it will contribute to local development.

Ultimately, LED is largely about learning – not only how to produce better products, and produce them in a more efficient way. LED is also about various local stakeholders learning about each other’s existence and goals, learning about the structure and evolutionary pattern of the local economy, learning about opportunities to stimulate upgrading in the local economy, and the tools necessary to do that (Boschma, 2004). These goals need not necessarily be the same but merely compatible to build on an “enabling conditions” concept (Rogerson, 2010b: 444). For this, the concept of “civic culture” will become an indispensable theoretical tool.

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# CIVIC CULTURE AND LOCAL ECONOMIC DEVELOPMENT IN A SMALL TOWN

## PAPER II: TRANSFORMING LED PARTNERSHIPS IN SOUTH AFRICA

### ***Abstract***

Local Economic Development (LED) strategies need to go beyond merely compiling LED documents. Both council and officials need to engage not only with communities but also with the private sector in refining, prioritising and designing appropriate strategies that unlock local potential. However, in South Africa partnerships have not always been central to LED planning and development. Furthermore, a core problem is a need to construct the necessary soft factors of co-operation – trust and social capital - which are considered essential for effective collaboration between state and non-state actors. Consequently, LED practitioners need to pay greater attention to social relationships and networks, which fundamentally mould local economies. This is perhaps the missing link in terms of LED partnerships. The researcher suggests using social capital, network governance, public-private dialogue and civic culture as alternative techniques to develop and endure operational partnerships.

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## **PAPER II: TRANSFORMING LED PARTNERSHIPS IN SOUTH AFRICA**

### **1. INTRODUCTION**

*If we are together, nothing is impossible. If we are divided, all will fail.*

(Winston Churchill, *The Price of Greatness is Responsibility*,  
1943, Harvard University)

Local economies, whether static or vibrant, can be promoted further by effective partnerships (Lawrence, 2009: 24). From the inception of academic and policy discourse on LED in South Africa, the theme of partnerships has been a recurring one (Helmsing, 2001, Abrahams, 2003; Nel and Binns, 2005; Rogerson, 2010b: 441; Rogerson, 2012b: 107). Although partnerships have always been on the agenda, it does not mean that it was practiced. Furthermore, partnerships have not necessarily been initiated with the precise terms and with the correct group of people.

The involvement of non-state actors, the private sector and civil society, in local government driven LED initiatives has been limited in South Africa (Lawrence and Hadingham, 2008: 44), even though “lip-service is paid to the concept of partnership-based development” in policy and national “debate” (Nel, Binns and Bek, 2009: 233). Despite rhetoric to the contrary, partnerships “have not always been central to LED planning and development” (Marais, 2010: 519) because the issue of partnership has only surfaced occasionally.

Since LED is a shared responsibility of the private sector, the community, and non-government organisations (NGOs), municipalities are meant to be connectors, enablers and facilitators. On the other hand, the private sector makes its contribution by establishing and growing businesses and ensuring that economic activity remains dynamic (Lawrence, 2009 and Rogerson, 2000: 399).

Cohen (2010: 3) notes that LED officials often see their role as being “on the side of the people” as opposed to the side of formal business (van der Heijden, 2008:4). Therefore, smaller local authorities typically place a much stronger emphasis upon “participation” by marginalised communities in LED rather than by the private sector (Cohen 2010: 25). Municipalities tend to work well with ward committees, because they share a social and political heritage, but municipalities’ interaction with business is much more constrained (Nel and Rogerson, 2007: 7). The business sector is predominantly made up of the white middle-

class population while the political system is mostly managed by the black working class. However, it is important that public-private dialogue occur continuously for increased effectiveness of government involvement in supporting private sector development (Lawrence, 2009; Rogerson and Rogerson, 2011: 997).

LED strategies need to go beyond merely compiling LED documents. Both council and officials need to engage not only with communities but also with the private sector in refining, prioritising and designing appropriate strategies that unlock local potential (Department of Co-operative Governance and Traditional Affairs (DCoGTA), 2009; Lawrence, 2009). These stakeholders should also be initiators, contributors, implementers, monitors and evaluators of development in their areas to share risks and benefits (Stibbe, 2008: 4). Rowe (2009: 103) refers to this as an “interconnected web of interests”.

The improvement of the local business environment has been shown to be an essential step in catalysing LED activities and creating more competitive local economies able to attract and retain private sector investors (Toerien, 2005: 7; World Bank 2010). Enabling conditions include factors such as contracting services out, community planning and community leadership is essential for the local business environment to grow (Smith, 2000). The partnership between business and municipalities is also helpful for the creation of employment opportunities and to stimulate economic activity in a locality. This is truly the “lifblood of LED” (Hindson and Vicente, 2005: 29).

A core problem, as identified by Ruecker and Trah (2007: 47), is a need to construct “the necessary *soft factors* of co-operation” – trust and social capital, which are considered essential for effective collaboration between state and non-state actors. “Without strengthening this trust between the local private and public sectors, little progress can be anticipated towards engaging the private sector in LED and creating conducive local business environment” (Rogerson, 2012a: 138). The concept of “civic culture” has been developed in the American literature, to describe and analyse the relationships between the state and the private sector at local level. Not enough research exists about how a community, municipalities and private sector can work together (Procurement Dynamics, 2007: 46).

Analysts studying LED have tended to focus on the form rather than the substance of the partnership (Hindson, 2003; Nel, 2001; Nel, Hill and Goodenough, 2007; Rodríguez-Pose and Tijnstra, 2007; Rogerson, 2009). Put differently, these analysts have tended to focus on who must be invited to the table, and less about what they must bring, and what their roles

will be. Local civic culture influences how local problems are defined, how solutions are found, who is involved and how the decisions are made (Reese and Rosenfeld, 2002a: 18). Consequently, LED practitioners need to pay greater attention to social relationships and networks, which fundamentally mould local economies.

This paper then, firstly elaborates on why the “*L-E-P*” model (*Locality-Economics-Partnership*) is essential. The “P” (Partnership) element is then highlighted as imperative for successful LED initiatives. Secondly, several policies in South Africa refer to partnerships as a possible way to enhance the service delivery of the municipality and create the space for partnerships between municipalities and the business sector. Thirdly, the way partnerships are experienced is discussed. Fourthly and lastly, possible solutions to partnership problems are emphasised. These include Business Chambers, Local Economic Development Agencies, along with theories of social capital, network governance, public-private dialogue and civic culture.

## **2. IMPORTANCE OF “L-E-P” MODEL**

The International Labour Organisation (ILO) (2008:2) defines LED as:

“a participatory development process that encourages partnership arrangements between the main private and public stakeholders of a defined territory, enabling the joint design and implementation of a common development strategy, by making use of the local resources and competitive advantage in a global context, with the final objective of creating decent jobs and stimulating economic activity”.

This definition makes use of three important factors to analyse LED. Firstly, a “defined territory” can be interpreted as the locality (L) component in LED. The ideas for local development are usually generated amongst the local people or communities, based on the locality-specific features of the town. Secondly, they refer to “economic activity” which is an important component in economic (E) developmental growth. The focus in this component is on job creation and local investment. Lastly, “partnership” (P) is highlighted as a means to implement the programme. In South Africa, strong partnerships are associated with private initiatives and innovative community members, but rarely between the municipalities and the local business.

This definition illustrates that all three these dimensions (locality, economic and partnerships factors) are necessary for LED to be successful. Many municipalities in South Africa have concentrated on using their resources available in the particular locality (L) to market and therefore improve the economic (E) and developmental prospects of the area. As mentioned above, in many situations participatory planning with ward committees for example have taken place. This has been considered as partnership (P) building. The business sector is seldom given the opportunity to be involved in the LED processes of municipalities. There are also cases where government agencies, such as municipalities, want to work with the business sector, but the latter fails to respond.

Rogerson (2010b; 2010c; 2012a) has undertaken research on ways to improve local business environment. He has also analysed the relationship between municipalities and the private sector, regarding the implementation of LED. Rogerson and Rogerson (2012) endorse the concept of partnerships as a way to improve LED in South Africa. However, Rogerson (2012a) still lacks an appropriate theoretical vocabulary or conceptual schema to analyse the nature of such attempts to create partnerships.

This paper will therefore concentrate on the partnership (P) component of the “*L-E-P*” model. Given the urgency of LED initiatives in South Africa, this paper will examine the nature of municipal-business collaboration, in order to suggest lessons for future LED policies and strategies.

### **3. PARTNERSHIPS WITHIN THE SOUTH AFRICAN LEGAL FRAMEWORK**

The South African literature on partnerships has taken the form of regulated formal contractual public-private sector partnerships (PPPs). These partnerships form collaborations across the public and private sectors. Therefore, mutual gain can be facilitated for all parties instead of working separately or in conflict (Rogerson, 2010b: 444). More and more municipalities are entering in to PPP agreements to attract private sector participation in the development, financing and operation of public sector infrastructure. PPPs are worth developing for long term planning in the community (Local Government Digest, 1998b: 4). There has been limited attention paid to creating opportunities for more informal interaction between municipalities and organised business.

In South Africa, the private sector, in partnership with municipalities, has an important role to play in developing partnership models to ensure efficient infrastructure, economic and social development (Kruger, 2003: 18). In such partnerships, the various rights and responsibilities

of the parties need to be clearly specified (Government Digest, 2001: 6; KMMT and KPMG, 2000: 13). Nel and Mc Quaid (2002: 66) mentions four values that should be kept in mind when considering public-private partnerships, namely that both parties should have “a clear focus, common purpose and agreement, clear incentives, and shared contribution of resources”. It is imperative to remember that while services are delivered, local economic development should be promoted at the same time (Zybrandts, 2002: 41).

Several of the national South African legal frameworks refer to partnerships as a possible way to enhance the service delivery of the municipality. These frameworks create the space for partnerships between municipalities and the business sector. It is conceivable that PPPs *may* encourage general co-operation between business and municipalities, but it may well not do this. In doing so, the social development will also improve eventually.

In Section F of the *White Paper on Local Economic Development* it is envisaged that the private sector become involved to assist in providing services that are typically in the realm of local government (RSA, 1998b). There are two types of agreements. The first involves the performance by a private party of an “institutional function” for or on behalf of the municipality. This private party will perform some of the duties to deliver municipal services. A second agreement might allow some form of “use of state property” by private party for own commercial gain. The municipality transfers the right of use of a moveable or unmoveable asset to the private party. Here the municipality does not contribute to the private party but shares in revenue generated (Botha, 2005: 15).

The *Local Government: Municipal Structures Act (No. 117 of 1998)* is specific in including a partnership as a best method to deliver the necessary services to the community (Zybrandts, 2002: 40). Sections 44 and 56 deals with the functions and powers of the Executive Committees and Executive Mayor, respectively. They are responsible for determining what the communities’ needs are, for prioritising the needs and for recommending strategies, programmes and services to address these needs (RSA, 1998a). The best method to meet these needs, according to these policy documents, is the creation of partnerships.

The Draft *White Paper on Municipal Service Partnerships (MSP)* was published in the Government Gazette No. 21126 on 26 April 2000 (RSA, DPLG, 2000). The draft was never formalised but was implemented in several municipalities (Heymans, 2002: 4; KMMT and KPMG, 2000). This White Paper recommends that municipalities look at alternative ways to accelerate delivery of municipal services. It aims to provide a framework where resources of public institutions, community-based organisations (CBOs), NGOs and the private sector

meet the country's development objectives. The national government emphasised public-private, public-public and public-community partnerships (Frödin, 2006: 294; Pickering, 2001: 4).

Moreover, Chapter 5, Chapter 6 and Chapter 8 of the *Local Government Municipal Systems Act (No. 32 of 2000)* contain various clauses that highlight the need for the local government to address the basic needs of the community. These chapters deal with integrated development planning performance management and service rendering, respectively. This creates opportunities for possible private sector involvement (RSA, 2000a). In Section 76, two possible mechanisms for municipal service delivery have been identified. The first is based on internal mechanisms with a department, administrative unit or business unit within the municipality. The second utilises external mechanisms which may be "any other institution, entity or person legally competent to operate a business activity" (Zybrandts, 2002: 40), are distinguished.

The Act prescribes a three-phased process to consider such service mechanisms. Firstly, Section 77 highlights various obligatory procedures to review service mechanisms. Various circumstances such as the integrated development plan (IDP), new municipal services or performance evaluations, under which municipalities must review and decide on the appropriate mechanism to provide municipal services, are elaborated on. The scope is broad and municipalities should go through this yearly. Section 78 then prescribes matters to be considered when choosing between internal mechanisms or external mechanisms. Each municipality should first of all look at the direct and indirect costs of the projects as well as the municipality's capacity and the impact on job creation before deciding whether the project will be managed internally or needs external assistance.

Secondly, Section 78(3) specifies the required process when a municipality contemplates the possibility of an external mechanism of service delivery. There are several institutional options (KMMT and KPMG, 2000: 12; Local Government Digest, 1998b: 2). Ring-fencing is a simple budgeting technique separating different services, such as water and sanitation. Service contracts enable municipalities to contract with private firms to provide municipal services, such as maintenance, repair and billing, on its behalf. Management contracts enable private companies to take overall responsibility for specific services, with significant autonomy (Local Government Digest, 1998a:17). Leasing enables a private firm to collect user charges for the provision of a service, in return for which it pays a leasing fee to the municipality. Concession is a long-term contract, whereby the private firm will maintain and expand infrastructure, and will remain responsible for operation and maintenance.



Community and user provision enable communities to enter into self-help arrangements for the provision of small-scale infrastructure (Local Government Digest, 1998a: 18). Finally, privatisation entails the sale of a public service to a private firm, which would provide revenue for government operations.

Phase 3 elaborates on the external mechanisms for service provision. If the service provision leads to a public-public partnership, the negotiation occurs with the public partner. However, if a CBO, NGO or private sector service provider is used, a competitive bidding process (tendering) must take place (Section 83) (Zybrandts, 2002: 41). The Act clearly stipulates that small emerging enterprises should be promoted and that the *Preferential Procurement Policy Framework Act (No. 5 of 2000)* should be considered (RSA, 2000b).

In contrast, if municipalities prefer to use internal service provision mechanisms, they need to allocate sufficient human, financial and other resources necessary for the proper provision of the services (Section 79 of the *Local Government Municipal Systems Act*).

In addition, in Section 168 of the *Municipal Finance Management Act (Act No 56 of 2003)* (MFMA) (RSA, 2003) regulations for Private Public Partnerships (PPPs) were issued. The key aim of a PPP contract is to provide high quality services that will result in a nett benefit to the municipality will result in value for money to the taxpayer. However, the failure to produce clear guidelines about the creation of PPPs inhibits the creation of an atmosphere conducive to the co-operation of private sector interests (Government Digest, 2001: 5).

The 2006 National Framework for LED (*Stimulating and Developing Sustainable Local Economies*), was issued by the Department of Provincial and Local Government (DPLG). It stipulated ten guiding principles. One of the principles was that “private companies, including social enterprises and co-operatives, form the heart of the economy” (Cohen, 2010: 7). Therefore, they have a crucial role to play as partners with the public and community role players that will ultimately stimulate robust and inclusive local economies

The provision of such partnerships was not really seen as part of LED, but rather as options for cost effective service delivery. Policy documents often refer to the possibility of partnerships, but how they should be formed and the roles and responsibilities are not outlined for the different parties. “An intrinsic overlapping of interest between business and the public sector” could reveal a shift towards more effective LED (Stibbe, 2008: 3).

#### 4. THE PRACTICE OF PARTNERSHIPS

South African policy documents tend to concentrate on formal PPPs as well as LED, but seldom clarify the links between them. However, LED is more important than PPPs. Perhaps if a civic culture functions well, with constant and co-operative interaction between municipalities and the private sector, then PPPs are likely to work much better. Both parties will have a much better understanding of the problems to be solved, as well as the possibilities for capital investment, revenue generation, technological improvements, and the requirements of Operations and Maintenance (O and M). Where such “friendly interaction” does not exist, there is likely to be distrust between the parties, and the contracts are likely to be written on the basis of such suspicions, and not on the basis of mutually beneficial regulations (Smith, 2009). Municipalities are likely to want more revenue from these operations than the private sector believes can be realistically generated; and municipalities are likely to set very constrictive monitoring requirements, which are onerous to comply with.

The term “partnership” is ambiguous. There are different meanings, possibly on a continuum of formality ranging from very formal PPPs to very informal, casual, and friendly *ad hoc* interactions. Sometimes it refers to formal PPPs, and sometimes to informal friendly relationships.

In this paper, the second definition of “P” is more important. Friendly, ongoing interactions are required. This may lead to positive reciprocal influence, whether in municipal policies or private investment decisions; at a later stage, it may lead to more concerted joint initiatives. During this stage, it really qualifies as “LED”. However, such LED may be very successful without PPPs ever being introduced. The “partnerships” required by LED initiatives refer to the type of “civic culture” in existence, and not formal or artificial PPPs.

In 2003, Meyer-Stammer wrote a key paper entitled, ‘Why is LED so difficult?’ (2003: 2). This paper critically evaluates international LED programmes:

“In those developing countries where LED has been going on for a number of years, it is difficult to discern stunning success stories . . . Even in OECD countries there are not many LED success stories. One cannot help but wonder: Is the popularity of LED perhaps more due to desperation than to a convincing track record?”

The international experience of LED during the 1990s, points to the need for involving the private sector in local development initiatives (Meyer-Stamer, 2002). Such involvement could promote market-, resource-, or innovation seeking motivations (Froy 2009; Government Digest, 2001: 4; Nel, Hill and Goodenough, 2007: 44; Rogerson, 2009: 53). Furthermore, partnerships are becoming popular, as proponents believe that they can enhance the municipal lack of skills and resources as well as broaden the overall socio-economic contribution that the partners can make (Heyman, 2002: 4; International Council on Mining and Metals (ICMM), 2010). Partnerships could be the vehicle for expanding the involvement and impact of the private sector. Through the building of partnerships, “the advantages of the private sector – dynamism, access to finance, knowledge and technologies, managerial efficiencies and the entrepreneurial spirit – are combined with the social responsibility, environmental awareness, local knowledge and job generation concerns of the public sector” (Srinivas, 1999: 25).

The Growth, Employment and Redistribution (GEAR) policy advocates that the business sector has a vital role to play in overall development of an area. Nevertheless, the South African government still chooses to focus more on municipalities as the key change agent in initiating and supporting LED (Hindson 2003; Nel, 1997). LED has thus, rightly or wrongly so, come to be perceived as a local government mandate. According to Rogerson (2009: 50; 2010c), the private sector either has been left out or chosen not to be involved as a result of the mutual suspicion that exists between public and private sectors which makes dialogue between the two groups extremely difficult. In some instances, the private sector is seen as a useful cash cow (Organisation for Economic Co-operation and Development (OECD, 2006: 75), and the many other potential contributions, which the private sector can make, tend to be ignored (Procurement Dynamics, 2007: 46).

Partnerships do not automatically achieve positive outcomes if the partnership is regulated, structured and managed they could improve and increase service delivery (Heyman, 2002: 5). According to Rogerson (2009: 61), municipalities also “needs to engage, honestly and systematically, with its own private sector in order to work out exactly what the hurdles to local business development area, which of them can be ameliorated at a local level and then to work out a reform programme” (Christianson, 2008: 2).

Most of the smaller municipalities in South Africa have interpreted “pro-poor” development planning as the delivery of services such as housing and water, rather than creating a more competitive environment for business (Cohen, 2010: 16). Mistrust is premised on divergent ideological beliefs and correspondingly different priorities (Hadingham, 2008: 54). In

essence, the public sector believes business is anti-poor and business believes that government is welfarist and anti-profit in its outlook. These groups speak different languages (Hadingham, 2008). In South Africa, these are often different actual languages too. However, the horizontal co-operation of actors like the private sector and the local community is key to the sustainability and success of LED initiatives (Abrahams, 2003: 190; Hindson, 2003; Nel, 2001: 1019; Nel, Hill and Goodenough, 2007: 44; Rodríguez-Pose and Tijmstra, 2007; Rogerson, 2009: 53).

In South Africa, private sector apathy towards municipality-led LED initiatives “has been further enhanced by its experience of municipal bureaucracy, red tape and unproductive „talk shops“ where much is promised but little of benefit to the private sector is actually produced” (Lawrence and Hadingham, 2008: 44). Hindson, *et al.* (2009:1) asserts, “addressing red tape is an important building block of a LED initiative”. Opportunities for encouraging private investment are often lost because of the low priority accorded by the municipality to improve the local business environments (Department of Provincial and Local Government (DPLG, 2008)). The inherent tensions between public and private sectors are compounded by the need to transcend the apartheid legacy of a mainly white-owned and - controlled private sector and predominantly black public sector.

Herzberg and Wright (2005) point to the need for developing “competitiveness partnerships” – a structured dialogue between the government and the private sector – in order to improve the investment climate. The core value of such dialogue and partnerships is twofold. Firstly, governments that listen to the private sector are more likely to design credible and workable reforms. On the other hand, entrepreneurs that understand what a government is trying to achieve with a reform programme are more likely to be constructive and supportive (Herzberg and Wright 2006: 1).

Globally competitive cities require development and growth in order to meet the needs of all stakeholders (Hindson, 2003; Rogerson, 2003; Scott and Pawson, 1999; Government Digest, 2003: 15 - 26). Large investments have developed in major cities in South Africa (Rogerson, 2011: 165). It seems as if in the larger cities there also exists more of a willingness on the part of government to work with the private sector (Rogerson and Rogerson, 2012; Van der Heijden, 2008:4). Effective partnerships between municipalities and business are therefore the essence of LED (Nel, Binns and Bek, 2009: 232). It is not clear whether the greater level of private investment, or the better quality of partnerships, is the key to economic success in large cities. It could probably be either partnerships or investment. Municipalities could play such an important role, particularly where municipalities

take a great deal of effort to provide good services, create good tax regimes, and so forth. A positive business environment is the deciding factor (Ruecker and Trah, 2007:57). This will determine whether corporates choose to invest in an area. This could entail good partnerships between stakeholders in the area. A cycle develops where positive outputs determine positive inputs (Rogerson and Rogerson, 2010).

It could, however, be the opposite, because in some cases, the sheer economic potential of a town may promote high levels of private investment. An example is in the Kuruman/Kathu Manganese Mining Belt, where the municipal capacity is poor, but the mining boom drives private investment on its own momentum. In some cases (such as mining booms), positive business-municipal relationships may not really be essential for economic development. However, in most cases, where moderate economic growth is possible, such relationships may well make the difference between economic growth and stagnation. Centre for Development Support (CDS) (2006: 11) make the important observation that what is needed is “for the interventions of mines, government departments and municipalities to find common points of contact, so that partnerships can be forged and synergies exploited”. The development of “more partnerships between companies and other stakeholders, can be the most effective way to strengthen social and economic contributions” from the private sector (ICMM, 2010: 3).

In many South African smaller centres, “given the nature of the (economic) decline which has taken place, the associated scaling down of business activity and the frequent out-migration of skilled workers, many smaller towns are losing the reason for their existence” (Nel and Rogerson, 2005: 261; Nel, 2011: 493). To turn this economic scenario around, good municipal-business relationships are essential. For this, municipalities need to understand business, and *visa versa*. Such mutually supportive relationships are required to underpin any kind of “enabling conditions”. The racial and linguistic social divisions in localities exacerbate the misunderstandings between the business sector and the municipalities. In small towns, municipalities have little idea of the issues faced by business (and probably *vice versa*).

The question arises why a mutual suspicion between municipalities and business sector exists in small towns. The answer could possibly be the lack of a civic culture in which councillors and officials develop trusting relationships with business people over an extended period.

To a large extent, the explanation for the lack of such collaborative relationships may be a sociological one: Business people, particularly in small towns, are (largely) white, middle-class, and accustomed to certain economic or business practices. Politicians and municipal officials are (largely) black, drawn from a working-class background, and have little experience of an entrepreneurial culture. They tend, therefore, to promote their material interests through political parties. In this context, they very likely see established businesses as a threat to their political base or their own newly developed business interests. The racial factor may be an important one, but not necessarily the only one. It is quite likely that black businesspeople may also become frustrated with the lack of business acumen of municipalities. On the other hand, black businesspeople may benefit from municipal tenders and other projects, and therefore they may well enjoy a good relationship with municipalities. Both of these scenarios are possible, and in fact, both may take place within a single municipality. It is quite likely that municipalities may favour some black businesspeople, and not others. This will create a much more complex scenario of business-municipal relationships, in future. Much more research is required in South Africa, to fully understand the sociological dynamics between municipalities and the business sector.

Furthermore, according to Nel (2001: 1018) many areas have low levels of civic involvement and therefore municipalities cannot develop their own local models of LED. The small town municipalities tend to focus on pro-poor LED initiatives for development. Municipalities have been encouraged by several pieces of legislation to pro-actively intervene in their local economies to create employment and reduce poverty (Nel and Rogerson, 2005). This was approached in terms of skills development, job creation, and infrastructure provision, informal as well as small, medium and micro-enterprise (SMME) support. Such projects tend to exclude the private sector. In contrast, city municipalities tend to focus on pro-growth LED (Nel, Binns and Bek, 2009: 235). This type of LED depends on a vibrant, durable civic culture being established – which takes years of effort.

Pro-growth initiatives, trust, PPPs, racial differences, business chambers are all important factors that influence an effective sustainable LED. Nevertheless, this will always depend on the type of municipal-private relationship which boils down to the civic culture concept.

## **5. POSSIBLE SOLUTIONS TO PARTNERSHIP PROBLEMS**

Recent research provides some insight into the challenges of improving the local business environment for more effective LED in South Africa (Rogerson, 2012a: 133).

## 5.1 Chambers of Business

Coetzee (2009: 7) argues that business chambers have an important role to play in promoting sustainable LED. The Chambers can assume a leadership role for private sector development. Rogerson's (2010b) view of the "working relationships" between Chambers of Business in cities and towns of South Africa and municipalities is mixed. Interviews were conducted with leading officials in the private sector business chambers of the Afrikaanse HandelsInstituut (AHI). The interviewees agreed that issues of poor governance and mistrust often exist between the private sector and municipalities. Only a small number of chambers were pleased with their relationship with municipalities (Rogerson, 2010b: 448).

The results from the AHI survey point to signs of potential opportunities as well as major challenges for the development of LED partnerships between municipalities and the private sector in South Africa (Rogerson, 2010b: 455). In order to realise the potential for successful LED partnerships, Rogerson, (2010b: 455) concludes that there is an urgent need for public-private dialogue and communication in order to foster an improved level of mutual understanding and trust between the partners (Frödin, 2009: 299; Rogerson and Rogerson 2011).

Not only is dialogue important, but Chambers of Commerce also needed to consider their membership. Not all Chambers are inclusive. They possibly only include Afrikaans or small business or even black business people to join. The segregation of the business organisations does not assist in partnership building with municipalities because often the separate organisations never form partnerships with each other, let alone to join work closely with the municipality to improve the region in which they work.

Relationships should be built with various municipal departments by means of frequent meetings, brainstorming and participation in the IDP as well as the municipal budget processes. This should be possible without any antagonism from any of the parties. Public-private dialogue can assist in seeking solutions with the public sector. In this way, a positive civic culture can build on economic opportunities, projects can be launched and various investments can be attracted.

## 5.2 Local Economic Development Agencies (LEDAs)

Rogerson (2011: 162) suggests that one of the best vehicles to manage and implement local development is through a dedicated Local Economic Development Agency (LEDA). "In many

cases, local development is best managed and implemented through a dedicated agency, rooted in the local area with a clear mandate and accountability to the relevant sphere of government, focused and with a comprehensive agenda and strategy for development” (Rogerson, 2011: 162).

LEDAs are “independent organisations, shared by public and private institutions with the aim of implementing strategies of shared territorial development with particular emphasis on favouring access for the most marginal portions of a population to opportunities of income and decent employment” (ILO 2003: 2). In other words, the agency makes use of “private-sector means to achieve public-sector goals” (Cohen, 2010: 5). An important benefit is that an agency can be a vehicle “for ensuring that the culture of the organisation promoting economic development is not a bureaucratic culture, but more of a private sector culture which is needed if economic development is to happen” (Khanya-AICDD 2006: 2). In practise, an agency can provide a legal form for establishing a PPP of stakeholders in an area and receive support from a variety of sources. LEDAs can facilitate economic development within municipalities by providing dedicated capacity and strategic intent, and therefore the existing municipal structures can continue addressing priority basic service provisioning. In this way, the agencies as well as the municipalities would still meet their Constitutional and developmental obligations (Industrial Development Corporation (IDC) 2009: 4).

One of the obligations of these agencies is to focus on the poor with entrepreneurial potential. Therefore, using the practice of public sector–private sector partnerships for local economic development amongst small entrepreneurs as well (Rogerson, 2010b: 446). LEDAs are created to operate in specific areas such as townships, rural areas, small towns and poorer provinces, which face huge challenges due to high levels of poverty and underdevelopment (Lawrence, 2010).

It seems as if LEDAs are likely to become a more common form of LED institution in the future. Chambers of Commerce or formal business networks, which build relationships with municipalities, can contribute to the creation of enduring and effective partnerships. It is a long term process, but dialogue and regular communication is the best way for the public and private sectors to determined shared priorities as well as to build common interests (Rogerson, 2012a: 131). In this way, they can build trust and shared understanding of the problems and opportunities facing their localities.



Furthermore, an LEDA can assist in this relationship building between the private sector and municipalities. LEDAs may well be able to understand government and business pressures. Municipalities then become one stakeholder in LED amongst several others, and do not have to play the role of economic leader in their localities.

At present, the “soft” factors, like trust and social cohesion, are lacking in the “debate” of partnerships (Herzberg and Wright, 2005; Ruecker and Trah, 2007: 47). In the “*L-E-P*” model mentioned earlier, partnerships are usually explained in terms of collaboration and social capital. This is perhaps the missing link in terms of LED partnerships.

## **6. “SOFT FACTORS”: THE MISSING LINK IN LED PARTNERSHIPS**

Network governance constitutes a “distinct form of co-ordinating economic activity” (Powell, 1990: 301) which contrasts (and competes) with markets and hierarchies. Two key concepts are used in network governance: (1) patterns of interaction in exchange and relationships; and (2) the flow of resources between independent units (Jones, Hesterley and Borgatti, 1997). In the absence of network governance and little interaction between municipalities and the private sector, municipalities interpret their role as participants, rather than facilitator for LED and continue to prefer *ad hoc* project-based approaches (Cunningham and Meyer-Stamer, 2005: 9).

In a previous section in this paper, policy documents of South Africa were discussed in terms of partnerships. Lidström, (2008: 392) tested three sets of explanations for political trust at local level that correlates with how the area assesses the state of local business climate. These three explanations were social capital theory, a theory of local well-being and political-institutional conditions. These three explanations will feature in the sections below on social capital, network governance, public-private dialogue and civic culture. The concept of “leadership” is an additional explanation presented in this paper.

### **6.1 Leadership**

According to Sorensen and Epps (1996: 114), leadership is a process. However, leaders are often depicted as persons who successfully attain desirable goals or possess a desirable collection of personality traits. Intelligence, knowledge, energy, and especially communication may be the most important personal characteristics of the effective leader. Intelligence concerns the ability to carry out tasks involving facts and principles, the application of such facts and principles in new situations, the invention or discovery of

relations between existing facts and other similar tasks (Hodgkinson, 1983: 197). Communicators are able to express their ideas, views, orders, and advice on particular matters in terms which will be intelligible to, and acceptable by, those to whom they are attempting to provide leadership.

Internationally, leaders as representatives of their organisational units, forge inter-organisational links that may or may not lead to or coincide with formally contracted relationships. In order to respond to new economic opportunities, community leaders need to be ready in terms of changed attitudes, expanded perspectives and removal of historical barriers (Luke, Ventriss and Reed, 1988: 31). Underpinning formal alliance ties between organisations “is a sea of informal ties” (Powell, Koput and Smith-Doerr, 1996: 120). Starting with the cognitions in the mind of the leader concerning the patterns of relationships, social ties are formed and maintained, initiatives are launched or avoided, and through these actions and interactions, the work of the leader is accomplished (Balkundi and Kilduff, 2006: 434). Managing economic development strategically in an interconnected web of community stakeholders requires catalytic leadership skills. This type of leader must be capable of stimulating co-operation and collaboration into bring together diverse stakeholders; overcoming differences between the public and the private sectors; and understanding the economic realities of the development projects (Luke, Ventriss and Reed, 1988: 240).

Since 1996, black leaders emerged through the municipal system. These are no longer civic leaders but professional politicians or bureaucrats. The nature of the political system has changed because it is now all about position, reward, “tenderpreneurs”, “patromonialism”, and caucuses, which channel their political and economic ambition through state positions and resources (Southall, 2003: 58). Very often, LED is not the main goal of such upwardly mobile political entrepreneurs. There is also concerns about the leadership capacity of municipalities, both political and administrative (Centre for Development and Enterprise (CDE), 2003).

## **6.2 Public-Private Dialogue**

Dialogue between the public and private sectors has recently become popular as a way of promoting the right conditions for a good business environment and poverty reduction. There is an emerging body of case studies and research papers on techniques for promoting successful dialogue, including several studies in East Africa, the Pacific Islands, Eastern Europe and South America by the World Bank, Department of International Development (DFID), and Organisation for Economic Co-operation and Development (OECD)

Development Centre. In February 2006, these organisations co-planned the first International Workshop on Public Private Dialogue (PPD), held in Paris and attended by 100 stakeholders from 30 countries. Participants at the workshop drew up the *Charter of Good Practice in using Public Private Dialogue* for Private Sector Development.

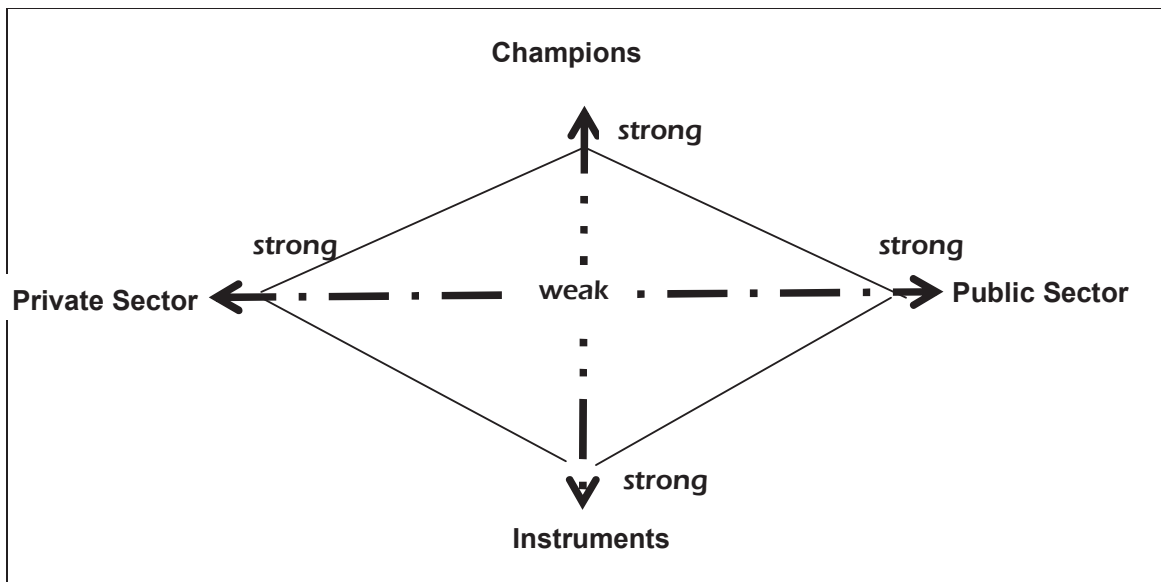
PPD comes in many forms. It can be structured or *ad hoc*, formal or informal, wide-ranging or focused on specific issues. It can be initiated by forward-thinking governments, frustrated entrepreneurs, or third parties such as international donor agencies or non-profit organisations (Herzberg and Wright, 2005).

PPD is an institutional arrangement that brings together a group of public and private sector actors (Frödin, 2009: 299). PPD discussion forums range from highly formal and structured to more informal and *ad hoc*, and initiatives may last from only a few hours or continue over several years (Bannock Consulting, 2005). Governments that engage in PPD are more likely to promote sensible, workable reforms, while enterprises participating in meaningful PPD processes are more likely to support these (Bannock Consulting, 2005; Herzberg and Wright, 2005).

Before a PPD can be fruitful, municipalities first need to understand that by collaborating with the private sector they stand a better chance of achieving their development objectives and improving their revenue base. For its part, the private sector should understand its obligations but also it is right to demand accountability and better services, such as good infrastructure (OECD, 2006: 78).

The PPD concept can be portrayed means of a PPD “diamond”. This is used as a conceptual framework for mapping the strength and weakness of four essential elements of PPD on a vertical and horizontal axis (see Figure II.1). These include the Public sector (capacity, political will to engage, and leadership), the Private sector (organisation, leadership, motivation), Champions (credible and respected individuals with the motivation and ability to attract the attention of stakeholders) and Instruments (quality of programs and mechanisms to help private sector development) (Herzberg, 2004).

Figure II.1: The PPD Diamond



Source: Herzberg, 2004

### 6.3 Network governance

Network governance is an attempt to increase the importance of NGOs, the private sector, scientific networks and international institutions in the performance of various functions of governance (Dedeurwaerdere, 2004: 2). The main aim of network governance is to create a synergy between different competences and sources of knowledge in order to deal with complex and interlinked problems.

“Networks have been widely recognised by both scholars and practitioners as an important form of multi-organisational governance. The advantages of network co-ordination in both public and private sectors are considerable, including enhanced learning, more efficient use of resources, increased capacity to plan for and address complex problems, greater competitiveness, and better services for clients and customers” (Provan and Kenis, 2007: 230).

Based on the perspective of “network governance”, the municipality therefore should play their role as administrators in the system of LED. The business sector then can play their role as the economic component in terms of investment and financial budgeting. According to Cohen (2010: 16), the concept of LED networks is mentioned in several of the DLPG’s Policy Guidelines as a general idea but with very little practical guidance for local authorities

on how these should be established or maintained, or how to extract value from these networks.

#### **6.4 Social Capital**

Maloney, Smith and Stoker (2000) argue that the municipalities can, and possibly should, play a substantial role in creating the conditions for social capital. To build social capital effectively, municipalities must share decision-making with citizens as well as inform citizens about decisions made, moving beyond their roles as controllers, regulators and provider to new roles as catalysts, conveners and facilitators (Warner, 2001).

The concept of “social capital” refers to relationships and trust in other individuals, social networks and the norms of reciprocity and trustworthiness, and its impact on the local economy (Blair and Carroll, 2009; Putnam, 2000: 19). This type of social capital is what Woolcock (2001) refers to as “linking social capital” when connections are made between those with differing levels of power or social status (engaging vertically with external agencies). Relationships between organisations in a network can be formal through contracts, rules and regulations (Coleman, 1990), but should also be maintained in an informal way through norms or mutuality and trust (Alter and Hage, 1993). PPPs have maintained very formal contracts thus far and therefore the informal network aspects of mutuality and trust have often been absent.

Trust is necessary for co-operative behaviour (Jones and George, 1998). The concept of “trust” is about dealing with risk and uncertainty as well as accepting vulnerability. Newell and Swan (2000: 1295) suggest a three-fold typology of trust. Firstly, companion trust refers to trust that is based on judgements of goodwill or personal friendships. Such trust will develop over time as people get to know each other personally through continuing, reciprocal exchange. Secondly, competence trust is based on an attitude of respect for the technical, cognitive, organisational and communicative abilities in the partner to complete their share of the job at hand (Klein Woolthuis, Hillebrand and Nootboom, 2005: 814). The development of this form of trust thus relies on perceiving the competencies of the other partners. These judgements can also be driven by contextual cues such as the reputation of the institution that the person works for or the status of the professional group to which they belong. Lastly, commitment trust is developed on an institutional basis. Each of the parties expects to gain mutually from the relationship and only rarely will the formal contract be used to settle conflicts between the parties.

Social capital can bring a broad range of benefits to society. One of the most important of these is its capacity to improve economic well-being (Zhang, Anderson and Zhan, 2011). Furthermore, social networks, the key elements of social capital, have impacts on economic well-being in three principal respects. Firstly, they help to deliver trustworthy and easily accessible information. Secondly, they help maintain good market order through reward and punishment mechanisms such as group exclusion or reputation recognition. Finally, they foster trust, which reduces transaction costs and facilitates economic actions. Trust and norms are also often used as indicators of social capital independently when examining their impacts on economic well-being (Zhang, Anderson and Zhan, 2011: 122).

## 6.5 Civic Culture

Putnam (1993:167) invoked the concept of “social capital” as the basis of civic culture and defined it as “features of social organisation, such as trust, norms and networks that can improve the efficiency of a society by facilitating co-ordinated actions”. Whereas PPPs have always been a policy development, civic culture is an analytical term, to enable the description of certain relationships. In this case the relationship between municipalities and business.

Reese and Rosenfeld (2002a: 41) noted that the concept of “civic culture” includes the structure of local economic decision-making (competitive environment *vis-a-vis* other localities); the process through which decisions are made (locus of primary power); the interests involved in decision-making; and the decision-making styles evident in local public arena (world views of participants, how goals are set, how community envisions itself, language, symbols and myths, perceived proper role of government).

There are various types of “civic culture”. One type can be described as an “inclusive civic culture. In an inclusive civic culture, candidates usually are drawn from and receive the support of many segments of the community- businesses, citizens, and volunteer groups. Compromises in these communities are often made because all the groups agree on working together to develop the local community (bootstrap goals) (Reese and Rosenfeld, 2002b:9).

South Africa has seen only a few of these attempts to create an inclusive local civic culture. Graaff-Reinet could be considered reasonably successful where LED has been considered as an all-embracing holistic endeavour where the municipalities (district and local), the business sector as well as the community in general have developed relationships to

enhance the locality (Atkinson and Ingle, 2010). In this Karoo town, a community ethos exists because more trust and co-operation subsists. Business is given more leverage and decision-making processes take place within public-private collaboration. The Cape Town Partnership is another excellent example where the business sector and government have formed a useful partnership (Rogerson, 2006). Established in 1999, this partnership consists of the City of Cape Town, the South African Property Owners Association (SAPOA), and the Cape Town Regional Chamber of Commerce and Industry and other stakeholders. The Cape Town Partnership is a development facilitation agency focused on the mobilisation, co-ordination and alignment of public, private and social resources behind the urban regeneration of Cape Town's Central City. This brings private and public operators together to drive urban regeneration.

Real LED partnerships would require a realistic understanding by municipalities of the economic dynamics of the community, such as the investment, multipliers, infrastructure, place-marketing potential. Business organisations would need to understand the need of municipalities to satisfy political goals, particularly the voting power of the working class. These partnerships require a great deal of political realism and tolerance on both sides.

## **7. CONCLUSION**

“Public and private goals do not necessarily need to be the same for partnerships to work - they must merely be compatible” (Srinivas, 1999: 17). In order to realise the potential for successful LED partnerships, Rogerson (2010b: 455) concludes that there is an imperative to nurture an improved level of mutual understanding and trust between the partners. Government, business, and community leaders must understand and respect each other's goals. Often, it is the case that government has difficulty in accepting the profit motive of private investors, and enterprises are often tempted to walk away from the administrative decision making processes used in the public sector. Trust and co-operation is essential for achieving locally driven efforts at community development. LED can only truly be effective when local people or groups seize the initiative and engage in actions, which unify communities, business and other relevant authorities in their local area in a joint endeavour to improve their economic and social conditions (Nel, 2001:1006).

The international focus in LED practice is generally now more geared towards investment in human capital development, public-private partnerships, retention and expansion of existing local firms, support for SMMEs, workforce development and training and a general move to a more targeted inward investment focus (World Bank, 2003). All of these require vibrant

collaborative relationships between municipalities and the business sector to diversify the initiative draw in more stakeholders and maximise the potential success and benefits of the process (Nel, 2001: 1019). Analysts have tended to focus on who must be invited to the table, and less about what they must bring, and what their roles will be. Therefore, the issue of “civic culture” becomes a *sine qua non* for effective LED. Consequently, LED practitioners need to pay greater attention to social relationships and networks, which fundamentally mould local economies.



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# CIVIC CULTURE AND LOCAL ECONOMIC DEVELOPMENT IN A SMALL TOWN

## PAPER III: A SOUTH AFRICAN TYPOLOGY OF CIVIC CULTURE: THE CASE OF BEAUFORT WEST

### ***Abstract***

Local economic practitioners have started recognising that social relationships and networks shape local economies; yet academic research is only starting to incorporate social resources into economic development practice. Furthermore, only a few authors have taken the concept of civic culture into consideration when analysing Local Economic Development (LED). Local civic culture relates to how local problems are defined, how solutions are found, how the local economic problems can be solved, who is involved and how the decisions are made. It encompasses the local government but also is a broader and more elaborative concept than political culture because civic culture applies to the local or municipal community and it incorporates not only how people govern themselves but also larger patterns of understanding and community behaviour. This paper uses international civic culture literature to contextualise the classification of civic culture in South African terms. If an understanding about the civic culture of an area is acknowledged, planning and development of this area can be simplified. Beaufort West is used as an example of a typical Karoo town to illustrate how the type of civic culture an entity has, can influence local economic development. The rationale why a widely used typology does not suit South African conditions is explained and a new typology specifically for the South African context is proposed. This typology can be used to understand the civic culture in other towns and therefore can affect the way problems are approached and consequently solved.

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## **PAPER III:**

# **A SOUTH AFRICAN TYPOLOGY OF CIVIC CULTURE: THE CASE OF BEAUFORT WEST**

### **1. INTRODUCTION**

*"Although formal rules may change overnight as the result of political and judicial decisions, informal constraints embodied in customs, traditions, and codes of conduct are much more impervious to deliberate policies."*

North (1990: 6)

Local economic development (LED) initiatives often lack effective social integration in terms of planning *for* local people, *with* local people. Local economic practitioners have started recognising that social relationships and networks shape local economies (Blair and Carroll, 2009); yet academic research is only starting to incorporate social resources into economic development practice. The key challenge facing local LED today is "how to make the most of local resources in a way that improves returns from global markets" (Christensen and Van der Ree, 2008:2). In order for LED to be successful, civil society and social capital, need to be developed, in addition to human, financial and physical capital (Evans and Syrett, 2007: 56; Nel and McQuaid, 2002: 62; Fox, 1997; World Bank, 1997). Local economic development decision-making needs to consider the nature and extent of community resources and networks devoted to economic development (Reese and Rosenfeld, 2001: 324). Communities endowed with robust social networks and civic associations are in a stronger position to confront poverty and vulnerability (Moser 1996; Narayan 1995), resolve disputes (Schaff 1998; Varshney 2000), and take advantage of new opportunities (Isham 1999). Therefore, community networks are essential to ensure local support and reduce conflict between the different groups and individuals (Nel and McQuaid, 2002: 62). The people in Beaufort West feel the same way – as a local newspaper announced: "our towns should work together – reconciliation will assist economic growth and less violence and crime" (*Die Courier*, 23 March 2007).

Lee (2011: 193) argues that "local" shapes "development" and "development" shapes the "local" – the one dimension always depends on the other. The concept of "civic culture" is an explanatory variable in this conceptual relationship. "Civic culture" is the sum of various local or community-based "attainments and learned behaviour patterns" (Reese and Rosenfeld, 2002a: 41). Its frame of reference is the local community rather than national political arenas, and it attempts to capture the way of life in a local community. Civic cultures

underpin local communities' definition of their problems, the way they search for solutions, the identification of stakeholders, and the way decisions are made. Reese and Rosenfeld (2002a: 18) further noted that understanding local civic culture is *sine qua non* to understanding various approaches to economic development.

Internationally, academic interest in civic culture has largely focused on issues of local governance and neighbourhood renewal (Docherty, Goodlad and Paddison, 2001; Maloney, Smith and Stoker, 2000; Middleton, Murie and Groves, 2005). Putnam (1993: 120) argues that the relative 'civicness' of a region is "the most important factor in explaining good government within its boundaries". He uses four core concepts to illustrate the characteristics of a civic culture in a democratic context: (1) civic engagement; (2) political equality; (3) solidarity, trust, and tolerance; and (4) social structures of co-operation. Reese and Rosenfeld (2002a) further use civic culture to understand the impacts of LED initiatives in a given locality, and how those impacts may be maximised. In South Africa, the concept of "civic culture" is hardly known.

This article will use international studies of civic cultures to launch a new type of debate on South African LED. The social dimension of local economic initiatives needs to be analysed as an important counterpart to LED policies, strategies and administration. This can lead to an improved level of planning and implementation of LED. It can also assist us in understanding why LED strategies succeed or fail.

The sections that follow will firstly elaborate on what exactly is meant by "civic culture", and how this concept has evolved. Secondly, various types of civic culture, as described in the international literature, will then be presented. This will then be used to illustrate the types of civic culture that can be expected in South Africa. Thirdly, Beaufort West will be used to demonstrate the nature of civic culture and how this can complement LED in the Karoo or any other town in South Africa. This example will also illustrate the difficulty of classifying South African towns according to international typologies.

## **2. WHAT IS MEANT BY CIVIC CULTURE?**

The term "*civic culture*" was coined in Gabriel Almond and Sidney Verba's influential book, *The Civic Culture* (1963), and revived in their *The Civic Culture Revisited* (1980). These authors regard a civic culture within an advanced democracy as "a participant political culture in which the political culture and political structure are congruent" (1963: 30). Civic culture in this paper differs from Almond and Verba because the culture we refer to would be

an “inclusive civic culture” that was discussed by Reese and Rosenfeld (2002b). Moreover, the political structures (i.e. institutions) are appropriate to accommodate the political culture (norms and practices) of the society. The performances of public organisations are influenced by the extent of a civic culture in local areas. Gabriel Almond (1980: 15) notes that his and Verba’s work emerged from a confluence of several streams of thought: public opinion studies, macro-sociological theorising, psycho-cultural research and anthropology. In their study, they compared and contrasted the patterns of political attitudes in five countries and attempted to link political culture to democratic political institutions.

Reese and Rosenfeld (2002a) further describe “civic culture” as “a means for understanding how municipal policy makers weigh the interests of different groups, govern the local community, frame local issues, engage in decision-making and ultimately select and implement public policies” (Reese and Rosenfeld, 2008a: 355). Reese and Rosenfeld (2002a: 41) furthermore note that the concept of “civic culture” includes the structure of local economic decision-making (competitive environment *vis-a-vis* other localities); the process through which decisions are made (locus of primary power); the interests involved in decision-making; and the decision-making styles evident in the local public arena (world views of participants, how goals are set, how community envisions itself, language, symbols and myths, and perceived proper role of government). By determining who makes the important decisions and how these are made, one can identify what type of civic culture exists in a community. In this way, local economic development can be improved because there is knowledge of how “the town works” and planning is therefore easier.

As Reese and Rosenfeld (2002a: 652) argue, “*Each* community, then, embodies a civic culture—a historically informed local system for political and/or public action and processes for distribution of goods”. Almost by definition, *every* locality has a civic culture – ranging from authoritarian to inclusive to conflictual. According to this perspective, only in extreme cases like in Syria where civil war occurs, has civic culture collapsed. Presumably, this is because there is no common authority anymore. In the case of South African protests, the authority of the municipality, as institution, is still accepted. Even though people are critical of municipalities’ performance, or perhaps want incumbents to be replaced. Therefore, there is no fundamental dispute about the nature of institutional authority. In this paper, it would be referred to as a “conflictual civic culture”.

The concept of “civic culture” is narrower than both that of “governing regime” and “political culture”. The concept of “civic culture” is similar to the notion of the “governing regime” (government and stakeholders) – except that civic culture (as this paper uses the term)

focuses primarily on business and municipal relationships and not other institutions, such as churches or recreational organisations. “Regime” is the *relationship* between civil society and government whereas “political culture” focuses on political attitudes, orientations, and behaviour, which lead to patterns of participation and involvement.

The term “civic culture” also has a narrower focus than “political culture”, because it deals primarily with government-business relationships, and, following Reese and Rosenfeld (2002a), it is used at the municipal spatial level. Political culture is viewed as a combination of a catalyst and a fertilizer, providing the conditions for change and sustaining the product of that change. Moreover, political culture forms the context or environment for political action. The term “civic culture” incorporates not only how people govern themselves but also larger patterns of understanding of power relationships, and normative community behaviour. Civic culture shapes everything from governmental institutions to governing regimes (defined as relationships between governments and non-government stakeholders) and the design of policies.

The concept of “civic culture” is relevant to the local community rather than national political arenas. It refers to the way of life in a local community. Local civic culture influences how local problems are defined, how solutions are found, who is involved and how the decisions are made.

## **2.1 Three Systems of Local Civic Culture**

Reese and Rosenfeld (2002b: 8) use three elements to clarify the local civic culture: the community power system, the community value system, and the community decision-making system. These “systems” have been drawn from the body of research on urban politics and represent topics commonly studied and understood to constitute the dominant social and political order in which groups compete and local government make policy decisions (Reese and Rosenfeld, 2012). In other words, the local culture is defined by who has power in local governance, how policy decisions are made, and the values and mores that animate those systems. Each system has arenas that Ferman (1996: 4-5) refers to as “spheres of activity”, with precise logic, norms, rules and principles.

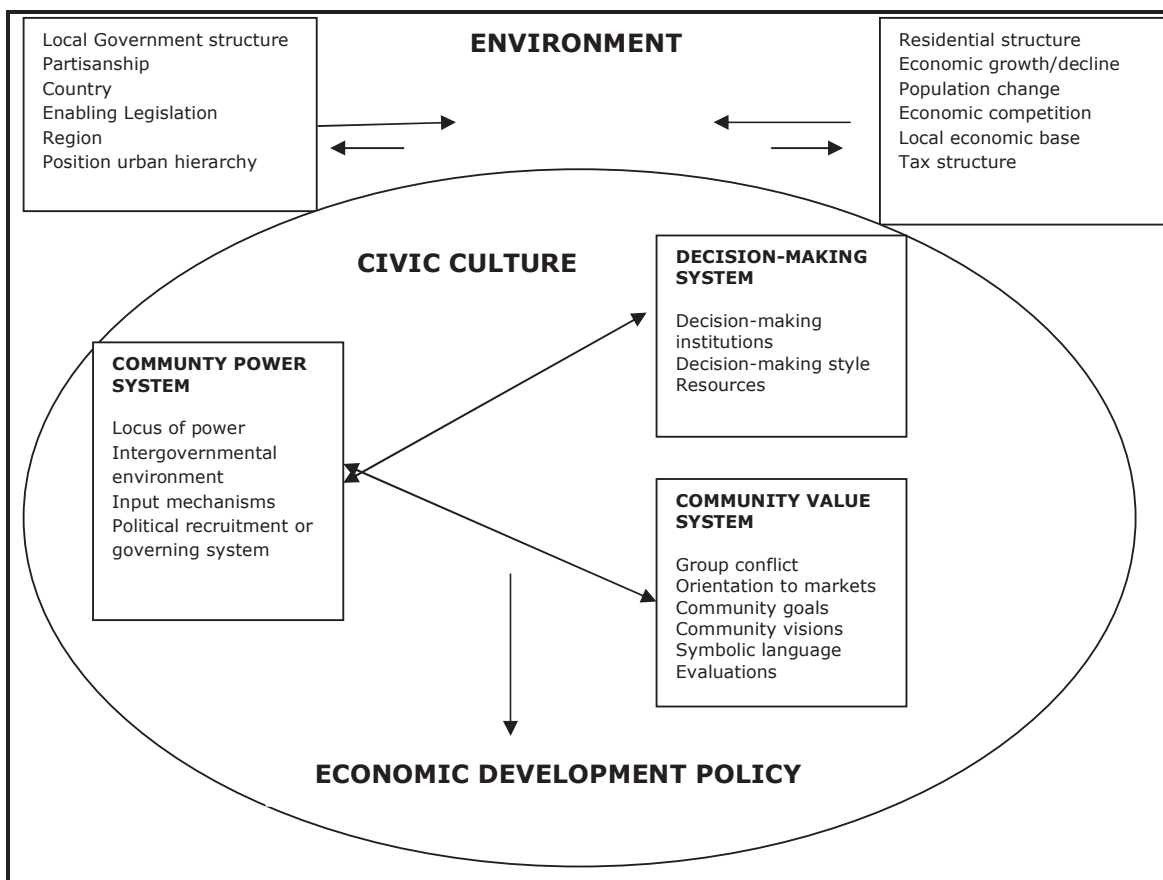
Figure III.1 summarises the discussion and illustrates the arenas within each system that make up the civic culture. The power, value and decision-making systems together form the local civic culture and profoundly shape the public policy effects (Reese and Rosenfeld, 2002b). This is also affected by and affects the environment in which the civic culture occurs.

### 2.1.1 Community power systems

The concept of “civic culture” can be interpreted from the theoretical paradigms of elitism (Hunter, 1953) or pluralism (Dahl’s, 1961). In this paper, the concept is used as an umbrella term for a wide diversity of municipal-business relationships.

The elitist and pluralist approaches highlight very different aspects of political systems. Robert Dahl’s *Who Governs?* (1961) remains the most important pluralist statement. Pluralism is usually associated with democracy, as a balanced system of government that is achieved by many well-organised large groups that individuals participate in the reach a compromise on issues. Through compromise and competition, these groups create public policy.

Figure III. 1: Systems of Local Civic Culture



Source: Adapted from Reese and Rosenfeld, 2008a: 361

In this power system, the majority will always prevail. Pluralists use four concepts. Firstly, fragmentation of power is when no one dominates but the power is divided. Secondly,



bargaining is used so that the government becomes the referee in the process of negotiation. The government makes sure that the “rules of the game” are followed and assists the weaker groups. Thirdly, compromise is inevitable among relatively equal rivals. This accommodation is made easier by the fact that most individuals are member of many groups. Lastly, consensus is reached because the entire process is a basic agreement on the general political ideals and goals of society. Agreement on rules is the “cement that holds society together”.

In contrast, the elitist perspective maintains the decision-making process where a small group of people make decisions, which may benefit the larger society.

Power in the elitist approach is centred on institutions. The leadership of the ruling class of society reserve the decision-making positions. Mills (1956) highlights that these leaders are normally positioned within the three dominant areas-businesses, the military, or government. This class controls the economy and preserves the economic status quo. Decisions are not made through consensus but in conflict between the haves and have-nots and reflect the dominations of the strongest group. The classical elitist theorists include Vilfredo Pareto, Gaetano Mosca and Robert Michels. Pareto emphasised the psychological and intellectual superiority of elites (Livingstone, 1935). Mosca elaborated on the sociological and personal characteristics of elites and asserted that elites have intellectual, moral and material superiority that is highly influential (Ettore, 1987). Furthermore, Michels developed the Iron Law of Oligarchy, which stipulates that a few individuals, and social organisations (Lipset, 1968) run social and political organisations. A recent example of the elitists is in the Forbes Magazine article (Noer and Perloth, 2009) entitled the *World's Most Powerful People*, in which Forbes purported a list of 67 most powerful people in the world.

Civic culture may be a better concept than regime theory (Stoker and Mossberger, 1994), because it highlights “culture” as the subtle normative pattern of behaviour.

The concept of “community power system” consists of community leadership, both public and private (Savitch, Tsukamoto and Vogel, 2008: 444), and mechanisms for citizens to have an input in the decisions made like business owners, neighbourhood associations and public interest groups. A “civic culture” encapsulates a dense, interlocking web of social organisations (social structures of co-operation or associational life). The community power system also includes relationships between the local government and other government bodies such as neighbouring communities, provincial and national government (Burns, 2003; Kantor, Savitch and Haddock, 1997). In short, the community power system reflects how

local cultures process individual and group demands and desires, including the balance of power among those groups and demands (Kluckhohn, 1954).

### 2.1.2 Community value systems

The values and attitudes that work to sustain a civic culture are shaped by citizens' perceptions of their relationships with government as well as with other citizens. The community value system constitutes the verbal and symbolic expressions of societal problems (Reese and Rosenfeld, 2002b: 4). The community value system includes elements: attitudes about the role of the public sector *vis-à-vis* private markets (Barnekov and Rich, 1989); tolerance for conflict among groups or conflict surrounding the decision-making process (Donovan, 1993; DiGaetano and Lawless, 1999); future goals and visions in the community; the appropriate language and symbols used to express these visions; assessments of where the community stands in relation to others; and more general orientations towards public policies, such as risk tolerance (Reese and Rosenfeld, 2002a).

According to Savitch, Tsukamoto and Vogel (2008: 449), community values can be located along an ideological spectrum ranging from "liberal" (oriented towards markets) to "conservative" (oriented to authority patterns) on economic and social matters. This continuum might be useful later in the analysis.

Interpersonal trust is perhaps the civic norm at the very heart of a civic culture. High levels of interpersonal trust can enhance economic development and promote social collaboration and co-operation. Shared values of trust and reciprocity are necessary for the existence of most organisations in a social economy (Blair and Carroll, 2009: 273). It may also potentially make it easier for public organisations to improve services through partnerships with local communities, voluntary associations and the private sector (Purdue, 2001). A civic culture that promotes trust and reciprocity between government and the governed is a relationship for which citizens often yearn, "leaving the business of government and politics to those who find it their business" (Bacot, 2008: 398). However, participation in public processes should also be meaningful and useful. In South Africa, such levels of trust are very limited and may be dwindling, which will have a major impact on the way that local civic cultures function.

### 2.1.3 Community decision-making systems

In the words of Kluckhohn (1954: 940), the decision-making system is the “means of group perpetuation” or the “art of governance”. This system also includes the nature of decision-making, specifically the extent of planning leading to proactive policies, as opposed to more ad hoc or reactive policy-making processes (Reese, 1997). The literature on community decision-making examines the political relationships that drive policy-making (Docherty, Goodlad and Paddison, 2001), available funding, responses to group demands (Ramsey, 1996) as well as structures and resources for decision-making (Blakely and Bradshaw, 2002; Clarke and Gaile, 1998).

## **2.2 Types of civic culture**

By making use of these theoretical elements, Reese and Rosenfeld (2002b) were able to suggest four hypothetical types of civic culture: market, inclusive, bureaucratic, and individualistic. This typology is based on the United States literature and will be used to explore the South African context.

Market cultures tend to display high levels of business dominance. Political candidates are typically drawn from the business community, which results in a business-friendly environment (Reese and Rosenfeld, 2008b: 361). Government resources are typically devoted to economic development and the authority is vested in an independent freestanding department or in an external development corporation with close ties to the private sector (Reese and Rosenfeld, 2002b: 8).

In an inclusive culture, candidates are usually drawn from and therefore tend to receive support from many segments of the community - businesses, citizens, and volunteer groups (Reese and Rosenfeld, 2002b:9). Communities normally make compromises because the only thing that they generally really agree on is the development of local community (bootstrap goals).

Another type of civic culture is the bureaucratic civic culture, where government staff typically plays a dominant role. The locus of power for economic development will then rest within the local government, and community will prefer bureaucrats as leaders to elected personalities. A more active development role will be recognised by public involvement in private markets. This promotes growth management as well as a more liberal and ground-breaking policy (Reese and Rosenfeld, 2008b: 362).

Dynamic leaders or entrepreneurs constitute individualist civic cultures. These could include mayors, influential businesspersons, leader of communities, groups, religious leaders, or owners of local papers (Reese and Rosenfeld, 2002b: 31). Through these significant individuals, such groups may have a major influence on policy and practice. The key factor is that the leadership is dynamic.

The above typology might be useful for the classification of civic culture in an international context, but the multifaceted nature of civic culture in South Africa requires a more complex set of categories.

### 2.2.1 Types of civic culture in South Africa

When considering the South African context, it is always difficult to use findings or typologies as described in an international milieu. Regions are diverse and do not always fit perfectly into one of the types. Regions and localities could display several of the types at different opportunities and different times. The table below illustrates the South African typology of civic culture.

*Table III.1: Set of analytical categories for the international civic culture context*

<b>Civic Culture Type</b>	<b>Key drivers</b>	<b>Style of action</b>
<b>Market</b>	Local chambers of commerce driving business and investment collectively, independently of municipality	Collaboration amongst businesses, to promote local economic climate
<b>Inclusive</b>	Chambers of Commerce, e.g. AHI and NAFCO, or Ratepayer's Groups; Civil society Action Groups partnering with municipalities	Formal and informal engagement between diverse organisations
<b>Individualistic</b>	Key personalities	Champions
<b>Bureaucratic</b>	Economic Development Agency or Municipal LED department	Creation of LED Departments or LEDAs

The first type of civic culture in South Africa can be described as a *laissez-faire* civic culture that develops when individual economic actors operate independently. The local government intervenes minimally in business affairs.

The second type of civic culture in South Africa is a market-based civic culture. Here, economic considerations dominate the decisions and values of the town. This type of civic culture includes an area that has a chamber of commerce where connections are made with formal engagements between private institutions. The private sector drives development in

the town independently from the municipality. Therefore, the business sector is a key role player and initiates investment in the region.

Thirdly, in the South African context, the situation differs from comparable cases in other countries because South African towns or cities can have three or even four Chambers of Commerce. Typical Chambers could include the Afrikaanse Handelsinstituut (AHI), South African Chamber of Commerce and Industry (SACCI), Foundation for African Business and Consumer Services (FABCOS) and National African Federated Chamber of Commerce and Industry (NAFCOC) (Rogerson, 2010: 357).

The AHI was founded in 1942 and is currently represented by nine provinces. They are a multi-sectorial business organisation actively involved in all sectors of the economy except agriculture (Schutte, 2007: 18). Originally, this chamber established for networking systems for white, Afrikaans business people. Currently they have managed various partnerships and networks with Business Unity South Africa (BUSA) and the National Economic Development and Labour Council (NEDLAC) as well as the other business organisations.

SACCI (formally known as South African Chamber of Business (SACOB)) play an important part in the decision-making process in South Africa. This chamber addresses economic, social and political issues affecting the business community. It is “the voice of business” represented on several external bodies, where valuable contributions are made to decision-making in a specified field (SACCI, n.d). SACCI is the largest Chamber in the country with almost 50 constituent chambers and approximately 20 000 small, medium and large enterprises across South Africa and represented in all economic sectors. Large enterprises are generally direct members of SACCI while small and medium enterprises are members through local and regional chambers or national associations.

FABCOS is a membership-based organisation founded in 1988 promoting the development of Black business in South Africa. This chamber focuses on township and rural-based formal and informal businesses. Part of their many services includes networking, marketing expertise, research, and making empowerment opportunities available to historically disadvantage South Africans (FABCOS, n.d.). FABCOS helps its members secure economic empowerment, self-reliance and self-respect. This chamber has offices in all nine provinces and is active in formal business and governmental initiatives.

NAFCOC is an independent and non-profit business support organisation primarily serving the black community. It promotes and encourages the development of black business in

South Africa and thereby draws the black majority into economic activity and decision-making. It aims to promote a spirit of co-operation and unity among black business people, to encourage self-help in the black community and full participation in the economy of the country (Building women, 2006: 12). NAFCOOC has 156 000 members that are concentrated in the merchandising, building, transport, agriculture, services, manufacturing, mining, security, retail and the informal sectors of the economy.

Fourthly, some Chambers of Commerce is partially defined on a racial basis and therefore a partially segmented type of civic culture can also be identified in South Africa. These groups are diverse but they have a common interest of developing the local economy and improving the area in which they live or operate. These chambers therefore promote a measure of racial exclusivity. Securing co-operation with all these organisations is often difficult. Often only one of these chambers gets involved with the local government and forms a relationship to accelerate development in the small town.

Rogerson's (2009: 48) view of the "working relationships" between Chambers of Business in areas of South Africa (private sector) and the local government point to economic opportunities as well as major challenges. Where effective working relationships exist, it can have a major impact on development. Often, it is the case that government has difficulty in accepting the profit motive of private investors and enterprises are tempted to walk away from the administrative decision-making processes used in the public sector. However, "public and private goals do not necessarily need to be the same for partnerships to work—they must merely be compatible" (Srinivas, 1999: 17). Therefore, Chambers of Commerce and municipalities do not always talk the same language but they both want to achieve the same outcome - promote economic growth.

Many small towns do not have a chamber of commerce, but they often have a vibrant civic society. This includes Civil Society Action Groups that influence decisions made in the town. In many towns, there are *Belastingbetalervereniging* (Independent Ratepayers Association of Southern Africa - IRASA). Such Ratepayers Associations have been established in at least 130 towns across South Africa. The creation of these associations indicates that citizens no longer trust decisions made solely by the public sector. Naidu (2008) refers to this type of public participation as "created" spaces, which are created autonomously by communities. Many municipalities are characterised by a lack of transparency. Consequently, local citizens become frustrated by municipalities' lack of response (Masiwa, 2008: 7). In some towns, the local residents have created Trusts into which they pay their rates. Some of these Trusts use these monies to manage basic infrastructure and services.

In other cases, the Trusts simply collect revenue with the purpose of handing it over to the municipalities once municipalities improve their level of governance.

Fifthly, an individualistic culture is experienced in some areas of South Africa where passionate “champions”, in either the private or public sector, assume leadership positions to develop local areas. This type of civic culture takes root when people are influential and win the sustained confidence of individuals and organisations within their communities. These champions become significant leaders and can create far-reaching improvements in a small town. Sometimes, if this person is from the public sector, they may be promoted to better opportunities within the government system. If this person is removed or moves away from the town, the energy and initiatives may then discontinue.

Sixthly, in contrast, a bureaucratic civic culture is where the local economy is managed, and often constrained, according to government regulations. According to the *Municipal Systems Act* (No. 32 of 2000), a municipality “must develop a culture of municipal governance that complements formal representative government with a system of participatory governance” (RSA, 2000: Section 16(1)). The Act clarifies that residents have the right to contribute to the municipality’s decision-making practices. They also have the right to send in complaints and recommendations for prompt responses (Section 17 (2)). The Act strives for an inclusive civic culture, and this leads to a policy emphasis on LED.

In some towns, local people or groups seize the initiative and engage in actions, which unify communities, business and other relevant authorities in their local area in a joint endeavour to improve their economic and social conditions (Nel, 2001:1006). Furthermore, in many cases in South Africa “local development is best managed and implemented through a dedicated agency, rooted in the local area with a clear mandate and accountability to the relevant sphere of government, focused and with a comprehensive agenda and strategy for development” (Rogerson, 2011: 162). Local Economic Development Agencies (LEDAs) could be defined as a bureaucratic civic culture because they are governed by public-sector regulations. However, effective LEDAs require strong individual leadership and dynamism, which makes them an individualistic type of civic culture. Because they are public-good bodies, they may also work well with other organisations, which create an inclusive civic culture. Given that they should engage effectively with markets, they should enhance market-led civic cultures. Therefore, effective LEDAs are actually a hybrid between four types of civic culture. Of course, a great deal depends on the effectiveness of LEDAs. They could become submerged in bureaucratic regulations; they need not be inclusive; they may function poorly in markets; and they may lack dynamic individual leadership.

Consequently, one cannot generalise across all LEDAs – they may enhance one or more types of civic culture, depending on their leadership. Other institutions will also affect their performance. Even though LEDAs may want to be dynamic, inclusive, market-led or individualistic, other actors in the local political system (such as municipalities, political parties, trade unions or civic associations) may constrain them. LEDAs are part of political systems; they could have a significant impact on such political systems, but this is evitable.

For the International Labour Organisation (ILO) LEDAs are “independent organisations, shared by public and private institutions with the aim of implementing strategies of shared territorial development” (International Labour Organisation (ILO), 2003: 2). The main imperative behind these agencies is to “use private-sector means to achieve public-sector goals” (Cohen, 2010: 5). More than 30 LEDAs have already been established in South Africa, but with a varying success. The Agency Development Support (ADS) department of the Industrial Development Corporation (IDC) supports most of these agencies. These agencies can provide a legal form for establishing a public-private partnership of stakeholders in an area and receive support from a variety of sources. An important benefit is that an agency can be a vehicle “for ensuring that the culture of the organisation promoting economic development is more of a private sector culture which is needed if economic development is to happen” (Khanya-AICDD 2006: 2). The Amathole Economic Development Agency is an excellent example where the local people applied the corridor development approach to regenerate small towns in this district (Xuzza, 2007). Therefore, sometimes LEDAs develop an inclusive civic culture, but not necessarily.

Lastly, in addition to these types of civic cultures, in the South African environment, another form of culture could be included – a conflict-based civic culture. Such a civic culture has evolved because of the minimal communication that takes place between the citizens of an area and the local municipalities (Kimemia, 2011:1). The continual service delivery protests organised by local party branches or youth leagues typify this type of civic culture. Community protests, marches or violent confrontations can be considered as a new type of social movement that has developed because municipal staff and governance structures are unable or unwilling to listen to the people and address their complaints (Marias, *et al.*, 2008: 59). According to Kimemia (2011), communities that protest would ordinarily have tried the negotiation route through ward committees and IDP budget process, but in many cases, arrogant municipal leadership ignored their requests. These protests reached a crescendo in 2005–2006, when the South African Institute of Race Relations recorded the outbreak of 6000 service delivery related protests across the country (Harteleb, 2006). In 2007, an



average of 8.73 protests took place across the country every month. This figure rose to 9.83 in 2008 and almost doubled to 19.18 protests a month in 2009. In 2010, these protests subsided somewhat to 16.33 per month (Powell, 2010: 15).

Although these protests were not necessarily associated with LED, communities have been expressing their disapproval of local governments' failure and distrust to deliver affordable and adequate housing, lack of access to clean water and a consistent supply of electricity (effective services). According to Maphunye (a researcher in the Democracy and Governance Unit at the Human Science Research Council (HSRC)) (2005), legitimate community protests also serve a number of useful purposes. Firstly, it serves to remind the government officials that they are accountable to the public. Secondly, it also reminds the policy-makers to keep public participation in mind when decisions are made. Lastly, these protests can enhance government-citizen interaction and the perception of a people-centred democracy.

As Table III.1 shows there are several types of civic cultures depicted internationally. However, an additional four types of civic culture can be drawn from the South African experience (see Table III.2).

*Table III.2: Set of analytical categories for the South African civic culture context*

<b>Civic Culture Type</b>	<b>Key drivers</b>	<b>Style of action</b>
<b>Laissez-faire</b>	Individual economic actors operating independently	No formal collaboration between business
<b>Non-engaging</b>	Business and municipal sectors operate in their own silos	No shared vision, and no collaboration on policies or programmes
<b>Market</b>	Local chambers of commerce driving business and investment collectively, independently of municipality	Collaboration amongst businesses, to promote local economic climate
<b>Inclusive</b>	Chambers of Commerce, e.g. AHI and NAFCO, or Ratepayer's Groups; Civil society Action Groups partnering with municipalities	Formal and informal engagement between diverse organisations
<b>Partially segmented</b>	Municipalities partnering with only one racially-defined Chamber of Commerce	Formal and informal engagement between a municipality and only one racially-defined Chamber of Commerce
<b>Individualistic</b>	Key personalities	Champions
<b>Bureaucratic</b>	Economic Development Agency or Municipal LED department	Creation of LED Departments or LEDAs
<b>Conflict</b>	Protest organisations, like local party branches, youth leagues	Ultimatums, protests marches, violent confrontation

In some cases, inclusive arrangements between municipalities and chambers are only partial, because they are racially exclusive. Therefore, this can be referred to as a partially segmented civic culture. In other cases, there is a total breakdown in communication, resulting in protest action. Furthermore, a single economic actor operating independently could also drive the market with no other collaboration between businesses. No collaboration or shared vision between municipality and the business sector could also cause that each of these groups work in silos and try solving problems on their own.

Typically, South African towns demonstrate more than one of these analytical categories. It may be possible, for example, for one type to develop into another one over time; or it may be possible that a single area often straddles in two or three of these types.

The case of Beaufort West in the Karoo is useful to illustrate the South African typology and validate why it is necessary to adjust the international typology.

### **3. CIVIC CULTURE: THE CASE OF BEAUFORT WEST**

#### **3.1 Background on study area**

Beaufort West can be considered as one of the economic, political and administrative hubs of the Central Karoo. It strategically connects Cape Town with cities like Kimberley, Bloemfontein and Johannesburg along the busiest national road (N1). Originally, this town was a service centre for rail and road transport as well as rural agriculture (Beaufort West Municipality, 2007a). Although rail transport and agriculture are no longer the main economic contributors, the town has managed to maintain a low but steady rate level of economic growth of 3% between 1995 and 2004 (Central Karoo District Municipality 2006: 27) due to agricultural and tourism sectors (Beaufort West Tourism Bureau, 2006).

Beaufort West hosts several branch offices of provincial and national departments. For several years, the local municipality was also identified as a “poverty node” in the Western Cape, which gave it some priority in government spending (Atkinson, 2012). Sixty percent of the population are providing for the economically inactive population (between 15 and 65 years of age). Over 30% of the population receives social grants, of which 44,5% are disability grants, 40,6% child support grants and 8,2% old age grants. According to the Independent Development Plan (IDP) of Beaufort West, the municipality provides high levels of infrastructure but unemployment (32%) and poverty are the key concerns in this area

(Beaufort West Municipality, 2011). Against this background, it is clear that Beaufort West, like many other small towns in the Karoo, is in dire need of economic development.

### **3.2 Civic culture of Beaufort West**

The nature of the civic culture of Beaufort West can be gleaned from local newspapers, Municipal minutes, and other government reports. In addition, qualitative interviews were held with key role players in the private sector. These included guesthouse owners, prominent business owners and property developers, municipal managers and local economic development officers of the District Municipality as well as Local Municipality.

#### 3.2.1 Political tensions influencing LED

The political tensions in the Karoo District Municipality have not been favourable for the economic development of Beaufort West. The disagreements between the African National Congress (ANC), Democratic Alliance (DA) and Independent Civic Association (ICOSA) have caused a lot of differences and problems within the municipality. A number of mass meetings were arranged by various parties before elections to discuss important issues and change views of voters (*Die Courier*, 10 November 2006: 5; 17 August 2007; 29 February 2008; 21 November 2008; 30 January 2009: 1; 20 March 2009). Often the mandates of the political parties changed because of the specific interest from the community and views of opposing political parties (*Die Courier*, 10 November 2006: 5). In 2004, the leadership of the ANC had to issue a statement to distance themselves from the personal deformation of members through racism between party members of the black and coloured communities (*Die Courier*, 26 November 2004). Many of the ANC council members took up positions in ICOSA because coloureds were excluded from the ANC decision-making, whereas ICOSA supported the poor workers which are the majority of the population in Beaufort West (*Die Courier*, 21 September 2007: 1; 11 January 2008:2).

Several cases of theft, intimidation, damage to property, assault and suspension of councillors has clouded the good image that the municipality is trying to portray (*Die Courier*, 7 April 2006; 19 May 2006: 1; 19 October 2007: 1). Different political parties have even taken members of other parties to court to eliminate reappointments (*Die Courier*, 22 June 2007: 1; 6 July 2007: 1). This process has wasted somewhat of the valuable taxpayers' money.

This of course has often led to surprising results during election periods where different parties have taken over the municipality at different stages (*Die Courier*, 3 March 2006: 1; 20 March 2009; 24 April 2009). Furthermore, this causes instability within the local municipality because of the conflict between the officials and councillors. Therefore, important decisions cannot therefore be finalised to improve the development of the district and therefore also the town (*Die Courier*, 21 April 2011).

### 3.2.2 LED driven by private sector

Most of the economic development initiatives the past few years have been driven by the private sector. The local municipality did not provide much support for private sector initiatives, nor did it proactively involve the private sector in municipal projects (Van Rooyen, 2012). Private business owners have continued to develop the town based on their own capacity as businesspersons. Such dynamics reflect a typical laissez-faire civic culture. A good example of this approach is the privately owned airport north of Beaufort West. The owner established a guesthouse on the property and uses her private networks to promote the airport.

Private tourism operators have launched innovative projects, but the local municipality has provided no financial support because of limited resources. In the tourism sector, partnerships and relationships between the local government and the private sector could initiate larger projects and long term programmes for the enhancement of the town and the area. It seems as if this is not the case because the local government gives the impression to express support for tourism initiatives, but this “support” does not go further than expressions of goodwill. In the case of the airport, the local and the district municipality expressed their support for the airport, so that the owner could apply for funding from alternative sources (Atkinson, 2012). The same pertains to the Greatest Painting in the World project. The municipalities gave political support but could not offer much more, with their own limited resources (Holzapfel, 2009).

### 3.2.3 LED in silos

Many large companies (for example Pick ‘n Pay, Clicks and Mr. Price) have made significant investments in the Karoo town in terms of new premises and new employment opportunities with new and larger shops opening in Beaufort West. The grand openings of several new stores were reported in numerous articles in the local newspaper, *Die Courier*, between 2006 and 2009 (15 June 2006: 1; 21 July 2006: 1; 4 August 2006: 4; 25 May 2007: 3; 13 July 2007: 14; 2 November 2007: 1; 2 November 2007: 5; 30 November 2007: 14; 18 April

2008: 13; 25 April 2008: 10; 27 June 2008: 4; 18 July 2008: 1; 31 October 2008: 10; 16 January 2009: 11). These large chain stores have opened branches in two new shopping developments in Beaufort West (*Die Courier*, 27 July 2007: 6 and 7 December 2007:1). The growth of retail investments suggests a positive level of business confidence in Beaufort West – at least between 2006 and 2009. The growth of the Beaufort West population, as well as increasing levels of disposable income, made retail investments attractive. The fact that these investments took place in the absence of significant relationships between the municipality and the business sector suggests that the private sector was responding purely to market signals. This then highlights the fact that another type of civic culture should be included emphasising a *non-relationships*. This may not be actual conflict – it may just be that the business and municipal sectors operate in their own silos. The researcher refers to this as the non-engagement type of civic culture. Presumably, on day-to-day matters for example payment of rates and taxes, businesses do interact with the municipality. However, there is no shared vision, and no collaboration on policies or programmes.

#### 3.2.4 Relationship between business and local government

As far back as 1997, an active Chamber of Business identified practical problems in the town. A meeting between representatives of the Chamber and the transitional council was organised to discuss solutions in this regard (*Die Courier*, 21 March 1997). The conversation was positive and the council guaranteed that these recommendations would be considered. In agreement, the Chamber of Business and the Council would meet more often to solve problems together. Furthermore, in 2006, the Beaufort West Municipality invited certain business people to assist them in possible ways to improve the town. The business representatives developed positive contributions in terms of solutions for waste management, beggars and pavements (*Die Courier*, 11 August 2006). Therefore, a relationship between the municipality and the business sector started by working together to find solutions for problems that would improve Beaufort West.

This partnership never evolved because misunderstandings under various circumstances widened the gap between these groups. The municipality claims that the Chamber of Business only wants to make things difficult for them and refuses to co-operate with the local government (Booyesen, 2009). The Chamber insists on commenting on the Budget of the municipality and demands rapid changes in the town. It has been difficult to establish an effective partnership between the municipal (local and district) government and the Chamber of Business, even though several attempts were made by both parties to assist each other with important decisions in terms of the future of the town (Booyesen, 2009 and Arnoldi,

2009). What this boils down to is that the different groups do not understand each other and the thinking and practical processes from both sides. Positive initiatives have been launched, but these have never been realised, and remain at the level of “talkshops”. Local stakeholders tend to be unwilling to make an extra effort to support the other group and “come to the party”.

During a business survey conducted in 2009, the businesses in Beaufort West were asked whether they receive any support from the municipality. The responses were not very positive (see Table III.3 below).

*Table III.3: Municipality supporting business*

	<b>N</b>	<b>%</b>
To a large extent	2	1.4
To some extent	23	16.5
To a small extent	40	28.8
<i>Not at all</i>	49	35.3
Uncertain / Do not know	25	18.0
<b>Total</b>	<b>139</b>	<b>100.0</b>

According to Table III.3, the business sector received very little support from the municipality. A large number (35.3%) of the businesses indicated that the municipality did not support them at all and 28.8% noted that the municipality supported them to a small extent. The interviewees proposed various ways in which the municipality should provide support. Lower rates and taxes (27.1%), service delivery (improved infrastructure) (19.8%) and support for local business (16.7%) were some of the approaches given.

Before 2010, Beaufort West had two very active chambers of commerce. The Chamber of Business of Beaufort West is affiliated with the AHI, while black businesses have created the Black Business Forum (BBF). This group could be described as the up and coming business people (Murray, 2009 and Arnoldi, 2009). The BBF never joined forces with the Chamber of Business of Beaufort West to promote the local economy. The main reason why the two parties did not collaborate was mistrust between the white affluent economic sector and the new black middle class. The District and Local municipality joined hands with the BBF to assist in building bridges between the black small business owners though (*Die Courier*, 13 July 2007: 13).

Both the above-mentioned chambers became inactive by 2011 due to the lack of synergy and coherence within each of the organisations. A relationship between the chambers and each of the district and local municipalities could not be established. Consequently, these organisations could also not engage effectively with any external partners.

### 3.2.5 Civil society in Beaufort West

In 2005 the Beaufort West Municipality and the Western Cape Department of Arts and Culture tried to also establish a “culture forum” to enhance the creative sector in Beaufort West (*Die Courier*, 21 October 2005). This venture has not been successful from an inclusive or bureaucratic civic culture point of view (Lund, 2011). In 2010 however, a community-based organisation (CBO), called Karoo Culture, developed to uplift, market and empower the artists in the local community, be it visual arts, performing arts, crafts, music, or sports. (Holzapfel, 2011). This once again points to the fact that private initiatives are vibrant in Beaufort West and that CBOs also play an important role to create a more inclusive civic culture.

Approximately 460 members of the local community (coloured, black and white) belong to the “*Belastingbetalersvereniging*” (Ratepayers Association) in Beaufort West (De Villiers, 2011). It is a good sign prove that the racial cleavage is slowly being overcome. This organisation already played an important role in the transitional council before the introduction of non-racial municipalities in 2000 (*Die Courier*, 28 April 1995). The dissatisfaction of services from the municipality was part of the agenda at this stage already (*Die Courier*, 26 May 1995). The members of this Association do not trust the capacity of the local municipality enough to make effective decisions about service delivery (De Villiers, 2009). The association has elected a management committee to evaluate municipal decisions, especially regarding its budget (*Die Courier*, 11 March 2011). In recent years, the management committee has been negotiating, on behalf of the citizens, with the municipality to moderate the rapid increase in property rates (*Die Courier*, 11 March 2011; 10 June 2011).

### 3.2.6 Partnerships

More recently, an inclusive civic culture is gradually emerging in Beaufort West. A good example of a successful public-private partnership has been the tourism sector in Beaufort West. Cape Town Routes Unlimited (CTRU), accommodation services as well as the local restaurants have improved their performance since they started working together (*Die*

*Courier*, 16 February 2007: 7; 20 June 2008: 9; Lund, 2009). This sector is truly on the upward curve in terms of economic development in the area (Holzapfel, 2009). The private sector tourism organisation is on good footing with the local municipality, which is an active participant in the Local Tourism Organisation (LTO). LTOs' relationships with the Central Karoo Regional Tourism Office and CTRU are also mutually supportive (Atkinson, 2012; *Die Courier*, 20 June 2008: 9). This is an example of a good partnership and a success story of a small town in the Karoo (*Die Courier*, 26 February 1993). This partnership depended on the involvement of the Western Cape Province – CTRU – that brokered the relationship. Therefore, local partnerships have been limiting, but with constructive facilitation by outside parties, a collaborative and inclusive local civic culture can be developed.

At various levels, the benefits of this trilateral partnership have become felt. In its 2007 Integrated Development Plan, the Beaufort West Local Municipality adopted tourism as a developmental priority (Beaufort West Municipality, 2007b: 42). In addition, the District Municipality budgeted for the upgrading of the tourism information centres and “gateway development” (Central Karoo Economic Development Agency (CKDM) 2006: 53), in line with provincial tourism priorities. Beaufort West can be seen as the entrance or exit point in and out of the Western Cape Province if travelling on the busiest national road (N1). Therefore, Beaufort West is the “gate” into the province. CTRU wants to use Beaufort West to promote their Cape Karoo brand as a chosen destination.

### 3.2.7 LED in external agency

Furthermore, the Beaufort West Local Municipality, the Karoo District Municipality and the Western Cape Provincial Government collaborated in establishing the Central Karoo Economic Development Agency (CKEDA) (Urban-Econ, 2010). This is then be classified as a bureaucratic civic culture type. The CKEDA will facilitate interaction between the private and the public sector, build bridges between the black and the white population, and enhance LED in the town. CKEDA focuses on the following areas: agriculture development; SMME/ business promotion; investment for project implementation; tourism development; and creating favourable conditions for private sector investment. CKEDA is currently involved in the Karoo Tourism Strategy, Karoo Gateway Airport, Regional LED Forum and the “Biggest Painting Project” (CKEDA, 2011). If the partnerships mentioned above become sustainable, the CKEDA will allow the civic culture of Beaufort West to develop the characteristics of an inclusive type of civic culture. This organisation has not been in operation long enough to be able to determine whether the civic culture reflects a bureaucratic civic culture type that uses the CKEDA primarily for public relations. If the



organisation's goals are successful, Beaufort West will therefore evolve into an inclusive civic culture type.

Beaufort West would therefore straddle between the laissez-faire, inclusive, and partially segmented civic culture types. This therefore proves that a town can be placed in several types of civic culture at different times. The civic culture can also overlap two types in the typology.

The case of Beaufort West illustrates the usefulness of the "civic culture" typology developed by Reese and Rosenfeld (2002a). In practice, the civic culture of a town may reflect more than one of these types; it may also evolve from one type to another. By using the Beaufort West example, a powerful methodology to analyse the complex relationships between municipalities and the business sector has been illustrated. This, in turn, will enable analysts to explain the often-unanticipated consequences of LED interventions. It will then assist LED practitioners to diagnose local circumstances more accurately, and thereby introduce more targeted and appropriate interventions.

#### **4. CONCLUSION**

This paper used international studies of civic culture to inform a South African context. By doing so, the issue of local economic development was broadened from an administrative issue, to include social dimensions. This can lead to an improved level of planning and implementation of LED. It can also assist us in understanding why LED strategies succeed or fail. Consequently, a new concept was required and therefore the concept of "civic culture" was introduced in this paper. Different types of civic culture are now understood, and the dynamics of building trust between municipalities and the private sector can be explored and enhanced. Some types of civic culture are strongly inclusive and participatory, while others are built on individual initiative or bureaucratic regulation. Furthermore, some types of civic culture, particular to the South African context, are built on social dynamics of conflict, racial cleavages, and political rivalry isolation.

Furthermore, Beaufort West was used as an example of a typical Karoo town to demonstrate the nature of civic culture and how this can complement LED in the Karoo or any other towns in South Africa. It also illustrated the difficulty of classifying the town according to an international typology. This typology should be tested in other towns in South Africa. It is necessary to assess whether these typologies of civic culture in Beaufort West differ in other Karoo towns and whether it is different from the rest of South Africa.

It is critical to the success of LED that civic culture is taken into account, that a spirit of trust between people of very different backgrounds are created and local resources are used to achieve the best results in towns across South Africa, especially in the Karoo. The challenge, in future, will be to strengthen those forms of civic culture, which harness the shared energies of municipal and business interests, and thereby maximise local assets, opportunities and development potential.

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# **CIVIC CULTURE AND LOCAL ECONOMIC DEVELOPMENT IN A SMALL TOWN**

## **PAPER IV: URANIUM IN BEAUFORT WEST: PARTNERSHIPS DEVELOPING THE LOCAL ECONOMY**

### ***Abstract***

There is a lack of research related to the establishment, growth and development of mining towns. Although numerous international mining companies have identified the Karoo surrounding Beaufort West for uranium development, planning documents of the Western Cape (Provincial Growth and Development Strategy) and also in the Integrated Development plans (IDPs) of the Central Karoo District Municipality and the Beaufort West Local Municipality do not make any suggestions for the economic “roller-coaster” ride ahead. Beaufort West is not a mining town yet, but it may become one. For this reason, it needs to be explored to learn from experience for mining in small towns in the future. The sustainability of mining (non-renewable resource) towns is not as important as are the economic developments of and the proactive planning (in partnerships) in respect of these towns

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## **PAPER IV:**

# **URANIUM IN BEAUFORT WEST: PARTNERSHIPS DEVELOPING THE LOCAL ECONOMY**

### **1. INTRODUCTION**

*“If you don't know where you are going, you'll end up someplace else.”*

Lawrence Peter “Yogi” Berra (American Major League Baseball Player, New York Yankees)

Mining is crucial in developing the economy of South Africa (Rogerson, 2011a:13373). The mining sector accounts for 7.9% of South Africa's Gross Domestic Product (GDP), although it is argued, “the indirect multiplier effects take the contribution to about 18.4% in total” (Department of Minerals and Energy (DME), 2009). Mining investments can be levered or ‘incentivised’ to drive local economic growth and reduce poverty (Eggert 2001; World Bank 2002; International Council on Mining and Metals (ICMM) 2006; Warner 2008).

Tribulations are caused when planning and development of mining areas are not done sustainably (Schoeman, 2008). Several national and provincial plans in South Africa have endeavoured to deal with the planning of mining towns and regions (Green, 1956-1960; Farquharson, 1963; Cockhead, 1970; Van der Merwe, 1972; and The Presidency, 2006). This problem is still not completely addressed in existing strategic planning documents such as the Municipal Integrated Development plans (IDPs) and their supporting sectoral plans, such as Integrated Environmental Management (IEM), the provincial Growth and Development Strategy and the Spatial Development Frameworks (SDF) (Schoeman, 2008).

Mining takes place in specific phases. If there is effective planning through each of the phases of the development of the mining town, the transition can occur smoothly. Several socio-political, economic and environmental problems are associated with mining. The decisive question should not necessarily always be whether mining is sustainable, because it is after all a non-renewable source (Atkinson, 2005), but rather to what extent local economic development and community development are rendered both possible and sustainable in mining towns through proactive planning activity. Hence, a great deal of additional effort needs to be taken to allow mining communities to build up some capacity for sustainability, which will out-last the

inevitable closure of the mines. Partnerships in the extractive sector could be the solution to focus on the sustainability of regional and local benefits, facilitating community and local development programmes, and the formation of local social capital (World Bank 2002).

In South Africa, mining-related research has focused primarily on labour migrancy and mining hostels (Centre for Development Support (CDS), 2006b: 8). There is a lack of research related to the establishment, growth, development of mining towns as well as on mining towns where mines have closed down (Binns and Nel, 2001; CDS, 2005; Nel and Binns, 2001; Marais, *et al.*, 2005; Seidman, 1993), or towns which remain dependent on mining activities (Hamman, 2003).

Therefore, this paper endeavours firstly to introduce the South African Mining Policy Framework where Provincial and municipal planning documents play an important role. Secondly, the planning of mining towns are discussed which entails the phases of development as well as the consequences that these towns face. Thirdly, through partnerships, “new mining” towns could enhance the potential of positive impacts of mining for regional and locality development. Lastly, although uranium was discovered several years ago, drilling has been re-introduced in the Karoo area close to Beaufort West. This town currently has large volumes of traffic passing through it en route to Cape Town and Johannesburg. Beaufort West has hitherto not functioned as a mining town. Therefore, it is essential to explore what the developments of this town are to learn from experience for mining in small towns in the future. The planning document of the Western Cape Provincial Growth and Development Strategy (PGDS) and in the Integrated Development plans (IDPs) of the Central Karoo District Municipality as well as the Beaufort West Local Municipality do not even see this as an option or something to start thinking about in terms of planning.

Subsequently, this paper argues that it is not only a necessity to develop partnerships between multi-stakeholders in a town, but to align planning documents of mining companies (Social and Labour Plan (SLPs)) with the sectoral, departmental and financial planning of all three levels of government – IDPs, PGDS and National Spatial Development Plan (NSDP).

## 2. MINING POLICY FRAMEWORK

During Apartheid, the South African government did not arbitrate the mineral economy and it was therefore led by the market forces (DME, 2008a). At first, the new African National Congress (ANC) government did not initiate policy changes in the mining sector (Crankshaw, 2002). However, the Department of Minerals and Energy developed a White Paper released in October 1998, *Minerals and Mining Policy for South Africa*, which examined six core themes, *inter alia*, business climate and minerals development, participation in ownership and management, “people issues” (including health, safety and housing), environmental management, regional co-operation and governance (DME, 1998). The White Paper initiated new mediations in the country’s minerals economy to address the legacy of racially discriminatory policies, which excluded some of the population from full participation in the mining industry (DME, 2008a).

The policy formulated in the White Paper was captured in the *Mineral and Petroleum Resources Development Act No 28 of 2002 (MPRDA)* which regulates the prospecting for and optimal exploitation of minerals in the country (Republic of South Africa (RSA), 2002). This Act defines the entire regulatory environment of the minerals industry from rights and ownership to mineral sales, value addition (beneficiation) and marketing. Later, amendments have been effected to the Act (RSA, 2007, 2009).

A Social and Labour Plan (SLP) was the secondary goal of the MPRDA (Rogerson, 2011a: 13375). The SLP requires that applicants for mining or production rights develop and implement comprehensive human resources development programmes, including employment equity plans in order to assist transformation of the industry. A second aspect of the SLP is the preparation that of local economic development programmes (DME, 2008b). These programmes should assist in the transformation of the mining sector to save jobs and manage downscaling and/or closure (Rogerson, 2012: 109). The LED plans must align with the integrated development plans (IDPs) of mining municipalities “with emphasis on infrastructure development for communities residing in areas where they operate” (Department of Co-operative Governance and Traditional Affairs (DCoGTA) 2009: 4). Overall, the intention of SLPs “is not simply to assist the municipalities in their everyday functions, but rather to have a positive impact on the

everyday life of a community above and beyond what the municipalities provide” (Marais and Van der Walt, 2011: 29).

Planning around LED is one of the most widely occurring spheres of joint co-operation between the mining sector and local governments (Rogerson, 2012: 122). Nevertheless, the formulation and implementation of strategies for LED, IDPs, and their alignment with SLPs remains one of the most controversial and contested aspects of the relationships between mines and local governments (Ndaba, 2010; Marais and Van der Walt, 2011). In terms of the “*L-E-P*” model developed in the introduction of the thesis, LED should be driven by the economics of a locality through partnerships. Most importantly, these partnerships should be developed in an informal as well as formal way. In terms of the mining sector, the introduction of the SLP is a significant manner in which the essential partnerships could be enhanced. This is possibly an excellent example where business (even though it is a large mining company) and local government could work together towards a common goal of community improvement and economic growth. If this relationship and partnership is established from the onset, the enhancement of an area should happen automatically and in the direction that both sectors would like. If no relationship is formed early enough, each of these sectors normally develop the town in their own way without taking the other sector into consideration.

Furthermore, the Broad-Based Socio-Economic Empowerment (BBSEE) Charter or Mining Charter pursued to redress the historical, social and economic inequalities that exist in South Africa’s minerals industry (RSA, 2002). The main objective of the Mining Charter was to achieve 26% ownership by previously disadvantaged individuals in mining companies by 2012 (Atkinson, 2005). It is argued that the Charter furnishes “a framework to help the mining companies comply with the MPRDA, which obliges them to promote black economic empowerment when applying for the new mineral rights or converting current rights” (Fauconnier and Mathur-Helm, 2008: 4).

## **2.1 Provincial Growth and Development strategies (PGDS)**

Provincial governments are major spending agencies because the bulk of government fiscal allocation is at the provincial level, particularly in the health, education and welfare sectors. However, they are also important planning agencies. Provincial governments “are expected to



play a leading role in ensuring that economic planning, infrastructure investment and development spending takes place in accordance with the principles set out in the National Spatial Development Perspective (NSDP)” (The Presidency and Department of Provincial and Local Government (DPLG), 2005:1).

The main tool for guidance, co-ordination and alignment is the Provincial Growth and Development Strategy (PGDS), the cornerstone of which is a deep and thorough understanding of provincial endowments and assets, development potential and constraints, along with the forces shaping development potential, which should be spatially referenced (The Presidency and DPLG, 2005:2). The PGDS is a strategic document and while its preparation is not a legislative requirement, potentially it can assume a vital role in ensuring the effectiveness and co-ordinated delivery of the objectives of the developmental state, not least in its role as an alignment mechanism for LED (The Presidency and DPLG, 2005). A PGDS is, in effect, an Integrated Development Plan (IDP), but at the provincial level (Atkinson, 2005). The PGDS can ensure that development and infrastructure decisions are not limited to the perspective of a single district but instead woven together to create a regional economic development perspective that reflects and addresses local concerns and yet links with national economic planning (Lambshead, 2007).

## **2.2 Integrated Development Planning (IDP)**

The need for municipalities to draft local IDPs, which emphasise infrastructure development, means that mines do not have to achieve the sustainable development of communities on their own (DCoGTA, 2009). They are well placed to collaborate with government agencies. The IDPs offer a real opportunity for integrated development programmes and co-ordinated development for most municipalities (Rogerson, 2006: 229). “The IDP processes often reinforce bureaucratic rather than developmental thinking’ (Schmidt, 2008: 123). Thus, it seems as if integrated development planning is becoming an empty formal procedure contributing to ‘institutional overload’ rather than an effective instrument for governance (Harrison, 2008: 324). Accordingly, the CDS (2006a: 12) argue, “it is imperative that the mining sector takes cognisance of the IDPs that have been drafted” and where mines have not so far participated in IDP preparatory processes, this should be remedied in future. In many respects, the IDP can be interpreted as a valuable lens, identifying threats and opportunities in a local economy, and offers a “way of

understanding how the mining sector is perceived and experienced by the larger society, and therefore, how the mines can target their social interventions most effectively” (Rogerson, 2011a :13381). For the mining sector, the focus on IDPs also has a major advantage that it addresses developmental issues *not* from the point of the mining sector itself, but from the point of view of the surrounding communities and the government authorities (Atkinson, 2005).

Though municipal IDPs are particularly promising instruments by means of which mining companies can engage with municipalities and become involved in communities adjacent to mining operations, current and potential municipal functions do however need to be understood clearly by the mining companies in order to identify possible linkages and opportunities for co-operation between mines and municipalities (Atkinson, 2005). Municipalities are guilty often of poor management and frequently of being ambiguous, not making clear the kinds of interventions that the mines should support or providing appropriate detailed plans for their implementation (Rogerson, 2012: 126).

### **3. PLANNING OF MINING TOWNS**

The development-planning practices of mining towns have tended to undermine local interests, participation, and initiatives in local economic development, which has in turn resulted in the creation of communities that are not really part of the decision-making process in the development of such mining towns (Tapela, 2002: 7). Mining towns are often “mono-industries” as the local economic bases of the majority of towns are heavily mining-dependent and thus highly vulnerable to the effects of operational downscaling or closure (Binns and Nel, 2001; CDS, 2005; CDS, 2006b; Marais, 2011).

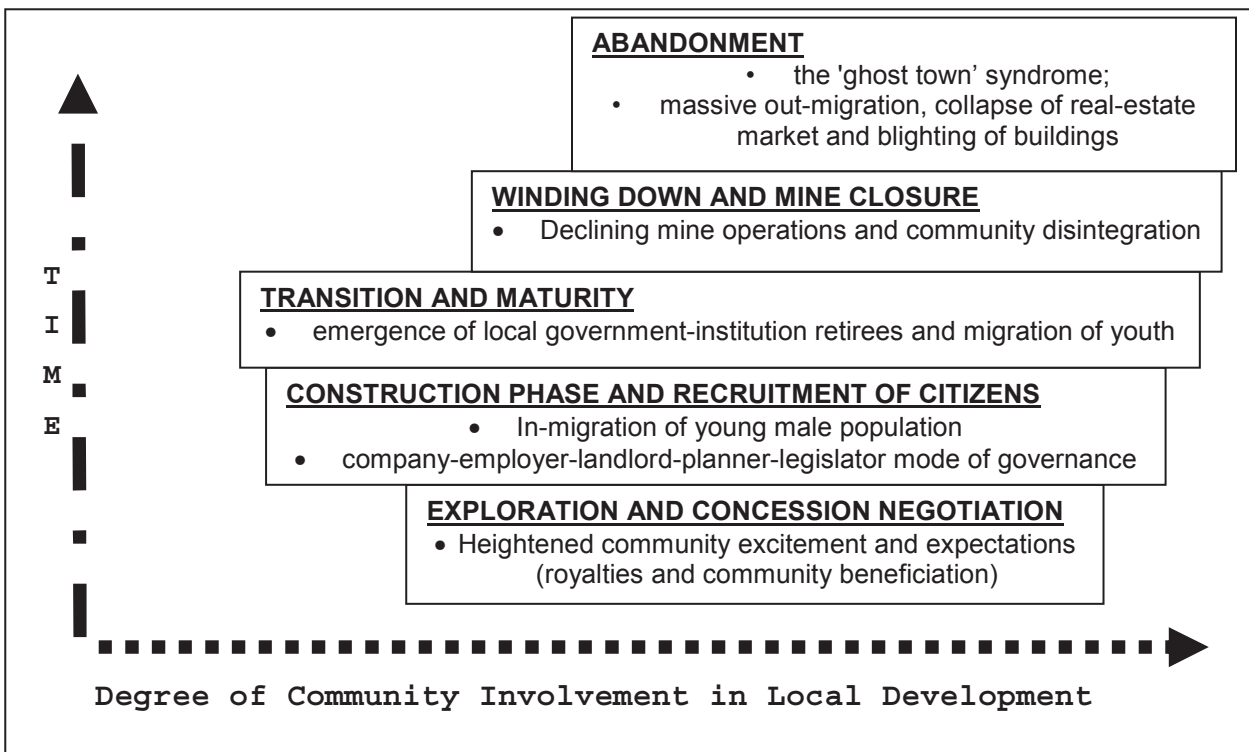
The issue of single-resource towns is a subcategory of the study of small towns. In this research field, two polarised positions have emerged (Baker, 1990; Simon, 1992). Firstly, small towns are seen as centres for the extraction of surplus in the area of capitalist production (Southall, 1988). A second approach conceives small towns as centres with a great potential to promote development in the areas where they are normally located (Rondinelli, 1988). Economic diversification is linked to the promotion of small business and entrepreneurship. The more small businesses there are, the more diversified is the economy. However, diversification goes beyond assistance to a few *ad hoc* beneficiaries. It suggests a more proactive and systematic

attempt to build up new economic sectors (Atkinson, 2005). In small mining towns, the local economy typically depends on the mining activity. Essentially, good planning from the onset would assist in the effective development of the area through each phase.

### 3.1 Phases of development

Development in mining towns and regions can be classified into an exploration phase, construction and recruitment of citizens phase; stabilisation and maturity phase, a declining or winding-down phase, and a recovery or abandonment phase (Schoeman, 1984; 1986; 2003a and 2003b) (see Figure IV.1). This process is a universal phenomenon because all mineral resources eventually become exhausted.

Figure IV.1: A generic model of development in single-resource towns



SOURCE: Tapela, 2002: 10

In addition, mining is susceptible to economic fluctuations. All minerals are demand and supply sensitive, and price sensitive as far as production cost is concerned. Moreover, all mineral resources are dependent on global market trends (Tapela, 2002; McKenzie, *et al.*, 2008: 9).

According to Wilson (2004), the volatility of mineral prices thus produces a resource roller-coaster ride for all communities.

Mineral exploration activity is normally a very secret operation with information being kept highly confidential within companies, and seldom shared with governments or local communities. Such activity starts rumours within communities, which leads to speculative behaviour at exploration sites and regions (Tapela, 2002). Even before the decision to start mining operations, the mere announcement of the presence of mineral ore - of marketable quality and in large enough quantities - sets in motion heightened community expectations in relation to concessions, royalties and other community beneficiation alternatives, like employment and improved services and infrastructure. Such expected benefits are however clouded by threats of in-migration, community disruption and loss of local autonomy.

### **3.2 Consequences of mining development**

There are two schools of thought on the relationship between mining and local economies. According to Rogerson (2011b: 5406), one school of thought which is pro-mining and stresses variously the positive impacts of mining for downstream local industry, cluster formation, for job creation, for technological advancement, innovation and substantial revenue flows (World Bank, 2002; Buitelaar, 2001). This school of thought would obviously support the development of the mining area because of the enhancement of the economic development of the locality. This would therefore cover the Local, and Economic aspects of the “*L-E-P*” model.

A second school of writers stress the negative consequences of mining-led development (World Bank, 2002). Mining has been central to the evolution of the notion that resources can be a curse that gives rise to a lack of development, low growth rates, high economic volatility, internal tensions, human rights abuses, corruption and conflict at the national level (Ballard and Banks, 2003: 295; Girones, Pugachevsky, and Walser, 2009; Rogerson, 2011b: 5406; World Bank, 2002). Among the most prominent issues are *inter alia*, disadvantages associated with specialisation and dangers of vulnerability; the warping of investment policies such that governments end up investing in projects that not only generate low returns but also involve large recurrent costs; and, that revenues from mining can finance and fuel internal conflicts

within a country. The consequences have been collectively called the “Dutch disease” or the “resource curse thesis” (Kuyek and Coumans, 2003: 5)

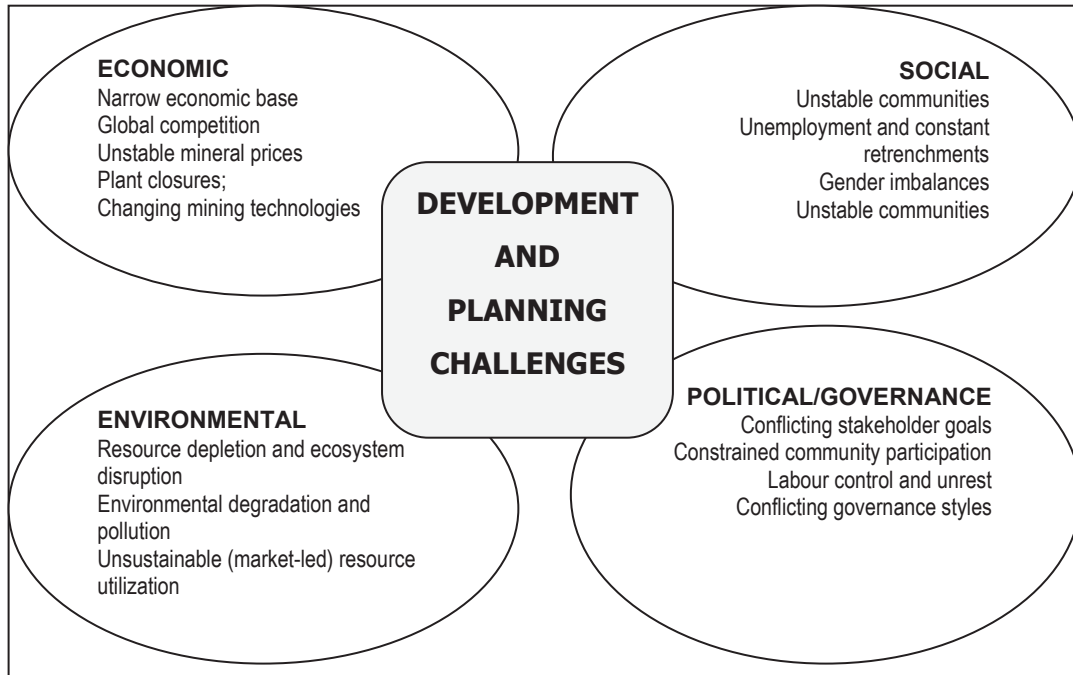
Auty (1993: 1) first provided the label called “resource curse” and systematically demonstrated that “not only may resource-rich countries fail to benefit from a favourable endowment, they may actually perform worse than less well-endowed countries”. The effects on the non-mining sectors of the economy (including agriculture and manufacturing) can be stifling, with exports becoming less competitive because of appreciation of the currency and wages more expensive. This has knock-on impacts on other businesses, as they cannot afford to hire appropriate employees. In terms of political factors, the mismanagement, or inappropriate economic management, of the economic boom is a key factor (Ballard and Banks, 2003: 295). Increased government revenue can lead to myopic policy formulation; greater rent-seeking behavior by individuals, classes, sectors, or interest groups; and the general weakening of state institutions, with less emphasis on accountable and transparent systems of governance (Ross 1999).

The negative consequences of mining development was further summarised by Atkinson (2005). The spending effect encourages spending part of the additional income generated by the mineral boom on non-traded goods and services such as education, health, welfare, and construction. This leads to excess demand since imports are constrained, while local production of traded goods is less profitable and this encourages its relative contraction (Corden, 1984: 363). The resource-movement effect triggers labour and capital to be drawn from other sectors because of higher demand in the mining sector. The technology-substitution effect elicits the cost of labour to increase relative to capital (wages are bid up), leading to labour-substitution technologies. The enclave effect prompts mineral booms and tends to generate few direct externalities. Most investments are channelled into welfare, not manufacturing, creating an almost hermetically sealed mining industry. Lastly, the dependency effect instigates regional economies to develop a dependence on mining revenues. The integration of mining projects into wider regional development planning “can be an effective way to reduce the dependency of a region on the mine and can set a better framework for delivery of social services such as health and education” (World Bank, 2009: 15).

Amid the various socio-political, economic and environmental problems associated with mining (see Figure IV.2), the critical question is not only whether mining can create a basis for

sustainable development (Evans, 1994), but also to what extent local economic and community development is possible in mining towns through proactive planning activities.

Figure IV.2: Planning and development problems of mining towns



SOURCE: Tapela, 2002: 4

Nevertheless, it is generally accepted that the resource curse is not inevitable and that large-scale mining projects can provide an important and sometimes critical boost for economic growth in developing countries as well as help them reduce poverty and engage in the international economy (World Bank, 2002; ICMM, 2006, 2008). Mining towns are often portrayed in the media as offering a grim life for local communities, but there is a significant degree of variation (Wilson, 2004). The emphasis should not only be on the problems to be endured by mining towns, but also on the positive developments with which a mining company can assist the community and the municipality. McMahon and Remy (2001) suggest that large mines create employment directly in both the construction and the operating phase, and indirectly, through the multiplier effect resulting from the demand for goods and services by their employers. Employees usually spend their money in the local economy, generating new cycles of wealth creation. Mining companies usually also invest money in the upgrading of local roads, schools and hospitals.

#### **4. PARTNERSHIPS IN SUSTAINABLE DEVELOPMENT**

Mines should align their initiatives with other relevant agencies (municipalities, NGOs, stakeholders), because many developmental issues transcend the spatial or legal jurisdiction of any one agency (Hamman, 2003: 245). This requires partnerships with various stakeholders like communities and the business sector (Atkinson, 2005). Multi-stakeholder partnerships are encouraged to enhance the potential positive impacts of mining projects for regional and locality development (Essex, McCarthy, and Roe, 2010; ICMM 2010a, 2011).

Among leading international mining corporations, there is a new commitment towards the establishment of partnerships for development (ICMM, 2010a). The growth of partnerships around mining enterprises is evidenced in the *Partnerships for Development*, a global initiative which aims to strengthen mining's contribution to development goals and poverty reduction through the promotion of multi-stakeholder partnerships (ICMM, 2010b). The development of, "more partnerships between companies and other stakeholders can be the most effective way to strengthen mining's social and economic contribution" (ICMM, 2010c: 3). This initiative acknowledges the importance of the "L-E-P" model, as described in the introduction. It is only through partnerships that diversified and sustainable economic growth in a locality is possible. It is imperative that the mining company is seen as part of the local business community, which can then form partnerships with the local government to develop a region or town economically.

Partnerships between companies, local and national governments, development agencies and civil society can help fill capacity and governance gaps where necessary and help to expand, broaden and deepen the overall socio-economic contribution from mining (ICMM, 2010b). Such partnerships can drive progress on issues that companies acting alone may not have the capacity or mandate to address (ICMM, 2010b). Within the mining sector, it was stated that the tri-sector partnership for 'smarter' social investment represented a "new type of product – a unique set of relationships that if properly maintained can increase rates of investment return, create social capital, and produce a continuous set of benefits" (Warner, 2000: 4).

Leading players in the industry are becoming more sophisticated in how they manage socio-economic impacts and the dialogue between mines and their communities (McKenzi *et al.*, 2008: 10). The new focus is to replace patterns of dependency where mining companies

provided for all the needs of a community to establish long-term relationships based on sustainable development and mutual interest (Campbell, 1999). As the existence of trust, regular dialogue and a solid working relationship between mines and municipalities is at the heart of improvements in the state of partnership, the most important policy recommendation relates to a need for improved dialogue and local state–business relations (Marais and Van der Walt 2011; Rogerson, 2012: 131). The Centre for Development Support (2006a: 11) make the important observation that what is needed now is “for the interventions of mines, government departments and municipalities to find common points of contact, so that partnerships can be forged and synergies exploited”. Critical issues to achieve this goal include ensuring transparency and availability of information, the maintenance of democratic and inclusive communication channels, the implementation of co-operative governance; support for partnerships between and within government departments, industry and civil society; and, encouraging multi-stakeholder integrated local level planning (DME, 2007; 2009).

In many poorer areas of the country in which mining takes place, an intermediary organisation needs to mediate the interactions between mines and local municipalities, to ensure that the weight of the mines does not dominate the local state and correspondingly bias the outcomes of these local development partnerships. Rogerson’s (2012) research of 32 mining localities further concluded that there is a need to establish local development forums or local mining development forum to improve the communication and dialogue between mines and local government. However, this does not guarantee co-operation to align the SLP with the IDP of a locality.

The development of uranium mining could thus well hold considerable benefits or negative consequences for the Beaufort West community.



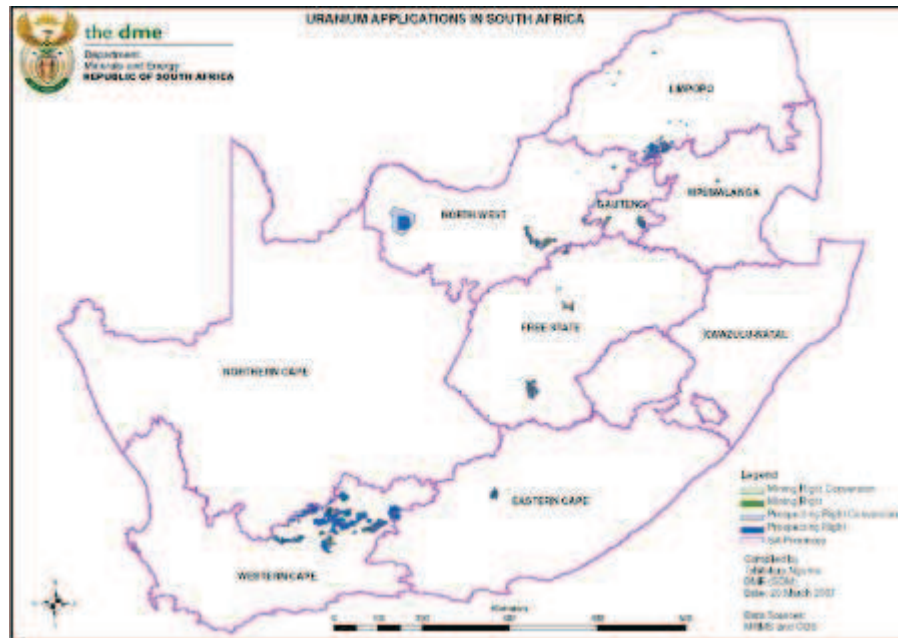
## 5. THE STUDY AREA: KAROO AND BEAUFORT WEST

Uranium in the Karoo has aroused interest for several years. In the 1930s, people in Beaufort West thought they found copper when they saw yellow, orange and green stains on the rocks, but excavation was abandoned with the loss of interest in uranium (Willis, 2003).

The search for uranium was again sparked in the 1970s and trial mining by ESSO continued until the late 1970s (Willis, 2006) when mining was discontinued because of the drastic drop in uranium prices in the 1980s. Prices ranged from approximately \$120 per pound (lb) of  $U_3O_8$  in 1979, to below \$10 in 1989 and \$127 in mid-2007. The price of uranium once again dropped from this high level to a low of \$40 per pound in April 2009 (Real Spot Prices - UXC, 2009). Perhaps this could be the start of another corporate flight of mining companies from the Beaufort West area. Nevertheless, numerous international mining companies have identified the Greater Karoo surrounding Beaufort West for uranium development projects. In view of this, Beaufort West might face a challenge in attempting to address the volatility of mining markets. If the Beaufort West Municipality were to plan for the mineral economy, they would have to come to terms with dealing with such fluctuations. Figure IV.3 below reveals that various prospects exist in the area, with the best-known prospects being located on the farms of Ryst Kuil, Riet Kuil, Waterval, Damsfontein/Bloemfontein and Flagfontein (Karoo Property Invest, 2008). These areas are around Beaufort West. Emerging uranium producer UraMin Inc., now owned by the French company Areva, increased its stake in the Ryst Kuil and Riet Kuil farms (International Atomic Energy Agency (IAEA), 2007; Naidoo, 2007).

Keith Kenyon (Business and Technical Manager of UraMin) stated at the Uranium Africa 2007 Conference that the Ryst Kuil project in the Karoo was likely to achieve 1 350 tons a year of uranium oxide ( $U_3O_8$ ) by the fourth quarter of 2009 (Brown, 2007). This sentiment echoed by Ian Stalker, CEO of UraMin: "We believe that the Ryst Kuil Channel will be developed into a robust uranium mine which could be in full production by 2010" (Moodley, 2007: 1; Venter, 2007). Beaufort West property developer, Derick Welgemoed, a former municipal manager, also noted, "uranium is going to turn the economy of the town upside down" (Blatch, 2006: 3).

Figure IV.3: Uranium prospecting sites in South Africa



SOURCE: Damarupurshad, 2007:13

Beaufort West was established for governance purposes. The town was the first proclaimed municipality in the country in February 1873 (Mayhew, 1982) and subsequently became “a staging post on the road from Cape Town and Johannesburg” (Mayhew, 1982: 80). Most people view Beaufort West merely as a transit town between the north and the south. However, if uranium mines were to commence production in Beaufort West, the town may be radically transformed. The key question thus pertains to the nature of the impact the uranium mine will have on Beaufort West and the surrounding Karoo area. It is important to consider the question of mining in relation to other factors that are likely to influence the changes in the town.

Mere rumours of mining in an area could change thought patterns of people in an area. People involved in business are always looking for opportunities. A mining development near a town could cause drastic mind shifts among business owners. During a business survey conducted in 2007 in Beaufort West, business owners were asked about their opinions on the impact that a uranium mine near Beaufort West could have on the macro environment. During this period, rumours started circulating near the town about the possible prospecting sites of the uranium mining companies. The table below reveals these findings.

It seems as if most of the respondents (93%; N=118) were aware of future plans to establish uranium mines outside of Beaufort West. The respondents were asked for their opinions on the impacts (positive, unchanged or negative) that the mine will have on the macro-environment of the Beaufort West community. Their responses are summarised in the table below.

*Table IV.1: Business owners /managers' opinion on the impact of uranium mine near Beaufort West on the macro environment*

Macro environment	Positive	Unchanged	Negative	Reason	%
Economic	94.7	4.4	0.9	Employment	37,7
				Business will grow / economic growth	26,0
Social	70.7	13.1	16.2	Entertainment (restaurants, sports clubs)	33,3
				More social problems (crime, prostitution, drunkenness, job seekers)	22,2
Environment	44.5	14.8	40.7	Health hazard (pollution, radiation, allergies)	21,3
				More people / more development	14,9
Political/ government	55.3	34.2	10.5	Better governance – invest in town	30,3
				Community benefits – employment, less poverty, infrastructure	21,2
Technology	89.4	9.4	1.2	More skilled labour/skills/exposure to knowledge	34,9
				Benefit for community (airport, computers, use local business)	25,6
International	90.2	8.5	1.2	Export/ international market	27,7
				Investors / money into town / international recognition	25,5

Table IV.1 reveals that most of the responses were very positive (economic, social, technology, international) about the economic implications of possible uranium mining. Opinions were only divided on the impact of the mine on the environment (44%; N=36 positive and 41%; N=33 negative) because some respondents felt that the environment could be improved by more people and more development (14,9%; N=7), whereas 21,3%; N=10 considered the mine to be a health hazard. There were also a number of respondents (16,2%) who were slightly negative about the social aspects. Respondents noted that there would be more entertainment available (33,3%; N=3), but then also more social problems like crime, prostitution and drunkenness (22,2%; N=2). Some of the respondents (10,5%; N=3) were negative about the political

environment, stating that there would be conflict between those for and those against the mining activities in the area. Other positive aspects highlighted by the respondents were employment, (37,7%; N=29) economic growth in town (26%; N=20), benefits to the community – infrastructure, less poverty (21,2%; N=11), increased exposure to knowledge and skills transfer (34,9%; N=15), and international investment and recognition (25,5%; N=12).

The respondents were also positive about the potential impact of a mine on their business (55,6%; N=70) indicated that the mine was sure to have a big impact on their businesses in the future. This can be compared with the 34,1% (N=43) who indicated the mine would have a small impact and furthermore with the only 10,3% (N=15) who indicated the mine would have no impact on their business.

### **5.1 Addressing regional and sustainable development**

Sustainable development could be maintained in Beaufort West by, firstly, bearing in mind that this Karoo town is considered as a service town for the surrounding area. This is perhaps the reason why the town was initially established and has subsequently survived, and even thrived, over several years. The town should therefore, even if there is further development into a mining town, be used as a service town. The challenge is for small towns to determine their own destiny even when subject to powerful external economic influences (Daniels, 1989).

Beaufort West is also seen as a headquarters for the Central Karoo region in terms of government departments and therefore there will always be people employed in the various departments to service the region. Tourism is another sector that is starting to boom and set to develop into a lucrative area for the development of the town.

The crucial factor is that Beaufort West should not depend on the mine for economic development but should rather diversify its resources and build on the potential developments that are already in place: “Each community has to tailor a development strategy and programme to meet its own needs and goals” (Atkinson, 2009: 36).

## 5.2 Development of Beaufort West into a sustainable mining town

In 2005, a research study was conducted to determine the growth potential of towns in the Western Cape (Van der Merwe, *et al.*, 2005: 48, 53 and 74). One hundred and thirty-one towns in the Western Cape were evaluated in accordance with a set of quantitative and qualitative variables, synthesised as indicators of urban development. Beaufort West ranked very high on qualitative growth potential. Such high-ranking towns are typically towns experiencing sustainable growth, and can potentially function as regional centres. They operate as service providers to a relatively extensive hinterland.

Beaufort West ranked only 29<sup>th</sup> (out of 131 towns) in the Western Cape, in the quantitative development index. Of the 131 urban places in the Western Cape Province, Beaufort West ranked high in terms of infrastructure and institutional services (ranked 6) and transportation and communication infrastructure (ranked 10). However, the town ranked medium to low in terms of the natural resources (rank 102 - astonishingly – since this assessment failed to recognise the presence of uranium), regional vitality (rank 113) and economic sectors (rank 120). For Beaufort West, the report recommended an investment pattern focusing on infrastructure investment and on government investment to promote social capital, mainly health and education. Beaufort West was recognised as a regional centre, which is a centrally placed town serving the daily needs of a surrounding farming community, and an agricultural service town, serving several lower-order settlements with higher-order services and goods over a relatively extensive spatial sphere of influence. Typically, the Western Cape Provincial Government describes Beaufort West as the “northern gateway to the Cape” (Van der Merwe, *et al.*, 2005: 76). The potential impact of the mine was never considered in this study, and therefore a key element of Beaufort West’s economic potential remained unrecognised.

It seems that Beaufort West is currently in the midst of such a pre-mining phase. Rising property prices are already the first sign of the booming economy and of the expected benefits to the residents of Beaufort West (Business Trust and Department of Local Government, 2007: 43). There are great expectations regarding both the operations of the mine and its potential impact on the town. Typically, the local community appears to concentrate largely on the positive aspects, while neglecting to consider the social ills that might accompany mining.

Co-operative governance is therefore needed to be able to create linkages between the government and civil society, as well as between sectors and between “spheres of government” (Frödin, 2009: 302). This can be referred to as multiple dimensions of co-ordination (Edigheji, 2003: 73). This provides a mechanism for feedback, information sharing and co-ordination between the government and civil society organisations. Therefore, it would be important for all the spheres of government to work together to achieve the development of Beaufort West into a sustainable mining town.

The most significant of the three levels in respect of the mining of the uranium located near Beaufort West, is the local municipality. According to the *Municipal Systems Act* No. 32 of 2000, Chapter 5, local municipalities in South Africa are required to use "integrated development planning" (IDP) as a method to plan future development in their areas (RSA, 2000). Integrated development planning is an approach to planning that involves the entire municipality and its citizens in finding the best solutions to achieve good long-term development (Education and Training Unit (ETU), 2008). It also cuts across sectors, and is meant to commit national and provincial sectoral departments to development decisions taken within the municipal IDP (South African Local Government Association (SALGA) and Gesellschaft Technische Zusammenarbeit (GTZ), 2006: 37). Mohan (2007: 99) captures that there is a “lack of alignment between local micro plans and needs, the provincial meso plans and priorities and the macro national programmes and strategies”. One of the reasons why an IDP should be developed is that the various spheres of government are encouraged to work in a co-ordinated manner to tackle the development needs in a local area.

The *Intergovernmental Relations Framework Act* (No. 13 of 2005) was passed to make sure that the principles in Chapter Three of the Constitution (RSA, 1996) on co-operative government are executed. The Act pursues to set up mechanisms to co-ordinate the work of all spheres of government in providing services, alleviating poverty and promoting development (RSA, 2005). Various intergovernmental forums were developed in all nine provinces and at some district municipalities (Edwards, 2008: 91). These forums are consultative organisations designed to facilitate intergovernmental dialogue on matters of mutual interest, such as the enactment of national policy and legislation, the co-ordination of development planning and the co-ordination and alignment of provincial and local strategic and performance plans. However, some of these forums exist merely in name. A lack of committed attendance, lack of effective communication,

a top-down approach toward local development, misperceptions that the forums are platforms for the district to assist itself in its role with local municipalities contributed to the ineffectiveness of these forums (Jordan, 2006:76).

From the Western Cape PGDS it appears that provincial government has not at all reflected on how mining can affect either the provincial economy or the local communities in the province. A great deal more of thinking needs to be done, and mining companies would be well advised to initiate such a process with the provincial government. According to Atkinson (2005), the issue of how mining impacts sustainable development has clearly not been addressed adequately at the provincial level. The most important reason for this is that mining falls under a national department (Department of Mineral Resources), without there being a corresponding provincial department. A different situation obtains in the Agriculture and Industry sectors because they have provincial counterparts. Like the Departments of Labour and Land Affairs, the Department of Mineral Resources have strong regional branch offices but report to national government.

The IDP of the Central Karoo District Municipality is therefore supposed to contain plans for the sustainable development of the area in terms of the mining expansions that could take place. However, there was not a single reference to mining or to the development of mining in the Karoo area in the IDP of the Central Karoo District Municipality for 2002-2006, nor is there for 2007-2011 when most of the mining initiatives were considered (Central Karoo District Municipality, 2002; 2007).

Although the Beaufort West Local Municipality did not make mention of mining activities in their previous IDP (Beaufort West Municipality, 2002), there are a few suggestions in the current (2007-2011) IDP which are somewhat reassuring. Though it was mentioned that housing backlogs would decrease by 80% between 2007 and 2009 because of the special focus to provide RDP houses (Nkungwana, 2007: 32), this investment in housing did not result from mining initiatives. Thus, even if the decrease in the housing backlog admittedly is a positive development for the town, the challenge of housing supply will become even greater amid increased economic development, at least partially due to mining investment in the town.

Furthermore, the IDP has noted that the infrastructure of the town should be investigated because of the unsatisfactory levels of service delivery that already exist, not to mention the

developments that are already in progress or are still to take place. These services include poor road conditions, poor drainage systems, power failures or lack of power, and a lack of sufficient water. This may be exacerbated by increased population figures due to mining. On the other hand, local mines would pay municipal rates, which may, in the longer term, lead to more municipal revenue available for infrastructure maintenance and expansion. Of course, this will depend on the municipality being able to utilise this revenue stream effectively, and not squander it in politically-motivated investments or expenditures.

There are no real plans of action incorporated into the IDP to solve these problems in respect of infrastructure, which could even become worse and cause a greater dilemma if the mine officially opens and goes into full production. This is cause for concern in terms of the sustainable development of the area. Beaufort West currently has an annual economic growth of 3% (Business Trust and Department of Provincial and Local Government, 2007) and the municipal plans predict a future increase to result from the new developments in the area, such as the uranium mine, mall, and airport upgrade. In the IDP, the municipality predicts that the town's demographics could change with the influx of mining personnel and people seeking employment in the mining sector (Nkungwana, 2007: 21). The IDP also highlights many social problems, like high unemployment rates, illiteracy, poor health services, domestic violence and moral degradation. It can be predicted, based on past mining-town experiences, that domestic violence and moral degradation will increase dramatically with the influx of mineworkers to the town. These aspects should be emphasised in the planning processes of the municipality, yet these factors are only briefly mentioned in the IDP and no plans of action have been put in place to solve any of the mentioned predicaments. In agreement with Heller (2001: 144), IDPs therefore serve "largely as instruments for exerting bureaucratic and political control and as vehicles for marketisation rather than as institutional spaces for democratic mobilisation". This weakens South Africa's intergovernmental relations system in forging co-operative government in integrated planning (Mello and Maserumule, 2010: 292).



## 6. **CONCLUSION**

Interesting times lie ahead for Beaufort West and the surrounding Karoo area. The mining companies have shown significant interest in the extraction of uranium in this area. At the same time, civil society and the business community are also excited about the “mine that might be coming” to change the development of the town. What is alarming though, is the fact that the government (both provincial and local) has done little to plan for this event in the Karoo. Surely, this should be a cause for concern to the local municipality. The Beaufort West Local Municipality, the Central Karoo District Municipality and the Western Cape Provincial government together face the prospect of an economic “roller coaster” being set in motion in one of the most important Karoo town in the province.

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# CIVIC CULTURE AND LOCAL ECONOMIC DEVELOPMENT IN A SMALL TOWN

## PAPER V: THE ‘U-TURN’: BUSINESS CONFIDENCE IN A KAROO TOWN

### *Abstract*

Business confidence helps explain the sentiments that business owners or managers have towards current and future business conditions. This will in turn enhance or be detrimental to the local economic development of a region. This paper compares several ways of measuring business confidence. Business confidence is mostly surveyed at the level of the nation-state rather than at the level of municipalities or towns. This paper provides a methodology for business confidence surveys at the local level. This approach has been piloted in the town of Beaufort West in the Karoo area of South Africa. The paper will compare the results of the 2007 and 2009 study in terms of the opinions of business confidence in Beaufort West. There are plans for a new uranium mine near Beaufort West, and the researcher speculates on its impact on the broader local business confidence.

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# **PAPER V: THE 'U-TURN': BUSINESS CONFIDENCE IN A KAROO TOWN**

## **1. INTRODUCTION**

*"The man who has confidence in himself gains the confidence of others."*

Hasidic Proverb

Generally, very little comparative and academic research has been conducted to date in respect of business confidence (Aylmer and Gill, 2003: 6; Collins, 2001: 3; Raut, 2009:255). Those indexes that do exist have been constructed in terms of countries, with very few focusing on the regional or the sub-regional level. Yet, business confidence is an important consideration for future entrepreneurs and policy-makers, as it indicates perceptions about the potential profitability of business in a specific locality (Kershoff, 2000; Pellissier, 2002). This, in turn, can have a major impact on employment patterns and local economic development (LED) of a town. Business confidence relates to the economic development of a locality, therefore concentrating only on the L (Locality) and the E (Economic) elements of the "L-E-P" model.

This paper firstly gives an overview of the concept of business confidence and subsequently explains how business confidence is measured in different countries. It then describes the three methods that are utilised in South Africa for the measurement of business confidence. Most measures of business confidence refer to a country as a whole, but the researcher has adapted this methodology to suit the situation of a local town. The Karoo town of Beaufort West offered a good opportunity to test the methodology in that there were plans to open a uranium mine near Beaufort West in the near future. It was therefore an ideal time to investigate the business confidence and morale of the business community. The business confidence was measured in 2007 as well as 2009. The methodologies of the two studies will therefore be used to make comparisons about changes in the local business environment (Santero and Westerlund, 1996: 5) as well as the levels of business confidence in Beaufort West. The researcher investigated the confidence that the business operators have in the present and future opportunities in the town and the present business conditions in Beaufort West.

Used at the local level, a business survey is an important and effective tool for stimulating and sustaining regulatory and administrative reforms. A business survey reveals and

prioritises "in an easy-to-understand way the regulatory and administrative bottlenecks to private sector development" as well as initiate and feed into public private dialogue processes (Kaufmann, *et al.*, 2008: 4). Business surveys, especially when analysing business confidence, may enhance of the social dimensions in LED. Surveys provide good reasons to induce dialogue and processes between local governments and the private sector of an area. Therefore, an increased business confidence would enrich the likelihood of people working together because of the trust and loyalty that they have within the area.

## **2. BACKGROUND AND THEORETICAL FOUNDATION**

### **2.1 What is business confidence?**

According to Pellissier (2002: 52), business confidence means "the degree of sentiment towards risk-taking by business for whatever reason". The concept of business confidence is a valuable tool for measuring the prevailing economic climate. Research has shown that business-conditions surveys (the term preferred by Aylmer and Gill, 2003: 19) help us to predict business behaviour (Collins, 2001: 1). An increase in business confidence might increase private investment in fixed capital goods, which will also eventually support economic growth. A decline in business confidence suggests that people are uncertain about the prospects of their company's performance and in the business-environment within which the company operates (Aylmer and Gill, 2003; Kershoff, 2000: 2-4).

Confidence levels do not always play a major role in the analysis of economic behaviour (Santero and Westerlund, 1996: 5), because their subjective nature elicits questions about the solidity of the assessments. However, it is also widely recognised that these subjective individual expectations play a key role in local economic developments. Longitudinal data are also a useful means of comparing sentiments at different points in time and of providing a means of tracking cyclical movements by pinpointing trend changes and establishing forecasts (Kershoff, 2000: 2). Business surveys provide quantitative as well as qualitative indications about a range of issues relating to economic conditions. Business people will only consider investing in an endeavour if the conditions (within the broader economic environment) are favourable.

Therefore, according to Pellissier (2002: 52), business people consider their perceptions of the prevailing business conditions and of future expectations. There are essentially two ways of expressing the measurement of business confidence. Firstly, in a formal way, business confidence refers almost exclusively to a composite time series compiled from the results of

a qualitative business tendency survey (such as the Bureau for Economic Research [BER] surveys) or quantitative series (such as the South African Chamber of Commerce and Industry [SACCI] index). These concepts are discussed later in the section on measuring business confidence in South Africa. Composite series are mostly good business cycle indicators and consequently track the growth in gross domestic product (GDP) and private investment well over time.

Secondly, business confidence refers to the views of business people at a specific point in time. In this way, simple and rapid interviews (in the form of short questionnaires) are conducted with business people. This is the definition used to explain the situation in the case study discussed in this paper (Beaufort West and uranium mining). The information requested in such interviews relates to judgement on recent trends, on current business conditions and on expectations for short-term developments (Santero and Westerlund, 1996: 5). It can also be compared with other periods. Questions are generally formulated as multiple-choice questions, requesting answers of the type 'up', 'same', 'down', 'improved', 'unchanged' or 'worsened'. Aylmer and Gill (2003: 2) note that businesses may be asked to report on how confident they are about the future, as well as on more specific aspects of their business, such as actual and expected sales, profitability, employment and capital expenditure.

## **2.2 Business confidence in various countries.**

Business-confidence surveys are currently conducted in almost 60 countries. Research and progress made in respect of the business-survey technique are presented every 18 months at an international conference organised by Ciret (Centre for International Research on Economic Tendency Surveys). Today, the business-survey technique has high standing among academics, business people and policy-makers in South Africa and abroad (Kershoff, 2000: 1).

In the United States, the National Association of Purchasing Managers' Report on Business Purchasing Managers' Index is based on the percentage of positive responses. The reason why this monthly report on business is so highly respected is that it is based on hard survey data rather than on conjecture (Collins, 2001: 3). The Business Survey Committee, comprising more than 300 purchasing and supply executives from across the country, provides its views on business trends. Members of the committee respond anonymously and confidentially to a monthly questionnaire designed to elicit fact – rather than opinion – about changes in production, new orders, new export orders, imports, employment, inventories,

prices, lead times and the timelines of supplier deliveries in their companies, comparing the current month with the previous month (Institute of Supply Management, 2008).

The Index of Business Confidence, the quarterly survey of chief executive officers (CEOs) of Canadian business organisations, uses a confidential questionnaire mailed to the CEOs of approximately one thousand Canadian business organisations. The questionnaire includes both general attitudinal questions designed to measure people's perceptions of the current economic environment and questions on investment intentions and their determinants (Conference Board of Canada, 2008). The percentage of respondents who stated positive opinions (belief that the financial situation of a business will improve) and negative ones (worsening of the financial situation of a business) is calculated for each of the ten attitudinal questions.

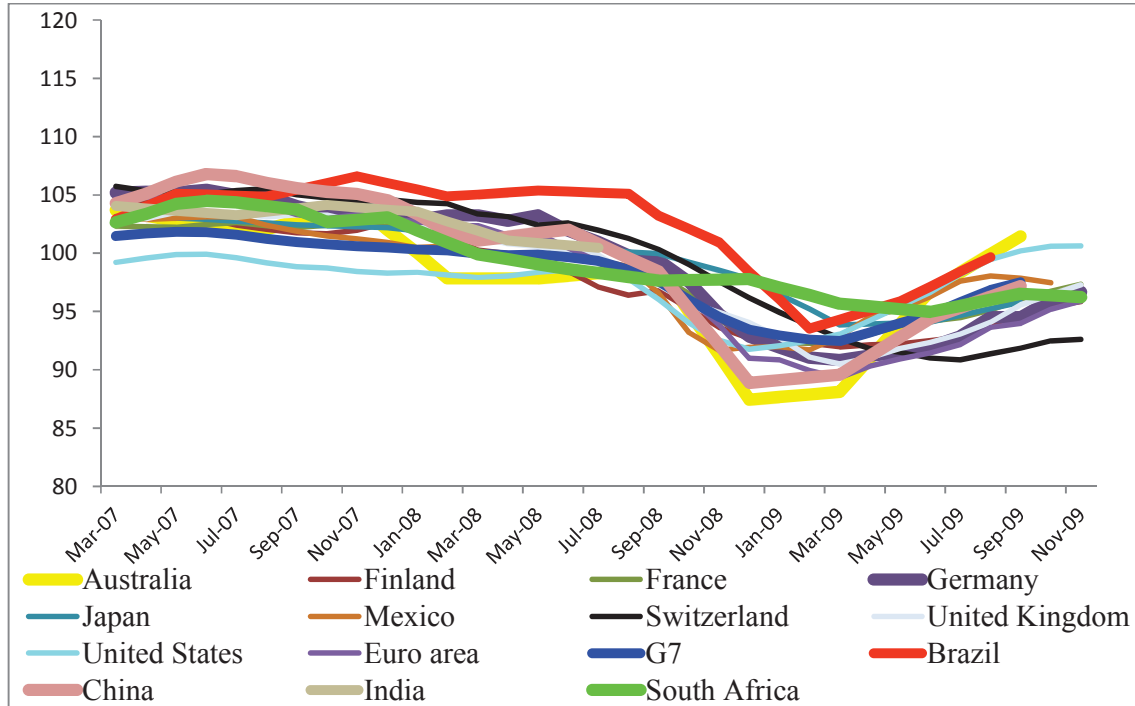
In Germany, the IFO (Institut für Wirtschaftsforschung an der Universität München [Institute for Economic Research at the University of Munich]) Business Climate Index is based on the percentage of business executives who answer 'good', as compared with those answering 'poor'. The IFO Business Climate Index is based on 7 000 monthly survey responses of firms in manufacturing, construction, wholesaling and retailing (Collins, 2001: 3). The firms are requested to give their assessments of the current business situation and their expectations for the next six months (Institute for Economic Research, 2008).

The National Australian Bank publishes a monthly survey generated from economic data on where business confidence in Australia stands (Aylmer and Gill, 2003: 6; National Australian Bank, 2008). In 2007, Precision Group International also launched a small-business survey measuring how much confidence small businesses have in the economy and gauging their sentiments about operating a business in Australia (Costello, 2007). In Japan, the Tankan All Enterprises Survey is a notified statistical survey submitted to the Minister of Internal Affairs and Communications in accordance with the Statistics Law (Law No. 18 of 1947). The survey is conducted to provide an accurate picture of the business trends of enterprises in Japan, thereby contributing to the appropriate implementation of monetary policy (Bank of Japan, 2008). The survey is conducted quarterly. The population of the survey is approximately 210 000 private enterprises (excluding financial institutions) in Japan with at least 20 million yen in capital (Collins, 2001: 3). The survey (conducted in June 2004) is based on a document – Establishment and Enterprise Census of Japan – developed by the Ministry of Internal Affairs and Communications. It is an aggregate based on the percentage of respondents answering 'favourable' or 'unfavourable'.



Figure V.1 compares various OECD (Organisation for Economic Co-operation and Development) countries' standardised Business Confidence Index (BCI).

*Figure V.1: Reflection of business confidence in selected OECD and other countries*  
(March 2007–November 2009)



Source: OECD (2010)

Figure V.1 indicates that during 2008, most of the countries experienced a drop in business confidence (standardised) due to the world economic recession. Each of the countries reached rock-bottom low business-confidence ratings between November 2008 and March 2009. South Africa's business confidence levels only reached the lowest mark in June 2009, and this 'low' (of 94.96) was not as low as levels in some other countries (for example, China, where levels dropped to 88.89; and Australia, where levels dropped to 87.88). Moreover, South Africa experienced a gradual drop, rather than a drastic drop in confidence levels as in Brazil (from 105.11 in August 2008 to 93.51 in February 2009). At that time, economists predicted that the confidence levels would turn around and would rise consistently into 2010 at a steady rate for most of the countries. As has been seen, the business confidence levels of all the countries indeed turned upwards and are steadily increasing.

The Bureau of Economic Research Business Confidence Index (in South Africa) also measures the percentage of respondents who rate prevailing conditions as satisfactory rather than unsatisfactory. The next section elaborates on how business confidence is measured in South Africa.

In South Africa, there are three instruments for measuring business confidence. Data is available in terms of the index developed by the Bureau for Economic Research (BER) at Stellenbosch and the instrument developed by the South African Chamber of Commerce and Industry (SACCI) – formerly the South African Chamber of Business (SACOB). The business-confidence index for the South African small, medium and micro enterprise (SMME) sector (developed by Africa Growth Institute) was only developed recently. Table V.1 compares the three indicators.

The SACCI business-confidence index (BCI) is a composite index of weighted, adjusted, monthly economic data from 13 economic sub-indexes. The following indicators have been judged by business to have the greatest bearing on the business mood: liquidations, manufacturing, exports, imports, vehicle sales, retail sales, construction (buildings), inflation, share prices, private-sector borrowing, real financing cost, precious metal prices and the Rand exchange rate. These indexes may be used in combination so as to enable one to predict the confidence that the business community has in doing business – it reflects on the business conditions in which they conduct business or transactions. The BCI is a market-related index that reflects not what business is saying but what it is doing and experiencing (Pellissier, 2002: 55). It seeks to reflect the net result of influences of positive or negative business moods by economic developments (SACCI, 2008).

The BER survey results are obtained from questionnaires sent to approximately 1 400 senior executives in the trade, manufacturing and building sectors. The response rate is about 50%. A panel data set is established, because the same executives complete the questionnaire every quarter. The participants are reviewed to ensure that the company is classified correctly according to turnover and sector representation (Kershoff, 2000: 2). The BER takes the gross percentage of respondents that rated prevailing conditions as satisfactory as an indicator or proxy of business confidence.

The composite business confidence index is the unweighted mean of the five sectoral indexes, namely that of manufactures, building contractors, retailers, wholesalers and dealers in new vehicles. The method employed by the BER essentially implies that "changes in confidence lead to changes in action" (Kershoff, 2000: 3). Economic growth in South

Africa is partly dependent on the expansion of the SMME sector (Biekpe, 2007a). By measuring the degree of confidence in this sector, one is able to determine the assessment by businesses in the sector of the conditions in which they operate. Other BCI surveys tend to focus on large businesses, while SMMEs, by official definition, employ fewer than 200 employees.

The SMME BCI is a short-term predictor by small-business owners, policy-makers, researchers, analysts, banks and investors. It serves as a tool to enable analysts to forecast success in the SMME sector; it gives insights regarding business trends and the performance of smaller businesses; and it identifies the main issues and challenges affecting small-business development in South Africa (Africa Growth Institute, 2007). The sample is drawn from various databases – Department of Technology and Industry (North West Province), Kimberley Business Service Centre databases, Western Cape Chamber of Commerce and Industry, Economic Development and Tourism Database, Mpumalanga Provincial SMME databases and the Yellow Pages. Questionnaires are sent to managers or owners of SMMEs (in the industrial, trade and services subsectors) to indicate whether trends in attributes have gone up, gone down or remained the same. The BER and the SMME business surveys are similar because both are determined by perceptions of business people in respect of the following: satisfaction or dissatisfaction with business conditions (BER) and employment trends; financial situations; new orders/contracts; stock levels; and increasing or decreasing levels of demand for services and products. These two surveys are also both conducted quarterly. In terms of the BER, respondents in the retail, wholesale, motor trade, manufacturing, building and construction sectors are requested to rate current business conditions as either 'satisfactory' or 'unsatisfactory'.

The Business Confidence Index is derived as the gross percentage of the respondents returning responses of 'satisfactory'. The SMME indexes are divided into the industrial, trade and services business sectors. It is important to take into account all three of these confidence indicators, because the hard economic data are not always readily available; the sentiment indicators are useful from a 'storytelling' point of view, because they mirror movements in economic variables and appear to offer support for projections often based on solid evidence (Santero and Westerlund, 1996: 5).

From 2000, all the business confidence indexes in South Africa suggested that confidence levels were steadily improving, and in 2006/7, levels were indeed very high. Towards the end of 2007, however, business confidence started declining dramatically (Cape Business News, 2008; SACCI, 2008). This could be due to several macro-environmental factors such

as the electricity hikes by Eskom, the rise in interest rates, the political turmoil in Zimbabwe, the higher fuel and food prices, the rise in inflation, the world recession and the decrease in international investments (Mail and Guardian Online, 2008; Rand Merchant Bank (RMB), 2008: 2). South Africa's business confidence levels only reached the lowest mark in June 2009 (94.96), and this was the lowest mark in ten years (Mail and Guardian Online, 2009; RMB, 2009: 2). Economists predicted that confidence levels would turn around and would rise consistently into 2010 at a steady rate for most of the countries.

In South Africa, business confidence is generally only measured in the context of the entire country, and sometimes separated in terms of the nine provincial jurisdictions of South Africa. Business confidence is never measured in a smaller entity, such as a municipality or a town. This paper deviates from the norm in that it attempts to measure business confidence within one town, namely the Karoo town of Beaufort West in the Western Cape Province of South Africa.

### **3. TOWN-BASED BUSINESS CONFIDENCE.**

Generally, very little comparative and academic research has been conducted in respect of business confidence (Aylmer and Gill, 2003: 6; Collins, 2001: 3; Raut, 2009: 255). The indexes that are used are generally only constructed in terms of a country as a whole; very few are constructed at the regional or even sub-regional level. The Small Business Research Board (SBRB) in the United States of America (USA) developed a National City Small Business Confidence Index for business surveys conducted with various small businesses in different cities across the USA, with a view to comparing the regions (SBRB, 2010). These surveys, comparing a small entity, also always form part of the larger survey studying other economic factors. Examples include the measurement of regional competitiveness in the West Midlands region in England (Moll and Worrall, 2001); the study of corruption in Hong Kong (Wilson, 1995: 63); and the economic profile and opinion poll in Long Island, New York (Long Island Business News, 1998: 24).

Megha Raut (2009) tried to develop an 'out of the box' inventive model in the case of Alice Springs, Australia to be able to form a meaningful picture of the economy of the town. She mentioned that baseline data were difficult to obtain in respect of small regions, because of the population size and importance for the national interest (Raut, 2009: 251). A good example of a similar case in South Africa could be the research study conducted to determine the growth potential of towns in the Western Cape (Van der Merwe, *et al.*, 2005: 48, 53 and 74; Van der Merwe, Ferreira and Zietsman, 2005). One hundred and thirty-one

towns in the Western Cape were evaluated in accordance with a set of quantitative and qualitative variables synthesised as indicators of urban development.

A business survey was also conducted in Graaff-Reinet and Aberdeen (Atkinson, 2006) to determine business conditions in these Karoo towns.

Similar to the BER Business Confidence Index in South Africa, the survey of business owners and managers of Beaufort West tested perceptions of business people by evaluating their satisfaction or dissatisfaction with business conditions. The BER asks the business to indicate whether they are satisfied with prevailing business conditions and whether certain factors have improved, remained static or declined. The same questions were asked when the Beaufort West businesses were surveyed. Although BER is measured quarterly, the case study discussed in this paper is a measure that was done two years apart at a single point in time. It is recommended that the survey be repeated several times to establish a longitudinal study for comparative business cycles. However, a clear picture can now be established of how owners and managers of businesses assess the future economic prospects of the town, which could have social as well as political implications.

The case of Beaufort West is unusual in that (1) it is a relatively small and remote town (compared with Hong Kong and New York), and (2) it is in a developing country. This raises the issue of whether additional factors should be taken into account in a business survey. For example, a smaller scale local survey includes a considerable amount of data on race, education and formality of business. This is very unusual in a business-confidence study. When a researcher does a business-confidence study in a small, remote or underdeveloped area, this type of background data is important in order to contextualise the findings. In big cities, it is typically business executives and corporate CEOs who respond to quarterly or even monthly business-confidence surveys, whereas in Beaufort West, the respondent could well be a street vendor or the owner of an informal spaza shop run from the 'owner's' home. For the purposes of this study, national business confidence methodologies have thus been transposed to a small and developing local town (namely Beaufort West) with specific stratifications related to business size, sophistication, actual business-orientated respondents and areas in town.

Table V.1: Three business-confidence indicators in South Africa

DETAILS	BER	SACCI (formerly SACOB)	SMME
Comparative period	Quarterly	Monthly	Quarterly
Date of introduction	Since 1975	Since 1985	Since 2005
Type of data	Perceptions of business people	Degree of recent business activity	Opinions of SMME manager and owners
Nature of data	Unadjusted composite raw-data series displaying the percentage of business people being satisfied with prevailing business conditions	Composite index of weighted, adjusted monthly economic data series, selected by business people	Index is a weighted (firm size – number of employees) average of responses to questions on policy factors
Qualitative/quantitative data	Qualitative in nature	Quantitative in nature	Qualitative in nature
Subjective/objective data	Psychological business mood (perception-based)	Investment and stockpile (actual activity of business people) (market-related)	Current and future business sentiment of SMME managers (perception-based)
Substantive data generated	Satisfaction/dissatisfaction with business conditions	Leading economic indicators	Responses to questions on policy factors
Business expectations (ex ante) or business performance (ex post)	Ex ante indicator of economic activity	Ex post indicator of economic activity	Ex ante indicator of economic activity
Source	<i>Kershoff (2000)</i>	<i>Pellissier (2002)</i>	<i>Biekpe (2007b)</i>

Source *Kershoff (2000)* *Pellissier (2002)* *Biekpe (2007b)*

#### **4. NATURE AND PURPOSE OF THE SURVEY**

The purpose of the study was to assess the sentiments of business people in Beaufort West regarding the local economy. The hypothesis tested in this survey was that local business people believed that the establishment of the uranium mine would have a significant impact on the economy of Beaufort West. The researcher hypothesised that the change in business confidence had been due to the people’s belief in the uranium mine and that the people believed that this would in turn lead to economic growth in the town. However, the mine could also have had negative consequences (such as increased crime and health hazards), which could undermine business confidence. In other words, there was possibly no simple equation in the relationship between mining and improved business confidence.

##### **4.1 Research methodologies**

A longitudinal study was developed in order to collect data for 2007 and 2009 to be able to compare perspectives and sentiment as well as to be able to establish a trend (Babbie and Mouton, 2001: 93) of views on the local economy in Beaufort West. These surveys were quantitative (Neuman, 2000) and part of an iterative process whereby evidence is evaluated, and theories and research questions are refined (Hancock, 1998: 2). During 2007, a survey was conducted among business owners and managers to assess their views on the current local economy in Beaufort West. Face-to-face interviews using a questionnaire (with both open-ended and closed questions) were conducted to be able to elicit a broader view of the business sentiment in the town. The questions tried to define the context of the businesses. The interviews were conducted with as many businesses in Beaufort West as possible to compile a representative view of opinions. In the section on the micro-environment, questions pertaining to the main activities of the business, the kind of premises, the number of employees, training, the size of the business, and the expansion of the business were asked. The market environment was investigated by means of questions on the customers, the suppliers and the competitors. Questions about the municipality, the uranium mine and the economy of Beaufort West were asked in order to investigate the external environment.

According to Table V.2, the logistics in 2007 and 2009 can be compared.

*Table V.2: Comparison in terms of logistics in 2007 and 2009*

<b>Year</b>	<b>2007</b>	<b>2009</b>
<b>Sample</b>	300-400	450
<b>Completed questionnaires</b>	129	149
<b>Response rate</b>	43%	45.3%
<b>Completed both surveys</b>	40 respondents (31%)	

## **4.2 Sampling**

According to the Telkom telephone directory, there are approximately 300 businesses in Beaufort West. A 100% response rate is not possible with any business survey because owners and managers are busy people. Therefore, all the businesses were approached, including businesses not listed in the telephone directory, such as spaza shops, taxi drivers, shebeens (taverns) and informal hawkers. The same list that was developed from the telephone book and the 2007 participants was used in 2009. Naturally, numerous businesses closed down and other new doors were opened especially with the new infrastructure made available like the Beaufort West Mall and Beaufort West Square. A comprehensive new list of businesses (approximately 450 businesses) was developed.

## **4.3 Survey logistics**

The Community Development Workers from the Beaufort West District Municipality assisted as fieldworkers to gain experience and to gain access to information about the businesses in the area. They conducted the majority of the interviews with the supervision of the researcher.

## **4.4 Questionnaires completed and response rate**

During the last week of November 2007, a total of 129 questionnaires were completed. The response rate was calculated at 43%. The non-responses were due to a lack of co-operation from business owners. In 2009, 149 questionnaires were completed with a response rate of 45%. The non-response cases were due to the lack of co-operation and unavailability of the business owners. Because of the difficulty with the availability and the willingness of the owners and managers of the business, as well as new businesses closing and opening their doors, forty (31%) respondents answered both the 2007 and 2009 survey.



#### 4.5 The study area of Beaufort West

The town of Beaufort West was established in 1818 on the farm Hooyvlakkte at the request of Lord Charles Somerset, who was then governor of the Cape. Beaufort West was originally established as a service centre for rail and road transport and, to a lesser extent, for rural agriculture. The *raison d'être* for the town's existence was primarily the railways. This orientation is slowly changing and becoming more directed towards the flow of road traffic passing through the town. Beaufort West is strategically situated approximately 450 kilometres northwest of Cape Town along the N1 route that connects Cape Town with Bloemfontein and Johannesburg. Even though both rail transport and agriculture are in decline, the town has managed to maintain a steady level of growth because of the high volume of passing road traffic (Beaufort West Tourism Bureau, 2006). The annual growth trend of the regional (Central Karoo District) gross domestic product per region (GDPR) is generally positive. Santero and Westerlund (1996), as well as Mourougane and Roma (2003), established that there is a linear relationship between real GDP and confidence indicators, and that confidence indicators can be useful in forecasting real GDP growth rates in the short term in 90% of the Euro area (Belgium, Spain, Germany, France, Italy and the Netherlands). The BER Confidence Index also provides a good indication of overall GDP growth and of the overall business cycle in South Africa (Kershoff, 2000: 6). This was confirmed because the real GDP growth varied from 3.1% in 1995 to 3.7% in 2004, and the BER business confidence index improved from 66 in March 1995 to 87 in December 2004 (RMB, 2010). The 3% rate of growth in the GDP of Beaufort West between 1995 and 2004 would similarly have had a positive influence on the town's business confidence. It can therefore also be predicted that the GDP growth rate will increase even further for the following years as a result of the positive sentiment in respect of business confidence.

Pellissier (2002: 54) notes that any change in business confidence could primarily be attributed to the realisation or non-realisation of expectations. Business confidence possibly also increased because of the economic prospects that the uranium mine could bring to the town. The significant average annual growth increase in manufacturing and construction shows that there were already many building activities in the area. This could be due to the expectations regarding mine development or to the introduction of the National Integrated Sustainable Rural Development Programme (ISRDP), in terms of which the Central Karoo became a rural nodal point (Business Trust and Department of Provincial and Local Government, 2007). The prospect of uranium mining dramatically changed the economic prospects of Beaufort West. Given the

rapid rise in petroleum and electricity prices, and the possible turn to nuclear energy generation (Reuters, 2010), the importance of these uranium reserves can hardly be overstated.

It is possible that business confidence was not affected by the rumours of the uranium mine but by other factors, such as the increase in tourist activities in the Karoo. The study on which this paper is based examined the level of confidence of the business community at a time when rumours about and anticipation of the uranium mine were prevalent (November 2007). The study examined whether the proposed uranium mine could potentially have been chiefly responsible for the improvement in business confidence as at November 2007. This study set out to establish the sentiments of the business owners and managers in an attempt to determine the potential impact that the mere rumour of this development had on the business confidence and general morale of the economic environment in this Karoo town.

## **5. FINDINGS**

### **5.1 Comparison of demographics of owners and managers in businesses in Beaufort West**

This section will explore the demographics of the interviewees in 2007 and 2009 in terms of ownership, age, race and gender. The demographic profile of the respondents were very similar in the 2007 and the 2009 survey.

In both surveys most of the respondents (54% in 2007 and 57% in 2009) were the owners as well as the managers of the business. This can further be interpreted that 68% (both in 2007 and in 2009 survey) of the respondents were the owners. The comparison of 2007 and 2009 will be done in terms of the different views that only the owners have – this will then truly reflect the business confidence in terms of confidence to invest in business in Beaufort West.

The age profile of the managers and the owners of the 2007 and 2009 survey seem very similar. There are several owners of businesses that are fairly young (30% in 2007 and 2009 below the age of 35 years). Amongst younger (18 to 25 years old) interviewees, there were more managers (up to 21.3% in 2009) than owners (only 3.4% in 2007 and 11% in 2009). Most of the owners in 2007 (86%) were between the ages of 26 and 55 years whereas in 2009 the age of the majority of ownership decreased (only 19%) between the ages of 26 and 35 years

and increased again between 56 and 65 years old (13%). Therefore, the owners were older and the managers a younger group.

The racial composition was also very similar in 2007 and 2009 survey. Fifty-three (53%) of the respondents were white, 36% coloured and 10% black. In both surveys, the managerial role was dominated by the ownership role in all racial groups. The owners (investor’s profile) as well as the managers (senior employee’s profile) racial division followed the same pattern. The business sector therefore seems to be very integrated in terms of the racial composition of business ownership. The black business forum was fairly active in the town with advice and assistance, especially in 2009. The racial divide in terms of the ownership or being a manager of the business did not seem to be as significant as the gender divide. In both surveys a significant difference ( $p=0.032$  in 2007 and  $p=0.001$  in 2009) indicates that males were more prone to be the owners (67% in 2007 and 68% in 2009) and females (52% in 2007 and 61% in 2009).

However, for this paper it is not important to look at the individual owning the business but rather at the business itself.

## 5.2 Comparison between businesses in Beaufort West in 2007 and 2009

This section compares the perceptions of the business owners/managers of business in Beaufort West. Instead of comparing the main activities of the business respondents in 2007 and 2009, the researcher considered best to rather make use of the comprehensive list developed of the businesses in Beaufort West to analyse the main business sectors.

*Table V. 3: Main business sectors in Beaufort West*

Sector	N	%
Accommodation	41	8.9
Agriculture	12	2.6
Communication	11	2.4
Construction	34	7.4
Food & beverage	44	9.6
Manufacturing	8	1.7
Retail & trade	198	43.1
Services	102	22.2
Transport	8	1.7
Other	1	0.2
Total	459	100.0

It is clear from Table V.3 that most (43%) of the businesses in Beaufort West belong to the retail and trade sector. This is largely based on the need of the poorer community to purchase basic goods for survival. The sector also includes all the garages selling fuel and repair services for the N1 passing through the town. The service sector also contributes to a large degree (22%) which includes the personal, community, financial, and medical services available. Because Beaufort West is a key town on the main road and rail links between Johannesburg and Cape Town on the main N1 route, the accommodation (9%), food, and beverages (10%) sectors should be highlighted. A major concern may be that manufacturing only makes up 2% of the sectors. By developing the manufacturing sector, more job opportunities can be created and this ensures that there are large capital investments made in the town. In the case of Beaufort West this has not occurred. A significant difference ( $p=0.00$  in both 2007 and 2009 survey) between the racial groups is reflected in the nature of their business premises. The majority (61% in 2007 and 56% in 2009) of the black respondents participated in the non-CBD area (working from home or in the street). In contrast, almost all the white business owners or managers (94% in 2007 and 87% in 2009) were active in formal business premises (in the CBD and industrial area). The number of coloureds in formal sites decreased from 60% (in 2007) to 40% (in 2009). This change might be influenced by the number of business owners or managers working from within or next to the home that increased from 10% in 2007 to 15% in 2009.

The owners were asked how long the business has been operating, how long they have been living in Beaufort West and how long they have owned the business. The averages for 2007 and 2009 were very similar in all the cases. The owners of the businesses were resident in Beaufort West on average 25 (in 2007) to 28 (in 2009) years and owned their businesses about 8 years. The average number of years the businesses were operating in Beaufort West was 15 in 2007 and lower (13 years) in 2009.

When the number of years the business exists was correlated with the number of years the owners were resident in Beaufort West, more new businesses were opened by new residents in town in 2009 (71%) than in 2007 (56%). This is an indication that new comers are moving into Beaufort West to establish a business in the town. A significant difference ( $p=0.00$ ) was found in 2009 to illustrate that as the number of years that the respondent is resident in the town increases, the lower the rate of the number of years the business exists. This illustrates that the longer a person lives in a small town, the less likely they are to establish a new business – it is the new comers to the town that brings new ideas and “new life” to the town.

### 5.3 Change in business from 2007 to 2009

The survey also required respondents to compare the business environment with the situation two years previously (in terms of clients, business conditions, sales, employees and profitability). The greatest difference in opinion between the business owners/managers interviewed in 2007 and 2009 was the issues around changes that took place in the business over the past two years.

According to Table V.4, in 2007, all the respondents seemed positive in most of the aspects (above 60% exemplified that the number of clients, general business conditions, sales and overall profitability increased in the past two years (2005-2007)). The only feature that the majority of respondents highlighted that remained static was the number of people employed in the business (55%). In contrast, in 2009, the optimism from the previous two years declined drastically. Only 39% of the respondents pointed out that the number of clients as well as the number of businesses had increased. A similar percentage (33%) of the respondents also felt the opposite (that the number of clients decreased).

In terms of the sales, 41% of the managers/owners noted that it had decreased in the past two years. An even more radical change of attitude can be seen with regards to the overall profitability of the business, only 20% of the respondents were of the opinion that the overall profitability of the business increased whereas a phenomenal 50.4% of the respondents pointed out that the overall profitability of the business decreased in the past two years. In the 2009 survey, respondents were asked to elaborate on the reasons for the changes that have taken place in the past two years. The majority (35%) believed that it was the economy and the recession. Furthermore, the owners/managers also deemed that it was unemployment and poverty (16%) that was the source of the negative change. The positive facets of the reasons were the expansion of the town (tourism and trade) (12%) and the professional service given by the business (13%).

When evaluating the opinions of those respondents (N=40) that completed both the 2007 and 2009 surveys, the outlook seemed very similar to that of the entire sample when glancing at the thoughts on the increase or improvement of the business over the past two years. There were two aspects where their opinions did differ from that of the rest of the business owners/managers, namely the general business conditions and the number of people employed

in the business. The group that completed both surveys were of the opinion that the general business conditions decreased (45%) and the entire sample thought these conditions remained static (42%) between 2007 and 2009. In 2007, more of the smaller group (N=40) also believed that the number of people employed in the business increased (55%) rather than the idea that it stayed the same (55% of the large group).

The business owners/managers were asked whether they plan to expand or diversify their business. In 2007 the majority of the respondents were not planning to diversify their business (70%) and had mixed feelings about expanding (51% opposed to 49%). In 2009, it is clear that neither expanding (61%) nor diversifying (76%) seems to be an option. The main reason inhibiting the business owners/managers from expanding in 2007, namely their cash flow or finances (43%) followed by the need for space or premises (22%). In 2009 the main reason is still cash flow (38%) but factors like the recession, limited economic circumstances (12%), limited markets (12%) and the competition from the corporate companies (12%) like Pick 'n Pay and Clicks.

Table V.4: Changes taken place over past two years (both 2007 and 2009)

	Increased/ Up/ Better		Stayed the same		Decreased/ Down/ Worse	
	2007 (Both surveys) N=40	2009 (Both surveys) N=40	2007 (Both surveys) N=40	2009 (Both surveys) N=40	2007 (Both surveys) N=40	2009 (Both surveys) N=40
Number of clients	68.6	39.3	24.0	10.0	7.4	32.6
Number of businesses	-	39.0	-	-	-	27.1
General business conditions	63.0	32.0	31.0	31.3	6.0	26.2
Sales	69.8	35.8	21.7	20.0	8.5	40.7
Number of people employed in your business	39.0	14.3	55.2	42.4	5.7	28.6
Overall profitability of the business	60.7	19.7	30.8	21.9	8.4	50.4
						54.1

The opinion from the businesses whether they expect growth in the consumer market in the future was considerably more positive in 2007 because 76% gave an outright "YES" with a further 18% indicating that there is development in Beaufort West and they have more clients. In 2009, this figure dropped slightly (54%) and 46% of the owners/managers noted that they do not foresee any growth in the town. Optimism towards the uranium mine (16%) but a pessimistic view of the town needing development (19%) in 2009 indicates that the opinions of the business community are clearly divided. The prevailing mood of optimism in Beaufort West stood in stark contrast to the views of the business sector in Aberdeen (another very small Karoo town, approximately 150 kilometres distant). In Aberdeen, 40% of business owners believed there was an upswing; 27% believed quite the opposite; and, a third claimed that the business climate was static (Atkinson 2006: 30). Fifty percent (of 138 participants) of the respondents in a Graaff-Reinet business survey were of the view that the economy of the town had improved; whereas 23% believed that it had declined, and 26% felt the economy was static (Atkinson, 2008: 13). This was a generally positive perspective on Graaff-Reinet's economic outlook, but not as Graaff positive as that measured in Beaufort West.

## 5.4 Business confidence

Table V.5: Perception of present trading conditions in Beaufort West (in 2007 and 2009)

	2007				2009			
	Good	Fair	Poor	Total	Good	Fair	Poor	Total
<b>ALL</b>	65 53.3%	50 41%	7 5.7%	122 100%	37 27.6%	72 53.7%	25 18.7%	134 100%
<b>Respondents participating in both surveys (N=40)</b>	26 68.4%	9 23.7%	3 7.9%	38 100%	7 17.9%	24 61.5%	8 20.5%	39 100%

According to Table V.5, in 2007, 53% of the business owners/managers agreed that the trading conditions in Beaufort West were good at that stage. Furthermore 41% also noted that these conditions were only fair. More (68%) of those that completed both surveys experienced these conditions as good. In 2009, these views changed because the majority of the respondents now considered the trading conditions as only fair (53%) and even more (62%) of those who completed both surveys. Significantly, the year 2009 was the period of the global downturn and this could be an important reason why people were more negative.

When the respondents were asked what their opinion on the Beaufort West economy was, in 2007 a clear indication was that the economy was improving (79%). Those respondents completing both surveys seemed even more optimistic (90%). In contrast, in 2009, 43% of the managers/owners believed that the economy was static or even declining (38%). Again, the group who completed both the 2007 and 2009 survey had even stronger views, indicating that the economy was declining (57%). The reasons given for the positive opinion (in 2007) on the current economy was that there was new development and more businesses in Beaufort West (40%) (see Table V.6). This also meant more employment opportunities (18%). The reasons for the negative opinion in 2007 could be due to businesses closing (19%), living standards dropping (21%) and an increase in unemployment (19%).



Table V.6: Reason for current economy

Reasons	2007	2009
More businesses / development in BW	39.8	16.9
More money, conditions improving, growth in sale	9.3	-
More employment opportunities	18.4	-
Businesses closed (no growth in town/ no employment development)	9.2	19.1
Recession & economy	-	16.9
Poverty and unemployment (“ <i>minder geld word spandeer</i> ”)	4.7	19.1
Living standards have dropped / stayed stagnant in BW	-	21.3
Other (speak to other businesses, taxes very high, uranium mine could have helped but not coming to a point)	10.8	6.7
<b>Total</b>	N=98	N=89

During the 2009 business survey the business sector were also asked to give their opinion on their satisfaction in terms of several statements (see Table V.7).

Table V.7: Satisfaction on several issues in town

	Very satisfied	Satisfied	Neutral	Dissatisfied	Very dissatisfied
A town that you can easily live in	29.2	36.5	27.3	2.9	3.6
Level of harmony between residents	7.5	37.6	25.7	13.5	5.3
Rate of economic growth in the town	3.0	17.2	41.0	26.1	12.7
Job opportunities in the town	1.5	2.9	20.6	46.3	28.7
Quality of life for most people in the town	5.9	18.5	42.2	21.5	11.9
Equality of opportunities for all in town	3.7	10.4	26.9	35.8	23.1
A town to be proud of	25.5	22.6	32.8	12.4	6.6

According to Table V.7, the owners /managers of the businesses in Beaufort West seem to be satisfied with the idea that Beaufort West is a town that is easy to live in (65.7%). Another statement that the business sector was satisfied with was the level of harmony between the residents (44.1% were satisfied). Job opportunities in town (65%) and the equality of opportunities for all in town (58.9%) are statements that these businesses were not satisfied with. The business sector was neutral about issues like economic growth (41%) quality of life (42.2%) and lastly, a town to be proud of (32.8%).

Business owners/managers were asked to rate their confidence in the future of their own business and the economy of Beaufort West on a scale of 1 to 10 (1 being low and 10 high). In both surveys they rated the confidence in their own business slightly higher than that of the town

(the average of 8.43 in 2007 and 7.9 in 2009 for their own business, opposed to 7.97 in 2007 and 6.84 in 2009 for the economy of Beaufort West). The confidence rating was also higher in 2007 than in 2009 for both their own business and the economy of the town. The lowest average was attained in 2007 for the economy of Beaufort West (6.84).

As in the BER Survey, we asked the businesses to indicate whether they were satisfied with prevailing business conditions and whether certain factors had improved, remained the same or declined since two years previously. Table V.8 highlights those questions and answers focused on testing the business confidence in Beaufort West for the 2007 and 2009 survey.

Each of the scores (1 – 10) were recoded into positive average and negative. When assessing the 2007 data, more than 75% of the respondents rated the confidence they have in the future of their own business as well as the confidence in the future of the Beaufort West economy as positive (as seen in Table V.8). An even more positive response (higher than 8 out of 10) (83%) was specified by those respondents participating in both surveys. In 2009 this positive attitude drops slightly (78%) for the confidence the respondents have in their own business but drops (57%) even further in terms of the confidence in the Beaufort West economy. This figure drops (to 44. %) even further for those who completed both surveys.

Table V.8: Rating of confidence in own business and economy of Beaufort West (2007 and 2009)

	2007				2009			
	Rate - confidence in future of Beaufort West economy		Rate - confidence in future of own business		Rate - confidence in future of Beaufort West economy		Rate - confidence in future of own business	
<b>N</b>	129	129	40	129	129	40	40	40
<b>Negative</b>	8.5	9.3	10	3.9	7.8	5.6	11.1	11.1
<b>Average</b>	14.0	15.5	10	25.6	35.7	16.7	44.4	44.4
<b>Positive</b>	77.5	75.2	80	70.5	56.6	77.8	44.4	44.4
<b>Total</b>	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

It is clear from Table V.9 that the business confidence index of the BER decreased drastically from 67 in 2007 to 28 in 2009. The reason for this is the recession during 2008 and beginning 2009. The positive confidence in the future of the Beaufort West economy by the business owners in the Karoo town also decreased from 75% in 2007 to 58% in 2009. Although not such a drastic drop in confidence in Beaufort West, the business owners also blame the recession and the lack of development in the town for this decrease. Perhaps the positive outlook in terms of the Uranium mine still gave residents hope in the economy of the town. The SMME BCI stayed constant from 2007(51.59) to 2009 (52.84). Perhaps this is because many of the SMMEs are "survival" businesses and thrive in difficult times as well as prosperous times. The confidence is very similar in 2009 for Beaufort West confidence rate (56.6%) and the SMME business confidence index (52.84).

*Table V.9: Confidence in Beaufort West compared to SMME and BER Business confidence in 2007 and 2009*

	<b>Dec 2007</b>	<b>Dec 2009</b>	<b>Source</b>
<b>Confidence in future of Beaufort West economy (positive)</b>	75.2%	56.6%	Beaufort West Business Survey 2007 & 2009
<b>SMME Business Confidence Index</b>	51.59	52.84	(Africa Growth Institute, 2007: 16); (Africa Growth Institute, 2009: 14);
<b>BER Business Confidence Index</b>	67	28	(Rand Merchant Bank 2010)

## 6. CONCLUSION

Business confidence is an important consideration for future entrepreneurs and policy-makers, as it indicates perceptions about the potential profitability of business in a specific locality. This, in turn, can have a major impact on employment patterns and local economic development (LED) of a town. In an insignificant way, business surveys especially business confidence, initiates the enhancement of the social dimensions in LED when giving good reasons to induce dialogue and processes between local governments and the private sector of an area. Therefore, an increased business confidence would enrich the likelihood of people working together because of the trust and loyalty that they have within the area.

If partnerships exist within an area, business confidence would be higher because the business community is involved in decision making processes and have the freedom to comment on the enabling environment that the local government has created. This situation is also advantageous for the local government as well. When decisions have to be made and planning documents have to be developed it is easier to approach the business sector for opinions and background knowledge is accessible because of the open relationship that already exists.

Most measures of business confidence refer to a country as a whole, but the researcher has adapted this methodology to suit the situation of a local town. The Karoo town of Beaufort West offered a good opportunity to test the methodology in that there were plans to open a uranium mine near Beaufort West in the near future. It was therefore an ideal time to investigate the business confidence and morale of the business community. The business confidence was measured in 2007 as well as 2009. The researcher investigated the confidence that the business operators have in the present and future opportunities in the town and the present business conditions in Beaufort West.

Used at the local level, a business survey is an important and effective tool for stimulating and sustaining regulatory and administrative reforms. A business survey reveals and

prioritises the regulatory and administrative bottlenecks to private sector development as well as initiate and feed into public private dialogue processes.

The business owners and managers indicated that economic conditions had increased or improved by 2007. This was mostly the result of new development (tourism, malls and residential property) and the increase in the population of the town. Therefore, the potential for future economic development in Beaufort West was viewed as positive. The proposed establishment of the uranium mine will take place in a context of growing business confidence. If this mine is not established, however, the opposite effect is likely to be experienced. It is also likely that a large investment, such as mining, in a small Karoo town will further improve the business environment and confidence.

In 2009, the business owners and managers seemed to be less optimistic, perhaps due to the global economic downturn. The business dynamics of Beaufort West, however, were a more important explanatory factor. In 2007, people believed that the uranium mine was imminent and in 2009 people had lost confidence of whether this economic injection is ever really going to take place.

A limitation of the study is that the researcher was unable to establish an index for the business confidence of the town but could at least establish percentages for the positive and negative aspects of the business environment. Only two years of data for the business confidence of Beaufort West appears in this paper. The survey should be completed at regular intervals to give a true reflection of business cycles in the town. In future it makes more sense to capture one composite index at various points in time for easy comparison. A further limitation was the dearth of comparative studies with which to compare methodologies and findings.

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# CIVIC CULTURE AND LOCAL ECONOMIC DEVELOPMENT IN A SMALL TOWN

## FINAL THOUGHTS

Local Economic Development (LED) is a theme used in various disciplines to interpret multiple situations. Recently, it has become a fashionable topic to discuss and comment on. However, there is still a very limited understanding of exactly what LED is meant to achieve in a highly divided society.

The researcher has explored LED in a theoretical, more focused and contextually clear manner. The study of LED is complex because various disciplines highlight different dimensions of LED. Therefore, an interdisciplinary approach is required. This goes beyond a multi-disciplinary approach, and introduces a perspective that draws connections between different disciplines. The researcher argues that LED can be understood in terms of three elements - Locality (L), Economic (E) and Partnerships (P) (called the “*L-E-P*” model). The *Locality* factors should be understood within the discipline of geography, the *Economic* factors need a study of economics, and lastly, the *Partnership* factors draw on the political and social sciences. The “*L-E-P*” model is one theoretical approach to LED; there may well be other approaches. The overriding argument is that successful *L-E-P* will contribute to local development. The “*L-E-P*” model suggests the importance, *simultaneously*, of an *economic* initiative, based on a (government-business) *partnership*, at *local* level. (**see Introduction of this thesis**). Only by means of an understanding of the “*L-E-P*” dimensions can we understand the three key elements that should underpin the enabling economic environment, and what LED policies and practice should actually strive for in South Africa.

In South Africa, there are several policy documents to guide municipalities to develop the local economy. Yet, the “enabling environment” that is highlighted numerous times is never explained clearly. The researcher uses this opportunity to clarify this concept (**see Paper 1 –**

**Reinterpreting LED Policy and Practice in South Africa**). The conditions that should create an investment climate are essential in developing growth in a region. When municipalities provide appropriate public services accessed by the majority of the population, from the business sector to the poor, it contributes to the creation of an enabling environment. Under the right conditions, individuals and groups then have the ability to make use of the opportunities available and to resist poverty, violence, crime, disease, malnutrition, corruption, discrimination and social exclusion.

LED is also about learning – not only how to produce better products. LED is about various local stakeholders learning about each other's existence and goals, learning about the structure and evolutionary pattern of the local economy, learning about opportunities to stimulate upgrading in the local economy, and the tools necessary to do that.

The best way of achieving this is through effective partnerships, especially partnerships between business and local government. The South African literature on partnerships has taken the form of regulated formal contractual public-private sector partnerships (PPPs). These partnerships form collaborations across the public and private sectors (**see Paper II: Transforming LED Partnerships in South Africa**). Therefore, mutual gain can be facilitated for all parties instead of them working separately or in conflict. However, the necessary *soft factors* of co-operation – trust and social capital – are absent. Therefore, it links very well with the above analysis of LED, particularly in terms of the “*Partnership*” aspect where social capital and trust between government and business in particular is used in the development of a region.

In order to realise the potential for successful LED partnerships, there is an imperative to nurture an improved level of mutual understanding and trust between the partners. Government, business, and community leaders must understand and respect each other's goals. Often, it is the case that government has difficulty in accepting the profit motive of private investors, and enterprises are often tempted to walk away from the administrative decision making processes used in the public sector. Trust and co-operation is essential for achieving locally driven efforts at community development. LED can only truly be effective when local people or groups seize the initiative to unify communities, business and other relevant authorities in their local area.

For this, the concept of “civic culture” will become an indispensable theoretical tool and therefore a *sine qua non* for effective LED. The concept of “civic culture” analyses the relationships between government and the private sector at local level. Authors focusing on this partnership have tended to emphasis who should be invited to the table, and less on what they must bring, and what their roles will be. Local civic culture, on the other hand, influences how local problems are defined, how solutions are found, who is involved and how the decisions are made (**see Paper III: A South African Typology of Civic Culture: The Case of Beaufort West**). Consequently, LED practitioners need to pay greater attention to social relationships and networks, which fundamentally mould local economies.

This thesis used international studies of civic culture to inform a South African context. By doing so, the issue of LED was broadened from an administrative issue, to include social dimensions. This can lead to an improved level of planning and implementation of LED. It can also assist us in understanding why LED strategies succeed or fail. Different types of civic culture are now understood, and the dynamics of building trust between municipalities and the private sector can be explored and enhanced. Some types of civic culture are strongly inclusive and participatory, while others are built on individual initiative or bureaucratic regulation. Furthermore, some types of civic culture, particular to the South African context, are built on social dynamics of conflict, racial cleavages, and political rivalry isolation.

It is critical to the success of LED that civic culture is taken into account, that a spirit of trust between people of very different backgrounds is created, and that local resources are used to achieve the best results in towns across South Africa, especially in the Karoo. The challenge, in future, will be to strengthen those forms of civic culture, which harness the shared energies of municipal and business interests, and thereby maximise local assets, opportunities and development potential.

The town of Beaufort West illustrated the nature of civic culture, and showed how this can complement LED strategies in other towns. It also illustrated the difficulty of classifying the town according to an international typology. This typology should be tested in other towns in South Africa. It is necessary to assess whether these typologies of civic culture in Beaufort West differ in other Karoo towns and whether it is different from the rest of South Africa.

Interesting times lie ahead for Beaufort West and the surrounding Karoo area. Partnerships are the indispensable aspect. Partnerships between business and local government will assist local economic growth. This kind of partnership is critical, even if the business is a multi-national mining company (*see Paper IV: Uranium in Beaufort West: Partnerships Developing the Local Economy*). Through partnerships, new mining towns could enhance the potential of positive impacts of mining for regional and locality development. Beaufort West has hitherto not been regarded as a mining town. Therefore, it is essential to explore what the developments of this town are to learn from experience for mining in small towns in the future. The mining companies have shown significant interest in the extraction of uranium in this area. At the same time, civil society and the business community are also excited about the “mine that might be coming” to change the development of the town. What is alarming though, is the fact that the government (both provincial and local) has done little to plan for this event in the Karoo. Surely, this should be a cause for concern to the local municipality. The Beaufort West Local Municipality, the Central Karoo District Municipality and the Western Cape Provincial government together face the prospect of an economic “roller coaster” being set in motion in one of the most important Karoo town in the province.

This thesis argued that it is not only necessary to develop partnerships between multi-stakeholders in a town, but to align planning documents of mining companies (Social and Labour Plan (SLPs)) with the sectoral, departmental and financial planning of all three levels of government – IDPs, PGDS and National Spatial Development Plan (NSDP). The development of Integrated Development Plans (IDPs) will have to be more participatory, not only incorporating local communities through ward committees but local business as well.

Accordingly, a concerted effort to establish business organisations or chambers at a town is essential. Local government should play a leading role in this initiative. Not only is dialogue important, but membership should be inclusive. Subsequently, partnerships would be easier to manage and evolve. Business confidence is an important consideration for future entrepreneurs and policy-makers, as it indicates perceptions about the potential profitability of business in a specific locality. Trust and confidence that business has to establish in the area will then be positive (*see Paper V: The U-turn: Business Confidence in a Karoo Town*). Used at the local level, a business survey is an important and effective tool for stimulating and sustaining

regulatory and administrative reforms. A business survey reveals and prioritises the regulatory and administrative bottlenecks to private sector development as well as initiate and feed into public private dialogue processes. In an insignificant way, business surveys enhance the social dimensions of LED, as it can induce dialogue and processes between local governments and the private sector of an area. Therefore, an increased business confidence would enrich the likelihood of people working together because of the trust and loyalty that they have within the area.

If partnerships exist within an area, business confidence would improve, because the business community is involved in decision-making processes and can comment on the enabling environment that the local government has created. This situation is also advantageous for the local government. When decisions have to be made and planning documents have to be developed, it is easier to approach the business sector for opinions and background knowledge is accessible because of the open relationship that already exists.

Most measures of business confidence refer to a country as a whole, but the researcher has adapted this methodology to suit the situation of a local town. The Karoo town of Beaufort West offered a good opportunity to test the methodology in that there were plans to open a uranium mine near Beaufort West in the near future. It was therefore an ideal time to investigate the business confidence and morale of the business community. The business confidence was measured in 2007 as well as 2009. The researcher investigated the confidence that the business operators have in the present and future opportunities in the town and the present business conditions in Beaufort West.

The business owners and managers indicated that economic conditions had increased or improved by 2007. This was mostly the result of new development (tourism, malls and residential property) and the increase in the population of the town. Therefore, the potential for future economic development in Beaufort West was viewed as positive. The proposed establishment of the uranium mine will take place in a context of growing business confidence. If this mine is not established, however, the opposite effect is likely to be experienced. It is also likely that a large investment, such as mining, in a small Karoo town will further improve the business environment and confidence.

In 2009, the business owners and managers seemed to be less optimistic. This coincided with the global downturn, and this could be an important reason why people's sentiments were more negative. The researcher believes that the dynamics of Beaufort West during this period were more important. In 2007, people believed that the uranium mine was imminent and in 2009, people had lost confidence of whether this economic injection is ever really going to take place.

There are very few comparative studies in terms of the "*L-E-P* model", the human factors of partnerships, civic culture in South Africa, as well as business confidence studies in small towns. The researcher therefore proposes that these methodologies and models be tested in other towns, to determine economic and social trends in rural areas.

# CIVIC CULTURE AND LOCAL ECONOMIC DEVELOPMENT IN A SMALL TOWN

## ANNEXURES

- ANNEXURE A:** Survey Questionnaire – Beaufort West Business Community (November 2007)
- ANNEXURE B:** Survey Questionnaire – Beaufort West Business Community (November 2009)
- APPENDIX C:** Interview schedule – Beaufort West Key Informants (November 2011)
- APPENDIX D:** List of Key Informants Interviewed (November 2011)

## **APPENDIX A:**

### **Survey Questionnaire – Beaufort West Business Community (November 2007)**



## BUSINESS SURVEY: BEAUFORT WEST

Purpose of the survey: To create a list of the businesses (Formal and Informal) in Beaufort West and to test the business environment and confidence in the Karoo town. All this information will remain confidential. We will not, under any circumstances, provide any of this individual information to any third party.

### 1. CONTACT DETAILS:

1.1 Name:.....

1.2 Name of business:.....

1,3 Address of business:.....

1.4 Contact details (Landline, cell number and email):.....

.....

.

### 2. DEMOGRAPHICS DETAILS:

2.1 Are you:

Owner, but not manager	1
Manager, but not the owner	2
Owner and the manager	3

2.2 Age:

18-25 years	1
26-35 years	2
36-45 years	3
46-55 years	4
56-65 years	5
66+ years	6

2.3 Race:

Black	1
Coloured	2
Indian	3
White	4
Other...(e.g. Taiwanese/Chinese)	5

2.4 Gender:

Female	1
Male	2

2.5 Number of years resident in Beaufort West: .....

2.6 Number of years business has been existing in Beaufort West: .....

2.7 Highest level of education:

No education	1	Grade 4	5	Grade 8	9	Grade 12	12
Grade 1	2	Grade 5	6	Grade 9	10	Certificate / Diploma	13
Grade 2	3	Grade 6	7	Grade 10	11	Degree	14
Grade 3	4	Grade 7	8	Grade 11	12	Other (Specify.....)	15

### 3. MICRO ENVIRONMENT (Nature of the Business)

3.1 Explain the main activities of your business (e.g. manufacturing bricks, selling vegetables, tourism, etc.)?

.....  
 .....  
 .....

3.2 What kind of premises do you have?

Formal business site/shop in the CBD	1
Formal business site/shop in the industrial area	2
Brick structure next to home	3
Shack next to home	4
Hawker's table /Street-corner selling	5
Working from / within home	6
Other (Specify.....)	7

3.3(a) If OWNER, how long have you owned this business?

.....

3.3(b) If MANAGER, how long have you managed the business?.....

3.4 How many employees do you have (Full-time and Part-time)? (DO NOT include yourself)

	Full-time	Part-time
1 – 2 employees	1	1
3 – 5 employees	2	2
6 – 10 employees	4	4
11 – 15 employees	5	5
16 or more employees	6	6

3.5 Have any of your employees received formal training (i.e. got a certificate) while they have been working for your company?

YES	(Answer 3.6(a))	1	NO	(Answer 3.6 (b) and (c))	2
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3.6 (a) If so, what skills training have they received?

- (1).....
- (2).....
- (3).....

3.6 (b) If they have NOT received training, would you like any of your employees to receive **formal** training?

YES	1	NO	2
-----	---	----	---

3.6(c) If yes, what kind of training?

Specify.....  
 .....  
 .....

3.7 Do you plan to expand the size of your business in the near future (6 – 12 months)?

YES	(Answer 3.7(a) and 3.8)	1	NO	(Answer 3.7(a) and 3.9)	2
-----	-------------------------	---	----	-------------------------	---

3.7(a) Give reasons for your answer

.....  
 .....  
 .....

3.8 Is there anything inhibiting you from expanding your business?.....

.....

3.9 Do you plan to diversify your business in the near future?

YES	1	NO	2
-----	---	----	---

3.9(a) If yes, in what way?.....

.....

.....

**4. MARKET ENVIRONMENT (Consumers, Suppliers, Competitors)**

4.1 Where do you buy the majority of your supplies (more than 1 can be selected)? Also indicate the PERCENTAGE of your supplies purchased at each destination?

		%
Within Beaufort West	1	
Within Western Cape	2	
Elsewhere in South Africa	4	
Combination of the above	5	
Imported from overseas/ elsewhere in Africa	6	
None of the above	7	
TOTAL		100%

4.2 Where do your clients (consumers) mainly come from? (more than 1 can be selected)? Also indicate the PERCENTAGE of your clients from each destination?

		%
Within Beaufort West	1	
Within Western Cape	2	
Elsewhere in South Africa (People passing through)	4	
Combination of the above	5	
Imported from overseas/ elsewhere in Africa	6	
None of the above	7	
TOTAL		100%

4.3 To what extent has the number of clients (consumers) changed in the last two years?

Increased	1
Decreased	2
Stayed the same	3

4.3(a) Can you think of any reason for the above change?.....

.....

.....

4.4 Do you expect any growth in your consumer market in the foreseeable future? (i.e. an influx of people into Beaufort West)?

.....

.....

4.5 What is the greatest problem preventing you from increasing the number of your clients?

.....

.....

.....

4.6 What is the size of your average gross TURNOVER per year? (*Not profit!*)

R0 – R500	1	R501 – R1 000	2
R1 001 – R2 000	3	R2 001 – R5 000	4
R5 001 – R10 000	5	R10 001 – R50 000	6
R50 001 – R100 000	7	R101 000 – R300 000	8
R301 000 – R500 000	9	More than R501 000	10

4.7 List three of your main competitors

1. ....
2. ....
3. ....

4.8 Do your competitors mainly operate... (more than 1 can be selected)? Also indicate the PERCENTAGE of your competitors from each destination?

		%
Within Beaufort West	1	
Within Western Cape	2	
Elsewhere in South Africa	4	
Combination of the above	5	
Imported from overseas/ elsewhere in Africa	6	
None of the above	7	
TOTAL		100%

4.9 Do you belong to a trade or business organisation?

YES	1	NO	2	If YES, Specify.....
-----	---	----	---	----------------------

4.10 Would you join any of the following organisations in Beaufort West?

5.14(a) Chamber of Business	YES	1	NO	1
5.14(b) National African Federated Chamber of Commerce and Industry	YES	2	NO	2
5.14(c) Afrikaanse Handelsinstituut	YES	3	NO	3
5.14(d) Informal Traders Association	YES	4	NO	4

4.11 If no, why not?

.....

.....

.....

.

4.12 In your opinion, which organisation could help grow / expand your business in future?

.....

.....

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**5. MACRO ENVIRONMENT (External)**

5.1 In your opinion, to what extent does the Beaufort West Municipality support the business sector in general?

To a large extent	1
To some extent	2
To a small extent	3
Not at all	4
Uncertain / Do not know	5

5.1 (a) Give reasons for your answer

.....

.....

.....

.

5.2 In your opinion, what can the Beaufort West Municipality do to support business better?

.....

.....

.....

5.3 Are you aware that there are future plans to establish a Uranium Mine outside of Beaufort West?

YES	(continue with Question 5.4)	1	NO	(go to Question 5.8)	2
-----	------------------------------	---	----	----------------------	---

5.4 Do you think that the anticipated uranium mine will have any of the following impacts on the Beaufort West community? Rate this on a scale where:

1 = Very positive; 2 = positive; 3 = unchanged; 4 = negative; 5 = very negative; and 6 = Do not know

And give a reason for your answer

	Very positive	Positive	Unchanged	Negative	Very negative	Do not know	Reason for your answer
5.4 (a) Economic	1	2	3	4	5	6	
5.4 (b) Social	1	2	3	4	5	6	
5.4 (c) Environmental	1	2	3	4	5	6	
5.4 (d) Political/ Government	1	2	3	4	5	6	
5.4 (e) Technological	1	2	3	4	5	6	
5.4 (f) International	1	2	3	4	5	6	

5.5 In your opinion, what is the overall impact that the anticipated Uranium mine will have on your business?

No impact	1
Very small impact	2
Small impact	3
Big impact	4
Very big impact	5

5.6 Do you believe that Beaufort West's current economy is:

Improving	1
Static	2
Declining	3

5.6(a) Give a reason for your opinion in Question

5.6.....

.....  
 ..

## 6. FUTURE OF THE BUSINESS

6.1 Did you, when starting the business, ever think of a harvesting (exit) strategy)?

Yes, sure I have	1
Yes, but unsure about strategy	2
No, not at all	3

6.2 Show the importance of the following Harvesting options on a Harvesting Strategy and show your choice that you will / want to make use of

Harvesting option	Very important	Important	Less important	Not at all	Order (only the first 3)
Outright sale					
Looking for acquisition					
Selling to competitor					
Do a management buyout					
Employee share option					
Forming alliance with other venture					
Merging with other venture					
Proceed with professional manager					
Capital cow					
Public offering					
Divestment alternatives					

6.3 In my opinion, the present business/trading conditions in Beaufort West for my business are:

EXCELLENT	1	GOOD	2	FAIR	3	POOR	4	VERY POOR	5
-----------	---	------	---	------	---	------	---	-----------	---



- 6.4 Compared to the same time two years ago (tax year 2005), evaluate the following conditions for your business currently:

General business conditions	Better	Same	Poorer
Sales	Up	Same	Down
Number of people employed in your business	Up	Same	Down
Overall profitability of the business	Up	Same	Down

- 6.5 On a scale of 1 to 10 (where 1 = no confidence at all and 10 = a lot of confidence), allocate a rating for:
- 6.5(a) your confidence in the future of your own business: .....
- 6.5(b) your confidence in the future of the Beaufort West economy: .....

**THANK YOU FOR YOUR CO-OPERATION!**

## **APPENDIX B:**

### **Survey Questionnaire – Beaufort West Business Community (November 2009)**

## BUSINESS SURVEY: BEAUFORT WEST

**Purpose of the survey:** To create a list of the businesses (Formal and Informal) in Beaufort West and to test the business environment and confidence in the Karoo town. All this information will remain confidential. We will not, under any circumstances, provide any of this personal information to any third party.

### 1. CONTACT DETAILS:

1.1 Name of Business	
1.2 Name of respondent	
1.3 Address of business	Street address:
	1.4 Area:
1.5 Contact details	Business/ Home Number
	Cell Number
	Email address

Particulars of visits	Date	Time started	Time ended	Response
First visit				
Second visit				
Third visit				
Fourth visit				

### Interviewer declaration

*I certify that this interview took place in full with the recorded respondent and that the information contained in this questionnaire is an accurate reflection of his/her views. The interview was carried out as instructed by CDS and no pressure was placed on the respondent to participate.*

Interviewer name	Signature	Date

## 2. DEMOGRAPHICS

2.1 What role do you have in the business?

Owner, but not manager	1
Manager, but not the owner	2
Owner and the manager	3

2.2 Age: .....

2.3 Race:

Black	1
Coloured	2
Indian	3
White	4
Other...(e.g. Taiwanese/Chinese)	5

2.4 Gender:

Female	1
Male	2

2.7 Number of years resident in Beaufort West: .....

2.8 Highest level of education:

No education	1	Grade 8	9
Grade 1	2	Grade 9	10
Grade 2	3	Grade 10	11
Grade 3	4	Grade 11	12
Grade 4	5	Grade 12	13
Grade 5	6	Certificate / Diploma	14
Grade 6	7	Degree	15
Grade 7	8	Other (Specify.....)	16

<b>3. NATURE OF BUSINESS</b>
------------------------------

3.3 Explain the main activities of the business (e.g. manufacturing bricks, selling vegetables, tourism, etc.)?

.....

.....

.....

3.4 What kind of premises does the business operate from?

Formal business site/shop in the CBD	1
Formal business site/shop in the industrial area	2
Brick structure next to home	3
Shack next to home	4
Hawker's table /Street-corner selling	5
Working from / within home	6
Other (Specify.....)	7

3.3(a) Number of years business has been existing in Beaufort West.....

3.3(b) If OWNER, how long have you owned this business? .....

3.3(b) If MANAGER, how long have you managed the business?.....

3.4 Where do you buy the majority of your supplies (more than 1 can be selected)? Also indicate the PERCENTAGE of your supplies purchased at each destination?

		%
Within Beaufort West	1	
Within Western Cape	2	
Elsewhere in South Africa	3	
Combination of the above	4	
Imported from overseas/ elsewhere in Africa	5	
None of the above	6	
	TOTAL	100%

- 3.5 How many paid and unpaid workers BESIDES YOURSELF work with you in this business on a regular basis?  
**[ASK ALL QUESTIONS ABOUT PAID WORKERS BEFORE MOVING ON TO UNPAID WORKERS]**

	No. of workers in 2007		No. of workers in 2009		Planned no. of workers in 2011s	
	Full-time	Part-time	Full-time	Part-time	Full-time	Part-time
Paid workers						
Unpaid workers						
TOTAL						

- 3.6 Have any of your employees received formal training (i.e. got a certificate) while they have been working for your company?

YES	(go to 3.6(a))	1	NO	(go to 3.6 (b))	2
-----	----------------	---	----	-----------------	---

- 3.6 (a) If so, what skills training have they received?

(1).....  
 (2).....  
 (3).....

- 3.6 (b) If they have NOT received training, would you like any of your employees to receive **formal** training?

YES	1	NO	2
-----	---	----	---

- 3.6(c) If yes, what kind of training? (Specify).....

- 3.7 Do your clients mainly come from? (more than 1 can be selected)? Also indicate the PERCENTAGE of your clients from each destination?

		%
Residents within Beaufort West	1	
Residents from surrounding agricultural areas	2	
Within surrounding towns	3	
Within Western Cape	4	
Elsewhere in South Africa (People passing through)	5	
Combination of the above	6	
None of the above	7	
TOTAL		100%

3.8 To what extent has change taken place over the past two years (since November 2009) in terms of...

	Increased	Decreased	Stayed the same	Do not know
3.8 (a) number of your clients				
3.8 (b) number of businesses in town				

3.8 (c) Can you think of any reason for the above change?.....  
 .....  
 .....

3.9 What is the size of your average gross TURNOVER per year? (**Not profit!**)

R0 – R500	1	R10 001 – R50 000	6
R501 – R1 000	2	R50 001 – R100 000	7
R1 001 – R2 000	3	R101 000 – R300 000	8
R2 001 – R5 000	4	R301 000 – R500 000	9
R5 001 – R10 000	5	More than R501 000	10

**4. BEAUFORT WEST BUSINESS ENVIRONMENT**

4.1 Do you belong to a trade or business organisation?

YES	1	NO	2	If YES, Specify.....
-----	---	----	---	----------------------

4.2 Would you join any of the following organisations in Beaufort West (More than one option could be selected)?

5.14(a) Chamber of Business	YES	1	NO	1
5.14(b) <u>National African Federated Chamber of Commerce and Industry</u>	YES	2	NO	2
5.14(c) <u>Afrikaanse Handelsinstituut</u>	YES	3	NO	3
5.14(d) Informal Traders Association	YES	4	NO	4

4.3 In your opinion, which organisation could help grow / expand your business in future?

.....  
 .....

4.4 In your opinion, what can the Beaufort West Municipality do to support business?

.....  
 .....

4.5 In your opinion, to what extent does the Government (Provincial /Municipality) support the business sector in general?

To a large extent	1
To some extent	2
To a small extent	3
Not at all	4
Uncertain / Do not know	5

4.5 (a) Give reasons for your answer .....

.....

.....

4.6 Do you think that a larger airport, with scheduled flights, will assist the economy of Beaufort West?

YES	1	NO	2	Give reason your answer.....
				.....
				.....

4.7 Do you think that a larger airport, with scheduled flights, will assist your business?

YES	1	NO	2	Give reason your answer.....
				.....
				.....

4.8 On a scale of 1 to 10 (where 1 = no confidence at all and 10 = a lot of confidence), allocate a rating for:

- a) your confidence in the future of your own business: .....
- b) your confidence in the future of the Beaufort West economy: .....

4.9 The following statements concern the town of Beaufort West - Please indicate how satisfied you are you with the following, using a scale from one (very satisfied) to five (very dissatisfied):

	Very satisfied	Satisfied	Neutral	Dissatisfied	Very dissatisfied	N/A
A town that you can easily live in	1	2	3	4	5	6
Level of harmony between residents	1	2	3	4	5	6
Rate of economic growth in the town	1	2	3	4	5	6
Job opportunities in the town	1	2	3	4	5	6
Quality of life for most people in the town	1	2	3	4	5	6
Equality of opportunities for all in town	1	2	3	4	5	6
A town to be proud of	1	2	3	4	5	6



**5 FUTURE OF BUSINESS**

5.1 In YOUR opinion, the present business/trading conditions in Beaufort West for YOUR business are:

EXCELLENT	1	GOOD	2	FAIR	3	POOR	4	VERY POOR	5
-----------	---	------	---	------	---	------	---	-----------	---

5.2 Compared to the same time two years ago (NOVEMBER 2007), evaluate the following conditions for your business currently:

General business conditions	Better	Same	Poorer
Sales	Up	Same	Down
Number of people employed in your business	Up	Same	Down
Overall profitability of the business	Up	Same	Down

5.3 Do you believe that Beaufort West's current economy is:

Improving	1
Static	2
Declining	3
Do not know	4

5.3 (a) Give a reason for your opinion in Question 5.3.....  
 .....  
 .....

5.4 Do you plan to expand the size of your business in the near future?

YES	1	NO	2	Give reason your answer..... ..... .....
-----	---	----	---	--

5.5 If NO in Question 5.4 – go to Question 5.6, IF YES in Question 5.4 - Is there anything inhibiting you from expanding your business?.....  
 .....  
 .....

5.6 Do you plan to diversify your business in the near future?

YES	1	NO	2	Give reason your answer..... ..... .....
-----	---	----	---	--

5.7 What is the greatest obstacle preventing you from increasing the number of your clients?

.....  
 .....  
 .....

5.8 Do you expect any growth in your consumer market in the foreseeable future? (i.e. an influx of people into Beaufort West)?

YES	1	NO	2	Give reason your answer..... ..... .....
-----	---	----	---	--

**6. URANIUM MINE**

6.1 Are you aware that there are plans to establish a uranium Mine outside of Beaufort West?

YES	1	NO	2
-----	---	----	---

**IF NO on Question 6.1 – thank the respondent and end the interview**

6.2 In your opinion, do you think that the anticipated uranium mine will or will not open?

YES	1	NO	2	Give reason your answer..... ..... .....
-----	---	----	---	--

6.3 Where did you hear about that the mine will or will not open in Beaufort West (Source of information)?

.....  
 .....

6.4 In your opinion, what impact will the anticipated Uranium mine have on your business, if it opens? .....

.....  
 .....

6.3 Do you think the anticipated mine will benefit or harm the economy of Beaufort West?

BENEFIT	1	HARM	2	Give reason your answer..... ..... .....
---------	---	------	---	--

6.4 Will the anticipated mine cause social benefits or social problems for the society of Beaufort West?

SOCIAL BENEFIT	1	SOCIAL PROBLEMS	2	Give reason your answer..... ..... .....
----------------	---	-----------------	---	--

6.5 Do you think the anticipated mine will benefit or harm the natural environment in and around Beaufort West?

BENEFICIAL	1	HARMFUL	2	Give reason your answer..... ..... .....
------------	---	---------	---	--

6.6 If the anticipated mine does not open, how will this affect your business?.....  
.....  
.....

6.7 If the anticipated mine does not open, how will this affect the Beaufort West community?.....  
.....  
.....

**THANK YOU FOR YOUR CO-OPERATION!**

## **APPENDIX C:**

### **Interview schedule – Beaufort West Key Informants (November 2011)**

**Interview schedule for Beaufort West – Relationship between business and municipality (November 2011)**

Interviewee: Name:

Position:

Contact details:

1. Are there Local Economic Development projects in Beaufort West? Tell me more about the projects.
2. Are there any instances where municipality and business discuss common problems or issues or opportunities?
3. Are there examples of LED projects where business (private sector) and municipality work together? (How are interactions with private sector managed? Do you meet regularly? Are there role specifications? Who does what?)
4. Do you recall any other instances where the municipality and business (private sector) work together?
5. What has business / municipality (self) done to assist business / municipality?
6. What has business / municipality (other party) done to assist business / municipality?
7. Can business/municipality influence municipality /business?
8. Who / what organisation has the most say in changes in town in terms of developmental decisions?
9. Are there any networks in town that organises / orchestrates the community on any issue – social, economic, culture, environmental etc?
10. What are economic developmental goals of municipality/ business organisation? I.e. your own organisation.
11. Does the town receive any support from provincial / national government? Do they assist in economic development of town? (Funding / technical)
12. How do you define Local economic development? (give best scenario)? Does it include partnership? Who?
13. Who controls the local economic development in town? ... (If LEP)? This is similar to question 9, but here you are focusing on economic development
14. Is there a councillor with the portfolio of LED functions and what do they do? (This is the political level). How effective is this position? Has he/she brokered any Partnerships?
15. Who, at the municipal administration, deals with LED or economic development? What do they do? (This is the administrative level). Has he/she facilitated any partnerships?
16. What do you think is required to establish a good partnership between business and municipality? What is missing? What needs to be addressed for such a partnership to take place?

## **APPENDIX D:**

### **List of Key Informants Interviewed (November 2011)**

<b>CONTACT LIST IN BEAUFORT WEST</b>	
<b>Name</b>	<b>Affiliation</b>
Jaftha Booysen	Municipal Manager: Beaufort West Local Municipality
Stefanus Jooste	Municipal Manager: Central Karoo District Municipality
Amos Piti	Old Speaker & LED Manager: Central Karoo District Municipality
Moses Skisazana	Central Karoo Economic Development Agency
Liesel Lund	Gateway Tourism
	Karoo Culture (sec)
Sascha Klemm	Beaufort West Tourism
Johannes Jonker	Central Karoo Tourism
Atti Arnoldi	Owner: Donkin House / Old Sakekamer / Catering
Zwingli Holzappel	Biggest Painting / Tourism
Colin de Villiers	Tax payers Association
Derick Welgemoed	DA Councillor / Development / old Municipal Manager BWLM
Brian vd Westhuizen	Tourism: Karoo National Park
Dorian Kuhn	Old Black Business Forum / Business
Sven Bolt	African Kombi Tours
Gerrit van Zyl	Owner : Properties

# CIVIC CULTURE AND LOCAL ECONOMIC DEVELOPMENT IN A SMALL TOWN

## SUMMARY

Although several cases of successful Local Economic Development (LED) programmes and initiatives addressing poverty and inequity are present in South Africa, there are still a number of challenges to overcome.

Firstly, the definition of LED varies, however the essence of LED is local partnerships for locality planning – based on economic growth. Consequently, the analysis in this thesis uses the “*L-E-P*” model, combining elements of “*Locality*”, “*Economic*” and “*Partnerships*”. This model could be an answer for LED policy and practice to make use of all these elements.

Secondly, LED strategies need to go beyond merely compiling LED documents. Municipalities need to engage with communities and the private sector in prioritising and designing appropriate strategies that unlock local potential. However, in South Africa partnerships have not always been central to LED planning. Furthermore, the soft factors of co-operation – trust and social capital -, which are considered essential for effective collaboration between state and non-state actors, should be constructed. Consequently, LED practitioners need to pay greater attention to social relationships and networks, which fundamentally mould local economies.

Thirdly, academic research is only starting to incorporate social resources into economic development practice. Furthermore, only a few authors have taken the concept of civic culture into consideration when analysing LED. Local civic culture relates to how local problems are defined, how solutions are found, how the local economic problems can be solved, who is involved and how the decisions are made. International civic culture literature has been contextualised to classify civic culture in South African terms. If an understanding of the civic culture of an area is acknowledged, planning and development of this area can be simplified.



Beaufort West is used as an example of a typical Karoo town to illustrate how the type of civic culture a community has, can influence local economic growth.

Fourthly, there is a lack of research related to the establishment, growth and development of mining towns. Although numerous international mining companies have identified the Karoo surrounding Beaufort West for uranium extraction, planning documents of the Western Cape Provincial Growth and Development Strategy (PGDS) and also in the Integrated Development plans (IDPs) of the Central Karoo District Municipality and the Beaufort West Local Municipality do not make any suggestions for the economic “roller-coaster” ride ahead. The sustainability of mining (non-renewable resource) towns is not as important as are the economic developments of and the proactive planning (in partnerships) in these towns.

Fifthly, business confidence helps explain the sentiments that business owners or managers have towards current and future business conditions. Several ways of measuring business confidence are compared. Business confidence is mostly surveyed at national level. A methodology for business confidence surveys at the local level is provided. This approach has been piloted in the town of Beaufort West in the Karoo area of South Africa. There are plans for a new uranium mine near Beaufort West, and the researcher speculates on its impact on the broader local business confidence. The results of the 2007 and 2009 study in terms of the opinions of business confidence in Beaufort West are compared.

There are very few comparative studies in terms of all the above-mentioned factors. Therefore, the researcher proposes that these methodologies and models should be tested in other towns. This will then determine whether the results differ in other Karoo towns and from the rest of South Africa.

# BURGERLIKE KULTUUR EN PLAASLIKE EKONOMIESE ONTWIKKELING IN 'N KLEIN DORP

## OPSOMMING

Alhoewel daar reeds verskeie voorbeelde van suksesvolle plaaslike ekonomiese ontwikkeling (PEO) programme en inisiatiewe is, wat armoede en ongelykhede aanspreek in Suid-Afrika, is daar steeds 'n aantal uitdagings wat nog oorkom moet word.

Eerstens, is daar variasies in die definisie van PEO. Alhoewel die kern idee van PEO plaaslike vennootskappe vir liggings beplanning-gebaseer is op ekonomiese groei. Gevolglik, die analise in hierdie tesis gebruik die “*P-E-V*” model, ‘n kombinasie van die elemente “*Plaaslik*”, “*Ekonomie*” en “*Vennootskap*”. Hierdie model kan moontlik 'n oplossing bied vir PEO beleid en toepassing om van al hierdie elemente gebruik te maak.

Tweedens, PEO strategiee behoort verder te gaan as blootweg die opstel van PEO dokumente. Munisipaliteite moet nouliks skakel met gemeenskappe en die privaat sektor en so voorkeur gee aan ontwikkeling van toepaslike strategiee wat plaaslike potensiaal sal ontsluit. Alhoewel, in Suid-Afrika is vennootskappe nie altyd sentraal in PEO beplanning nie. Verder moet die sensitiewe faktore van samewerking – vertrouwe en sosiale kapitaal – wat ge-ag word as noodsaaklik vir effektiewe samewerking tussen staat en privaat sektor, opgebou word. Gevolglik moet PEO toepassers baie meer aandag skenk aan sosiale verhoudings en netwerke, wat op hul beurt fundamenteel is in die vorming van plaaslike gemeenskappe.

Derdens begin akademies navorsing nou eers om sosiale hulpbronne in te sluit in ekonomiese ontwikkeling se toepassing. Verder het nog net 'n klein groepie skrywers die konsep van burgerlike kultuur in ag geneem by hul analisering van PEO. Plaaslike burgerlike kultuur verwys hoe plaaslike problem gedefinieer word, hoe oplossings gevind word, hoe plaaslike ekonomiese

probleme opgelos word, wie is betrokke en hoe besluite geneem word. Internasionale burgerlike kultuur is in konteks gebruik om burgerlike kultuur te klassifiseer in Suid-Afrikaanse terme. Indien 'n verstandhouding van die plaaslike kultuur van 'n streek erken word, kan beplanning en ontwikkeling van hierdie streek vereenvoudig word. Beaufort Wes word gebruik as voorbeeld van 'n tipiese Karoo-dorp, ten einde te verduidelik hoe die tipe burgerlike kultuur wat 'n gemeenskap het, 'n invloed op plaaslike ekonomiese groei.

Vierdens is daar 'n gebrek aan navorsing verwant aan die stigting, groei en ontwikkeling van 'n myndorp. Alhoewel verskeie internasionale myn maatskappye reeds die Karoo rondom Beaufort Wes ge-identifiseer het vir Uraan ontginning noem beplannings dokumente van die Wes-Kaap Provinsiale Groei en Ontwikkeling Strategiee (PGOS) en ook in die ge-integreerde ontwikkelings planne (GOP) van die Sentrale Karoo Distriks Munisipaliteit en Beaufort Wes Plaaslike Munisipaliteit, geensins die moontlike ekonomiese "wipwaentjie" wat voorlê nie. Die volhoubaarheid van myndorpe (nie-hernubare hulpbron) is nie so belangrik as die ekonomiese ontwikkeling van die pro-aktiewe beplanning (in vernootskappe) van hierdie dorpe nie.

Vyfdens help besigheidsvertroue om die sentimente van besigheids-eienaars of bestuurders te verduidelik, teenoor huidige en toekomstige besigheids omstandighede. Verskeie maniere om besigheidsvertroue te meet, word vergelyk. Besigheidsvertroue word meestal gemeet op nasionale vlak. 'n Metodologie vir besigheidsvertroue gemeet op plaaslike vlak is voorsien. Hierdie benadering is geloods in die dorp van Beaufort Wes in die Karoo-gebied van Suid-Afrika. Daar bestaan planne vir 'n nuwe uraanmyn naby Beaufort Wes, en die navorser spekuleer op die impak daarvan op die brêer plaaslike besigheidsvertroue. Die uitslae van die 2007 en 2009 studie in terme van die opinies van besigheidsvertroue in Beaufort Wes word vergelyk.

Daar is weinig vergelykbare studies in terme van die bogenoemde faktore. Op grond daarvan stel die navorser voor dat hierdie metodologie en modelle ook getoets word op ander dorpe. Dit sal dan beslis of die resultate in ander Karoo dorpe verskil en ook van die res van Suid-Afrika.

## **KEY TERMS**

Local economic development (LED)

Civic culture

Partnership

Mining town

Karoo

Small town

Business confidence

Social capital

*L-E-P* model

Beaufort West