



ECSECC

Alice LED Strategy

2000

Global Life Building
Corner Phalo Avenue & Circular Drive
Bisho

Phone: (040) 635 1590/3

Fax: (040) 635 1571

Email: info@ecsecc.org

1. INTRODUCTION

The Eastern Cape Socio-Economic Consultative Council (ECSECC) was approached by the Alice TLC to assist in the design of a Local Economic Development Strategy for Alice. The need for the study arises from deficiencies in the Integrated Development Planning process which is weak on economic development planning, and omits the rural areas surrounding Alice from its scope. The spatial focus of this study is the broader Victoria East District, which falls within the jurisdiction of the Amatola District Council. The purpose of the study is to prepare, present and analyse relevant data and information in a manner which allows the TLC and other relevant stakeholders to design and prosecute a local economic development strategy for Alice and its surrounding rural areas. The study has the following objectives:

1.1 Objectives

- Provide a socio-economic situation analysis of the study area and population
- Investigate the capacity of the Alice TLC and TRC with the view to developing a Local Economic Development Strategy which they can take forward into the newly demarcated local council of EC127
- Provide an overview of LED possibilities and constraints
- In consultation with key stakeholders, make suggestions on the core thrusts of the LED strategy, and make recommendations on how best to prosecute the strategy.

1.2 Methodology

A number of methods were utilised in collecting and processing data. These include documentary research, a community strategic planning workshop, and in-depth interviews with key stakeholders and respondents in Alice. Documentary research was the primary means of attaining demographic data on Alice, with use being made of SSA's Census 1996; the DBSA's Human Development Profile (1994) and Ikhwezi's Situational Analysis Report (2000). The interviews were generally open-ended allowing interviews to take their own direction rather than being constrained by rigid interview schedules. The following persons were interviewed:

- Representatives from local businesses
 - Representatives from SMMEs (Hawkers)
 - Development projects
 - Representatives from trade unions
 - Professionals
 - Key community informants
 - Representatives from TRC and TLC
 - Representatives from the University of Fort Hare
 - Representatives from the Amatola District Council
 - Traditional leaders
 - Representatives from provincial government departments operating in the region
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- Representatives from the local farmers association

1.3 Structure of the report

The report is divided into seven sections. Section two provides a brief history of the area pointing to the rich heritage and apartheid underdevelopment which simultaneously characterize Alice's history.

Section three provides a socio-economic situation analysis of Alice, including data on population size, the gender composition, the age profile, levels of education, employment patterns, household income, and service levels.

Section four looks at the Alice economy in terms of output and employment disaggregated by economic sector, as well as analysing skills levels within the Alice labour market.

Section five looks at the capacity of the Alice TLC and TRC with the view to developing a Local Economic Development Strategy which can be taken forward into the newly demarcated local council of EC127.

Section six deals with the different approaches to LED, opportunities and constraints within the Alice economy, and core strategic thrusts of an integrated LED strategy for Alice.

Finally the report concludes with some specific recommendations for immediate action.

2. ALICE – HISTORICAL PERSPECTIVE

The origin of this small rural town goes back to the first occupation by British soldiers of what came to be known as Fort Hare, allegedly after Colonel John Hare, in 1846. It is also not clear whether Alice was named after Queen Victoria's or that of Hare's wife.

The town, small as it is, has nurtured and produced a number of intellectuals through Lovedale College, founded in 1824, and Fort Hare University, founded in 1916. Lovedale was named after Dr John Love, part of the founding fathers of the London Missionary Society (LMS) in 1775 who later became the first chairman of the Glasgow Missionary Society (GMS) in 1807 and its secretary from 1809 until his death in 1825. Both institutions were of missionary establishment. From Lovedale for instance sprang renowned leaders in Southern Africa - Chief Albert Luthuli, the once President of the ANC, and King Sobhuza the second of Swaziland. Other great leaders include Tiyo Soga, the first black missionary in South Africa and Steve Biko, the founder member of Black Consciousness Movement who later died in the hands of the South African police in 1978, as well as Z.K. Mathews, one of the first students of Fort Hare in 1916 and its first graduate in 1923. Thabo Mbeki, successor to Mandela as the president of South Africa, also went through Lovedale. From Fort Hare has come numerous heads of states from Southern Africa, including Nelson Mandela of South Africa, Ntse Mokhehle of Lesotho, Sir Seretse Khama of Botswana and Robert Mugabe of Zimbabwe.

This rich history provides Alice with a substantial platform for cultural tourism. Among the historic sights to visit are the two institutions of Lovedale and Fort Hare University. From a distance can be seen the Amatola Mountains, "famous" for the frontier wars and battles in which Xhosa chiefs were engaged against British imperialists. The frontier wars dominated the 19th century in the region and numbered eight in total. The Tyume River, which separates the two institutions Lovedale and Fort Hare, further enriches the natural beauty of Alice. It was also along this river that some of the frontier wars and skirmishes ensued.

But beyond this rich heritage, the history of Alice is typical of many other South African towns being characterised by racial division and underdevelopment. This underdevelopment can be seen against the "native reserve policy" of the Union of South Africa (1910-1948) and the apartheid policies of the National Party government (from 1948-1994). Both these policies simultaneously dispossessed Africans of their land (especially through the Natives Land Act of 1913), and forced Africans into overcrowded reserves which functioned as labour pools for white miners, farmers and industrialists. In line with apartheid's logic of creating self-governed "bantustans", the Ciskei became an independent state in the 1970s, complete with its own legislative assembly.

In this respect Alice is like many other former bantustan spatial economies – being characterised by extreme underdevelopment, poverty and lack of basic services in surrounding rural areas; a dearth of institutional and technical capacity (outside of the University of Fort Hare that is); and no sustainable economic base. As in so many other rural former bantustan towns, this has created enormous development challenges for the recently constituted local authorities. But what makes Alice different to so many other rural towns in the former Ciskei is the location of the University of Fort Hare, which has to play a central role in the towns socio-economic revival.

3. SOCIO-ECONOMIC PROFILE

3.1 Population size

The following demographic information represent the most recent data available from the Census 1996 statistics on Victoria East district socio-economic population study. There are other existing statistical information on population figure estimates from the Palmer Development Group study conducted in 1995, however, that information is neither accurate or up to date to be used as a basis for socio economic development planning. Moreover, the information provided covers only the urban area of Alice (see Ikhwezi Alice situational analysis report). While it is sometimes worthwhile to have information from various sources, other sources are not available, and those that are available are inaccurate and unreliable as compared to the 1996 Census study. The data presented below gives an estimate population size for urban, rural and other areas of Alice district. The "other areas" represent population figures from surrounding farms or game reserve. The data also indicates that the total estimated population for the Victoria East district is 54476.

3.2 Population breakdown – urban/rural¹

The population of the Victoria East district is rural with a minority of 21% of the total population living in urban area, namely Alice TLC area. This statistical picture reflects the rural nature of the Victoria East district. This shows what appears to be urban is essentially based on the small town grown around the University of Fort Hare.

Table 1 : Population breakdown – urban/rural

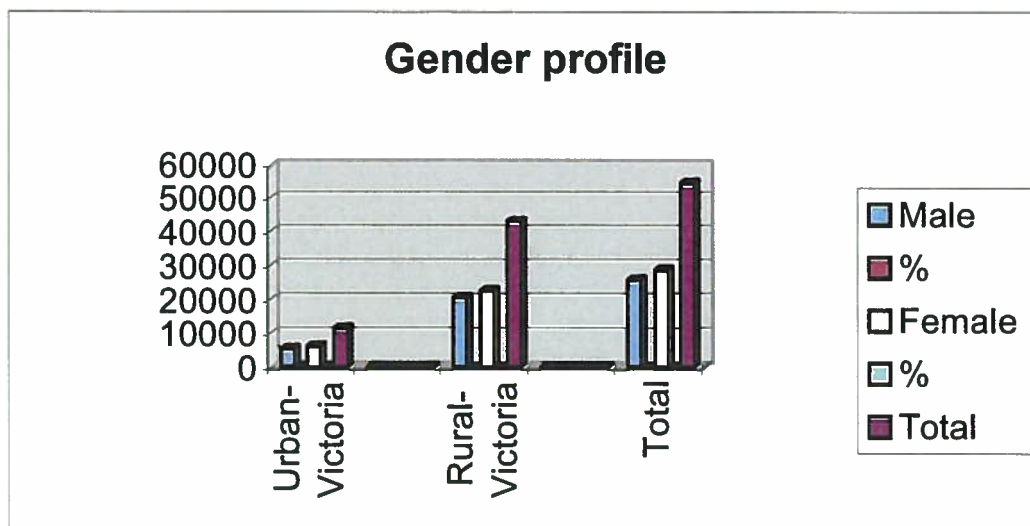
Victoria East	Population	Percentage
Urban or TLC boundary	11377	21%
Rural or TRC boundary	43099	79%
Total	54476	100

Table 1, Source: Census 1996

3.3 Gender profile

There are more females (53%) than males (47%) in the Victoria East district. Similar patterns are distinguishable in both rural and urban settlements. This picture should have serious impact on poverty levels as women are generally marginalised from economic opportunities.

¹ Rural in this report refers to the TRC and the farms surrounding the Victoria East district



Source: Census 1996

3.4 Age profile

Table 2 reveals that the Alice/Victoria East district has a very youthful population, 24% of urban population is under 15 years and 38% for the rural. These, particularly the 35% from rural areas are more likely dependent on the elders/pensioners for their living.

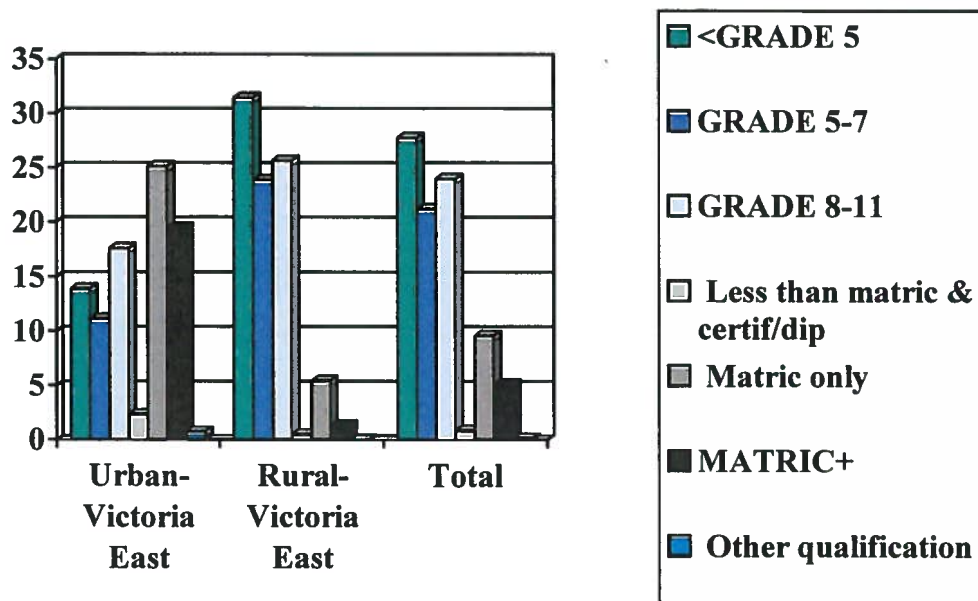
This kind of scenario presents characteristics of an underdeveloped area where levels of poverty are very high. Thus development planners need to take account of the youthful demographic profile of Victoria East district when planning for the provision of facilities such as schools, clinics, crèches, etc and a large number of job seekers will enter the labour market. Placing increasing pressure on the district to create employment opportunities or the inevitable out migration from area, in search of work elsewhere.

Table 2: Age by Rural/Urban

"Age profile"	Urban-Victoria East	%	Rural-Victoria East	%	Total	%
0-15yrs	2767	24	16411	39	19178	35
16-30yrs	5179	46	11357	26	16536	30
31-45yrs	2137	19	6035	14	8172	15
46-60yrs	835	7	4291	10	5126	9
61+yrs	401	4	4787	11	5188	10
Unspecified	58	0	218	0	276	1
Total	11377	100	43099	100	54476	100

Source: Census 1996

3.5 Level of education



In general the urban Victoria East despite having less than a quarter of the total population of rural Victoria East has, on average, a disproportionately higher education status than rural Victoria East. This may be explained by the fact that urban Victoria East attracts labour with higher education levels than rural Victoria East. It is also true that there are more education opportunities in urban Victoria than in rural Victoria. Urban Victoria East is essentially a small town which revolves around the Fort Hare University.

The figure above gives an indication of the distribution and levels of education within urban/rural Victoria East district. Clearly there is a vast difference between urban/rural Victoria East, for example only 1% of the population in rural have attended up to matric while the urban Victoria East has atleast 25% who have attended matric.

The urban part of the district has a higher percentage (20%) of other qualifications besides matric as compared to rural Victoria (1%). Planners need to take into account the provision of educational facilities and improvement of the quality of education while planning as the large proportion as presented below is at the primary level of schooling.

3.6 Employment and unemployment

In this report unemployment is viewed as including people 15 years and older and not actively looking for work but who would be prepared to accept work. The Eastern Cape has the highest unemployment rate (48.5%) compared to 34% for South Africa s a whole. The unemployment and employment statistics below reflect high unemployment rate in the Victoria East district. Approximately 80% of the total population are unemployed. Relatively, high unemployment rates occur everywhere, but rural areas are worse off with just over a half (63%) of the total population unemployed and 56% in the urban area.

There are very few job opportunities in the TRC/rural area than TLC/urban. The high unemployment rate includes, economically active population from students, youth, women who do not have access to job opportunities. With unemployment increasing a sustainable local economic development for Alice and its surrounding areas is fundamental.

Table 3: Employment by Rural/Urban

Employment status	Urban/TLC Area	Rural/TRC Area	Other/Farm Area	Total
Employed	2255	3325	111	5691
Unemployed	2876	4178	218	7272
Unspecified	0	48	0	48
NA: Aged<15	2405	15036	180	17621
NA: Institution	3843	0	0	3843
Total	11379	42587	509	54475

Source: Census 1996

3.7 Household income

The data presented below is from the Census 1996 and although it may be argued that it is outdated and it also gives estimation rather than an accurate picture but it gives some indication of the income categories into which most people fall. The other argument about the Census 1996 data is that it collects income data from one question on individual income including pensions and one on remittances without probing about informal income or enterprise profits. Despite these limitations, much can be done with existing information.

The data presented here indicates that 58 % of households earn less than R500 per month while 77% less than R1000 per month, comparing that to 41% of households in EC that earn less than R500/month and 30% for SA as a whole. It should be noted that from this study respondents were asked to include income from the sale of homegrown produce. The statistics shows that Victoria East is a very poor community and raises questions around the issue of affordability of service levels.

This desperate income situation raises serious methodological and conceptual questions and among these a key question is the definition is what constitutes employment in a typical rural setting. Perhaps it would be better to evaluate rural livelihoods in such situation. This table represents statistics measured in monetary terms. This also poses a danger of obscuring livelihoods strategies which do not easily learn themselves into monetary analysis.

Table 4: Annual Household income

"Victoria East district"	Urban-Victoria East	%	Rural-Victoria East	%	Total	Percentage
None	143	8	1738	19	1881	17
R1-2400	89	5	912	10	1001	9
R2401-6000	183	10	2621	29	2804	25
R6001-12000	272	15	1854	20	2126	19
R12001-18000	202	11	813	9	1015	9

R18001-30000	186	10	492	5	678	5
R30001-42000	144	8	194	2	338	3
R42001-54000	152	8	121	1	273	2
R54001-72000	133	7	69	1	202	2
R72001-96000	79	4	44	0	123	1
R96001-132000	64	3	44	0	108	1
R132001-192000	44	2	13	0	57	1
R192001-360000	26	1	14	0	40	1
R360001 or more	2	0	8	0	10	0
Unspecified/Dummy	91	5	224	2	315	3
NA: Institution/hostel	58	3	0	2	61	1
Total	1868	100	9164	100	11032	100

Source: Census 1996

3.8 Access to water

According to the Census data the urban residents are generally much better off than their rural counterparts, with 50% of piped water in dwelling while the rural has only 1%. 39% of the total population has access to public tap and 44% of the rural population fetch water from the dams, streams and rivers. This presents a problem of imbalances in infrastructural services in general and women are the ones that usually suffer, in this case they need to fetch water for their households on a daily basis.

"Victoria East district"	Urban-Victoria East	%	Rural-Victoria East	%	Total	%
Piped water in dwelling	933	50	73	1	1006	9
Piped water on site	321	17	59	1	380	3
Public tap	570	31	3699	40	4269	39
Water-carrier/tanker	7	0	323	4	330	3
Borehole/rainwater tank/well	0	0	931	10	931	8
Dam/river/stream/spring	0	0	4023	44	4023	36
Other	18	1	3	0	21	1
Unspecified/dummy	19	1	53	0	72	1
Total	1868	100	9164	100	11032	100

Source: Census 1996

3.9 Sanitation

The table below presents the disturbing trend that 93% of the district's population are relying on pit latrine and that makes over three quarters of the district vulnerable to poor health. This shows that most people without access to basic supply and sanitation services live in rural areas. Only 10% of the total population has flush or chemical toilets. Many actors (such as the Department of Water Affairs and Forestry for its Community Water Supply and Sanitation Programme, the Mvula Trust etc) that are involved in delivery of water supply and sanitation should be brought on board to implement projects in rural areas.

Table 6: Sanitation

Toilet facilities	Urban-Victoria East	%	Rural-Victoria East	%	Total	%
Flush or chemical toilet	1061	57	44	0	1105	10
Pit latrine	539	29	8532	93	9071	82
Bucket latrine	192	10	44	0	236	2
None of the above	52	3	490	6	542	5
Unspecified/dummy	24	1	54	1	78	0
Total	1868	100	9164	100	11032	100

Source: Census 1996

4. OVERVIEW OF THE ALICE ECONOMY

4.1 Sector analysis of the Victoria East District

The Development Bank of Southern Africa, 1994 identified the main sectors of the Victoria East economy as Services, and to a lesser extent Agriculture. Table 5 & 6 below show the heavy dependence of the district on services, which accounts for 70% of formal employment and 63% of output. The service sector in Alice is dominated by the public sector (University of Fort Hare, Victoria Hospital, numerous schools and municipality). As shown in Table 7, Alice has a disproportionately high employment in this sector (70% compared to 30% for the Eastern Cape as a whole). This reveals that livelihoods in the Victoria East district are very dependent on the state, either through employment or pensions/social security. This is potentially worrying given globalisation trends towards a smaller public sector and the lack of viable and sustainable economic growth in other sectors (perhaps with the exception of agriculture).

Agriculture and forestry is also another noticeable sector in the district (11,9% of employment and 26% of output). However, as reflected in the minuscule employment and output in manufacturing, there are no direct linkages between agriculture and manufacturing sectors. This suggests the need to consolidate the comparative strength of agriculture in the local economy, and at the same time promote beneficiation and agro-processing, as well as explore strategies to grow other sectors such as tourism (see section 6 of this report).

Sector	% Alice	%EC
Aaric. forestry	11.9	13.2
Minina	3.8	1.4
Manufacturing	2.8	18.1
Electricity. water	0.43	1.0
Construction	3.34	8.1
Commerce	5.13	15.7
Transport	1.52	6.1
Financing	0.65	6.6
Services	70.45	29.8
Total	100	100

Sector	Total Alice (000)	% Alice	% EC
Agriculture	24.414	26.1	3.6
Minina	0	0	0.1
Manufacturing	1.354	1.45	25.8
Electricity. water	624	0.7	1.7
Construction	2.049	2.19	3.3
Trade	1.498	1.6	16.3
Transport.	3.060	3.2	9.6
Finance	1.618	1.7	12.3
Services	58.887	63	27.3
Total	93.522	100	100

Source: DBSA 1994

4.2 Labour market

The figure below shows that 32% of workers are found in elementary occupations; these include occupations such as street vending, domestic work and scavenging. In addition a relative proportion (24%) of employed people in the Victoria East district are found in professional occupations, with 33% of those in urban that shows that those may be drawn from the Fort Hare University. The situation in the district may be due to low levels of skills, especially in the rural areas of Victoria East, where 38% are largely found in elementary occupations. The picture that is emerging is that there is no technical base whatsoever in the district.

The Victoria East district area has a tremendous potential for the development of relevant skills for local economic growth. There are many able and willing institutions that can provide skills training to the people of the area. The Victoria East district has a strong advantage over other areas in its vicinity in terms of its institutional capacity for training and the improvement of the skills levels of the district (eg. University of Fort Hare).

Table 9: Occupation by Rural/Urban

Occupation	Urban-Victoria East	%	Rural-Victoria East	%	Total	%
Legislators, senior officials and managers	64	3	51	2	115	2
Professionals	697	33	545	17	1242	24
Technicians and associate professionals	140	7	136	4	276	5
Clerks	213	10	130	4	343	7
Service workers, shop and market sales workers	254	12	298	10	552	10
Skilled agricultural and fishery workers	23	0	215	7	238	5
Craft and related trades workers	146	7	356	11	502	9
Plant and machine operators and assemblers	84	4	208	7	292	6
Elementary occupations	515	24	1191	38	1706	32
Total	2136	100	3130	100	5266	100

Source: Census 1996

5. INSTITUTIONAL CAPACITY

5.1 Introduction

This sub-section represents an attempt to investigate the capacity of the Alice TLC and TRC with the view to developing a Local Economic Development Strategy, which they can take forward into the newly demarcated local council of EC127. The report focuses on the functioning of the Alice TLC and TRC in detail, and has a strong institutional focus as a result. The research involved interviews with senior staff and councilors of both the TLC and TRC, the MSP (Municipal Support Programme) and the collection of secondary documentation on the TLC (budgets, policies etc). The report makes some final recommendations on the basis of the research.

LED is a function of local government listed in the schedules of the Constitution. Government policy on local government and LED has only received more detailed attention in the last few years. The link between LED and poverty reduction is what characterises the newer policies. There are two conventional policy directions for poverty alleviation. Firstly there are those that emphasise poverty alleviation through macro-

economic growth, and secondly those that center upon specific community-level programmes that are targeted at the poor. The first is a blunt and undirected instrument, with few measurable. The second is a more precise and focused approach, which can be evaluated and monitored more effectively. The town of Alice has seen little economic growth over the past five years, and it would seem that an LED programme focusing on poverty alleviation would be specific and community-based.

Local government in the Eastern Cape is arguably in a state of crisis. Basic service provision is under threat from serious financial problems in many of our TLC's. The ability of local councils to tackle a complex area like LED, is therefore limited. Local authorities need realistic approaches to LED that are appropriate for the context of small, rural-based towns with limited tax bases. The key themes identified by the DCD policy 'Linking Local Economic Development to Poverty Alleviation' for local government are:

- Regulatory frameworks
- Access to municipal services
- Employment creation
- Security and protection from crime and natural disasters
- Co-ordination and integration

These five areas form a useful framework for an LED strategy in a town such as Alice. Almost every function of local government impacts on the local economy and the residents' quality of life. By looking at services and infrastructure, through administration, council, staff, planning and development, local economy and poverty, understanding of demarcation and finally finance; we can see what the capacity of the TLC and TRC in each of these areas is, and how to build on the strengths and tackle the weaknesses in future. It is for this reason that the report covers most areas of municipal functioning. The areas already covered in other reports, such as the IDP situational analysis, have not been duplicated however.

5.2 Municipal capacity – Transitional Local Council (urban Alice)

5.2.1 Services and infrastructure

5.2.1.1 Services

The Alice TLC provides water, sanitation, and refuse removal services as their main activities. In addition they run a pound, commonage, cemeteries, roads and stormwater maintenance, parks and gardens, traffic, library, firefighting, sports and recreation services. Roads and stormwater drainage are the weakest areas of the Alice TLC service provision, although funds of R9,7 million have recently been secured for improvements in these areas. Not all roads in the town can be tarred however, as this is unaffordable.

The TLC's indigents policy subsidises water, sanitation and refuse services, the TLC does not supply electricity. Water services cover the whole of Alice LC, with most households having in-house connections. Ntselamanzi is the only area that does not have in-house connections yet (the area represents about 20% of Alice), and standpipes are provided here, charged at a flat-rate. Water will be provided in the houses in the near future, and the meters are being installed in the yards presently. Ntselamanzi and Khayalitsha are also not on the water-borne sewerage system yet, both relying still on pit-latrines. Plans for connecting Ntselamanzi to the sewerage system are in place.

The extensive water-borne sewerage system within the TLC was funded by the CMIP and a DBSA loan. This is far above RDP standard, but the TLC claim it is affordable. No household affordability studies have actually been completed.

There have been water quality problems of late due to the need for upgrading the system. This is now underway. Electrification levels in Alice are near to 100%, with only the newly completed low-cost housing units not being connected (5-600 units). Residents of Alice do not, however, use electricity exclusively as their form of fuel, with many people still using paraffin. Electricity is more costly than paraffin, and electrical appliances also costly. Indigent households are more likely to use paraffin, which places them at greater risk from fires. The TLC has the only firefighting service in EC127.

The TLC have two community halls, and a third is being constructed. It owns two sports fields, with funds of 460 000 provided for upgrading these facilities. There is a municipal library, and a pound which is reported as problematic. The TLC performs no health functions, and the local hospital is a provincial competence. The TLC does have a significant commonage. Refuse is collected once a week, with bags provided by the TLC free of charge. The refuse system consists of 2 trucks, two tractor-trailers, and a dump-site which is not quite up to environmental standards. DWAF are assisting the TLC in this matter though. Flooding does not seem to pose any serious threat in the town, with no houses situated on the river floodplain. The tip-site is also far from the river, reducing the likelihood of water contamination.

The housing backlog is estimated to be small, around 2% due to the housing new projects. Since 1994 the major improvements in the town have been in housing and water and sanitation. Service faults seem to be repaired fairly quickly, and using local capacity. Outside consultants are only used in exceptional cases. Maintenance and repair capacity exists although union problems sometimes interrupt this. Few complaints about services are received.

Many houses are reported to have Telkom phones and the lines seem reliable. The two cell-phone networks have reception in the town. No problems with Telkom services were reported, and the community-outreach programme mentioned, which brings a trailer with phones into the town regularly.

Public facilities in the town seem to be sufficient, and there are no obvious restrictions on access that disadvantage the poor (e.g. libraries only open to people from certain suburb).

5.2.1.2. Service tariffs

Service tariffs remain the same in 2000/20001 as for the 1999/2000 financial year. Sanitation fees on water-borne sewerage are R54, and septic tanks R38,50. Refuse removal is charged at R19,25 for domestic use, R70 for garden refuse, and R100 for business refuse. Water is charged at a basic charge of R22,50 which pays for the first 10KI, and then follows a rising block tariffs increasing from R2,25 for under 10KI, to R3,20 for over 60KI. This ensures that bulk users pay more per unit. A flat-rate of R65 is charged for water in Kuntselamanzi and Hillcrest. Rates and taxes are charged at R1.375 cents in the rand.

The service tariffs of the TLC are not explicitly differentiated for business and domestic use (except for refuse), however the higher volume users pay more per unit. Business and the University do end up paying more than the average domestic consumer per unit.

Levels of payment are estimated to be 60%. Tariffs are calculated to ensure enough revenue to cover estimated costs. The water service generates a surplus, which is used for repairs and to top-up the salaries bill.

The TLC have basic infrastructure in place to supply their services. The large Binfield dam on the Tyume River is the main supply for the town, with the water purification works situated above Lovedale College. There are two storage reservoirs, an elevated reservoir and pump station, and a further two reservoirs and pump station near Happy Rest. There is also a sewerage treatment plant. (Lovedale College and Victoria Hospital have their own treatment works).

Few of the streets within the TLC area are tarred, with many being gravel. The TLC has little or no involvement in transport services. Transport services in the town of Alice are provided by minibus taxi's predominantly. Bakkies are also used as taxi's, and there are two bus companies operating in the town. There is significant traffic between Alice and nearby towns, as well as rural villages. Taxi violence is not a problem at present, although two years ago there were problems between Bata Taxi Association (which dominates Alice), and Ncedo Taxi Association (which dominated Fort Beaufort). Councilors from both TLC's were involved in brokering a peace-deal between the two.

5.3 Administrative capacity

5.3.1 Credit-control and debt collection

The MSP has assisted the Council in developing a credit-control and debt collection policy, which has resulted in summonses being sent out. The process is for debtors to come to the TLC offices and acknowledge the debt. Arrangements are then made for the outstanding account to be paid. The most current account has to be paid up front, to ensure that the debt does not accumulate over the repayment period agreed to. This new system does appear to be working, and disconnections have occurred. Water services have been disconnected, but only after warnings. Every three months notices are sent out and disconnections made. This results in a wave of payments every three months.

5.3.2 Billing

The TLC has a computerized billing system, which GTZ funded with R160 000. All services are metered, with meters read once every two months. Bills are now posted (they were hand delivered previously), and people receive bills once a month. The administration of the TLC is computerized, with staff having received training from SETA and ICL. An assets register is being compiled (this is needed for the proclamation of EC127). The rates register is, however, in place. There is a vacancy in the staff organogram for a Town Treasurer, but a moratorium has been placed on new appointments until the elections.

5.3.3. Filing and records system

The TLC offices are well-equipped, with new computers (supplied by GTZ), and all the necessary fax/phone telecommunications equipment. Some of the equipment is rented, such as the photostat machine, which means that maintenance and replacement costs are eliminated. These are sourced from companies in East London, who service the equipment. For that equipment which is owned, the budget apparently makes provision for maintenance and replacement, but without an assets register this seems unlikely. Staff seem able to utilise the computers, having received training in word and excel (Windows 97 versions). The newer accounting package however, is not familiar to most staff.

The last round of property valuations was completed in 1996, and the TLC is due for its 5 year review. They claim that most properties are properly surveyed and valued, and there is a rates register.

There is evidently a problem with staff who answer telephones and do filing. This is evidenced by the fact that the main TLC line is often engaged, and the person who answers the phones often cannot provide information on where staff can be contacted (incorrect information has been given on numerous occasions). Senior staff are contacted mostly through their cellular lines, and this results in considerable interruptions throughout the day (even in meetings). Senior staff have considerable demands on their time, and need assistance in prioritising their time, which would be expedited if a good receptionist could be trained.

5.4 Council

5.4.1 Council operation

The council has five sub-committee's, namely Finance, Engineering, Human Resources and Administration, Social Services and Recreation and in addition the Executive Committee. Give that there are only 9 councilors, the TLC invites suitably qualified people from the community to participate on the committee's, for example lecturers from Fort Hare who have expertise in areas like human resource management and sports. Each committee is chaired by a councillor, and can only make recommendations to the full council for decisions. This system seems to be working well. Council meetings are open to the public, but visitors do not have speaking rights. Non-councilors only attend council meetings when the issues under discussion are of interest to them, and they apparently get frustrated with not being able to speak. The council has no by-laws in place, but decisions taken on certain issues are used as standing regulations.

The council meet once a month and also schedule special meetings when required. The attendance at these meetings seems to be good, and ward meetings are reportedly regular. The relationship between the council and community has had a few rough patches. In 1999 for example, the budget was completed under severe time constraints, which resulted in its submission to Pretoria before councilors took it out to wards for discussion. The tariff increases proposed were met with resistance due to this lack of consultation, despite being approved in Pretoria. This year no tariff increases are proposed, perhaps as an effort to improve community relations.

Councillors have been trained on the basic areas of municipal functioning, most intensively around 1995 and 1996. More recently some councillors have received training on municipal law pertaining to councillors, training on PPP's, and an LED workshop. No training on the new local government system for the final phase, and legislation flowing from the White Paper, has been given. The council would benefit from this enormously, as they seem committed and willing to pursue developmental local government, which is the cornerstone of the new system.

In terms of civil-society local state relations, there is an active forum called the Alice District Development forum. Local political structures are also active. In addition council standing committee's include townfolk who are invited to contribute to proceedings. There is also a forum with Fort Hare, which seems to be working well.

5.4.2 Council Policy

The council has an informal local procurement policy which they refer to as 'local is lekker', with small businesses being preferred providers. However on big projects, for example road construction, reputable contractors are now used. While local sub-contracting is encouraged, the TLC recently had a bad experience with a water reticulation project that utilized a local contractor who could not deliver in the end. This cost the TLC money, and they are concerned that companies will make excuses for low standards pointing to the use of local contractors who lack skills. The council encourage the use of local labour and on the job-training for workers.

The council also has an indigents policy in place. The subsidy on services to indigent households has been administered through registration of households and a reduction in the amount stated on the bill. The system has had some problems with households where pensioners live applying for the subsidy, while the total household income actually exceeds the R500 limit. This typically occurs where pensioners live with civil servants who earn better incomes. The solution to this problem is seen as local community leaders policing the system and informing the council where a household is known to receive an income above R500. It does appear that this subsidy is drawn from the equitable share (1 million), but some of the ES goes towards salaries, which is not optimal. However the ES is not a conditional grant, so the TLC can do with it whatever it pleases. The currently registered indigent households total around 809. There does appear to be a concentration of indigent households in certain areas, for example in one area 600 households are registered. This information is a start toward identifying areas of greatest poverty and need within the town.

The budgeting process followed by the council is fairly standard. The Treasury make a first draft based on the previous years budget, adjusted with the increment % set by the Finance ministry every year. The drafts are circulated to councillors, and debated at a meeting. The councillors suggest changes, which are implemented. Councillors go out to communities to assess priorities and canvass opinion on the proposed budget. The councillors do appear to understand the budget and interact with it sufficiently. This is witnessed by the changes made (for example increasing the vote for vehicle purchase). Council have expressed an interest in new budgeting methods, having never tried anything other than incremental budgeting.

5.5 Staff

5.5.1 Staff complement

The TLC is divided into the following departments:

- Treasury
- Administration
- Health and Environment
- Engineering

The most senior staff are the Town Clerk, deputy Town Clerk, senior accountant, the building inspector and water works manager. There are no qualified planning or engineering professionals on staff. The minimum wage for permanent employees is R1 600 per month.

The TLC's organogram shows three departments falling under the Town Clerk (CEO), who has a secretary. Further to this is the Finance department under a Town Treasurer (vacant post), with 13 employees ranging from accountants to stores officers. The Administration department falls under the deputy Town Clerk, and is made up of 24 employees covering library, civil defense, health and environment, and housing. Under the Engineering department there are 93 staff listed, based in the sections pound and commonage, water and sewerage, parks and gardens, buildings, streets and cleansing, stores and workshop, and waterworks plant. This results in a staff complement of 132. Of the staff, 84 of these are labourers, 10 firemen and 8 security guards.

5.5.2 Experience

The Town Clerk started in his position in 1986, and has a BA honours degree. He has been working since 1979 in the public sector in the town (Fort Hare and the hospital). The deputy has been in his position for 5 years, and has a diploma in economic sciences. The health inspector has a technikon qualification, and the senior accountant experience in an accounting firm although not fully qualified.

The senior accountant previously worked in a large accounting firm, and is experienced in GAAP (Generally Accepted Accounting Practice), which is put forward by the White Paper on Local Government as the accounting standard for municipalities. The staff under the senior accountant do not have sufficient skills to complete their tasks as yet, and he is working on building their capacity. Once the team is able to ensure smooth running of the accounting, he believes that they will be ready to try alternative budgeting methods. The accountant is not from a municipal background, having joined the TLC recently, he has not taken on the Treasury functions as the accounting side needs updating. The post of Town Treasurer needs to be filled by a qualified person.

The staff are actively unionised, mostly through SAMWU, with one Imatu member. The Town Clerk reports few problems with unions. The Town Clerk is in charge of training needs, and has organized training in East London for staff, which has been useful (e.g. computer training). Consultants are only used on projects, for day-to-day running internal capacity is sufficient. The TLC does have a performance management system for staff introduced by the MSP. This includes performance appraisals, but is in its early stages of implementation.

The TLC has managed a significant number of projects over the last few years. While this is commendable, there is an evident trend of underestimation of project costs, or unforeseen costs that the TLC ends up footing the bill for. Engineering capacity is largely bought-in through consultants, as the TLC has no qualified engineer or quantity surveyors. Project management skills from the inception stage of costing projects and applying for funds is clearly lacking, and the TLC is currently paying a high price as they bravely attempt to save various projects which already represent significant investment in the town. The new local council for EC127 should motivate strongly for a qualified engineer to be put on staff, given the level of capital development that needs to occur in this disadvantaged area.

5.6 Planning and capital development

5.6.1 Planning

In terms of planning, there have been a number of initiatives within the Alice TLC, most of which have fizzled out. In 1997 a strategic plan called Alice 2000 was drafted, assisted by GTZ it contained a financial plan. Some of the projects were completed (such as the Treasurer from Germany being brought in by GTZ for two years), but the plan was not implemented in its entirety due to changes within GTZ, new staff and reduced budgets. The Treasury section was reorganized successfully, the TLC was computerized, and an infrastructure study completed.

An Alice Fort Hare Integrated Development Programme was developed at the same time as the Alice 2000 plan, but no structures were put in place to monitor the implementation of the plan. The new VC has revived the plan and there have been workshops and documents produced in the process so far.

The IDP has only reached the stage of a situational analysis for the TLC area (roughly half-way). It is not progressing well as there is no information on the TRC area. The IDP/LDO process which Ikhwezi facilitated so far does not appear to have been successful. The TLC feel that many of the issues raised in the IDP were outdated, and were relevant only in 1994. By way of illustration, the following information was picked up in the situational analyses as being outdated or incorrect:

- The water reticulation network is old and failing
- No adequate database of ratable property, nor records of assets exist, and there is no debt control.
- Solid waste disposal – only central area and Happy Rest is regularly serviced
- There are 17 administrative and technical staff, and 93 labourers
- There is an acute lack of data and information technology
- The rates account is non-existent and service charges are not levied
- Only part of the TLC's area has been valued and rates are not levied
- Only 10% of residential consumers pay for services, nevertheless few debtors had their services suspended and no summonses had been issued.

This indicates the use of old reports to draft the situational analyses, which is a common problem with consultants who repackage old information. This report clearly angers the TLC, who have made major improvements over the last 5 years. The planning committee consists of two councilors from the TLC, two from the TRC, and two members from each local structure. Although participation has generally been good, it was reported that councilors were not always consistent in their attendance. The TLC feel

that the holding of office-hours meetings and an intensive two-day workshop meant that not all the right people attended. The example of Fort Hare lecturers was cited, as they could not leave work to attend IDP meetings. The TLC feel that they cannot implement the plans implied in the IDP, partly because it has been overtaken by demarcation. In addition to actual LDO's have been formulated yet, and these are the key vehicle for expressing plans. They believe the issues are different now that the towns of Fort Beaufort, Seymour, Middeldrift and Hogsback will join Alice. They feel that the integration of rural areas will be difficult and that issues will be contested. The Alice TLC believe that Fort Beaufort TLC are deep in debt (believed to stand at around 60 million), and resent the inheritance of this debt. They feel that Alice TLC as improved over the last few years through hard work, and that Fort Beaufort has declined. Debt collection in particular is reported to be a problem in Fort Beaufort.

The role of the TLC in integrating and co-coordinating all development within the TLC is underdeveloped. The IDP process currently in its early stages is the first structured opportunity for the TLC to take up the co-ordination and integration role. The TLC and TRC have little contact and no combined projects as yet. The TLC does assist the TRC by providing office space in the town hall, and has assisted them in drawing up a list of priority projects. Only the departments of Health and Education have participated in the IDP so far. Monitoring and evaluation of project implementation occurs only through councilors who get feedback from their constituencies and report problems to the TLC. No other system or framework for progress evaluation exists.

The TLC has a good relationship with the TRC, having embarked on an IDP together. The TRC has an office in the town, with an Amatola administrator. The TRC does have some projects in villages, but no joint projects with the TLC. A rural water scheme worth about 20 million is reported for the TRC.

The town of Alice has no significant informal areas, the town is virtually all properly planned. A small strip of land near Kayalitsha has about 20 houses on it that were never approved and these residents must be moved, and will be accommodated in new low-cost housing units. Alice TLC has a zoning scheme which has been in place since 1997. It is understood however, that this scheme does not encourage mixed land use and is a conservative scheme produced by town and regional planners of the old school. A structure plan for the same year also exists, but was completed by the same consultants. The residential area of Ntselamanzi seems to be the fastest growing part of Alice, with the population growing as people from rural areas come to live in the town. The housing project in the area has also attracted new residents. The newer housing project on the old golf-course is also expected to be a pull-factor. Many people in Alice work in the town and live in back-room accommodation, and it is these people that have tended to benefit from the housing projects more than rural people coming in to the town. Commercial growth has reportedly not matched the population growth of Alice.

The TLC has building regulations and a building inspector. New development applications are channeled through the social services committee of council, and is finally approved by the full council. This process is relatively efficient, and no obvious blockages to development approval are evident (for example consultants are not used, approval from Bisho not required).

The town of Alice is situated in a valley, and is therefore low-lying. There are some areas that are not suitable for development, for example a swampy area in Ntselamanzi where

approval for housing development was denied. Plenty of sites are available for housing units, around 1 300 still being available.

The TLC does have a disaster management plan in place. The health and environment inspector is in charge of this plan, and a disaster committee is currently being formed.

5.6.2 Capital development

A number of projects have been undertaken in Alice in the last few years:

1. Water extension

Two reservoirs were built, and a pipeline using gravity installed to bring water to the settlement of Hillcrest, an area of poverty.

2. Roads rehabilitation

Roads in the town of Alice were resurfaced, and funds of R9 million have been approved for surfacing roads in Ntselamanzi.

3. Highmast lights

These were constructed in Ntselamanzi, with CMIP funds.

4. Ntselamanzi community hall

This was completed recently, funded mostly by the Amatola DC (R400 000). The council added some funds.

5. Low-cost housing project

Completed in Ntselamanzi

6. Bulk sewerage provision

This was completed in Hillcrest and Ntselamanzi, with funds provided by the Amatola DC and the Housing Board.

7. Bulk water supply upgrade in Hillcrest area

This was completed with Amatola DC funds

8. Construction of vehicle licensing station

This project is almost complete, but the council had to add R50 000 to ensure its completion.

9. Upgrading of waterworks

The water treatment works were upgraded with R2million from the CMIP and R2million from Amatola DC. The capacity of the waterworks was increased so that rural villages could also be supplied by this extended network. All 57 villages will eventually be reached by this system (over phased periods though).

10. Upgrade of taxi-ranks

This project funded by Amatola DC (R500 000) has stalled. Unforeseen costs have been incurred with a septic tank being found under the rank, which had to be filled, and trees that were partially uprooted during the tornado having to be removed at great cost. Tenders to build the offices at the rank are about to open. No funds for shelters are available at this stage, and the public toilets are in place, but not connected to the sewerage system yet. The reason given for this is that the whole taxi-rank should be launched at once. Taxi drivers are not happy with the stalling project. Taxi representatives have stopped attending IDP meetings.

11. Purchase of new fire engine

The fire service is using the new engine which cost R800 000 (Amatola DC funding).

12. Resurfacing of roads

The tender is going out for resurfacing roads in Ntselamanzi and the town, with the R9million approved (partly from CMIP, R5million from the TLC's own funds).

13. Construction of community hall in Happyrest

This is funded by the Amatola DC and is in progress

14. Water reticulation in Hillcrest and Ntselamanzi

This is funded by Amatola DC and is almost complete

This list represents a significant number of projects. As already mentioned, however, it shows a trend of underestimation of costs, or unforeseen costs that the TLC ends up footing the bill for. Project management skills from the inception stage of costing projects and applying for funds is lacking, and the TLC is currently paying a high price as they bravely attempt to save various projects which already represent significant investment in the town. The new local council for EC127 should motivate strongly for a qualified engineer to be put on staff, given the level of capital development that needs to occur in this disadvantaged area.

5.7 Local economy, LED initiatives and poverty

5.7.1 Local economy

The population of Alice is estimated by the TLC to be around 20 000. While official statistics from the census may indicate a far lower number (around 13 000), many municipalities contend serious errors in the census numbers. The town of Alice is relatively congested, and the density especially in the centre of town is growing as new buildings are not going up to match the population growth. The population is particularly youthful, most likely due to the presence of the University, and the many schools and colleges in the area. There are more women than men in the town, and there is some migrancy which contributes to this phenomenon. Seasonal changes in the population of the town tend to average out, as it is when students go on holiday that migrants return to the town. Summer holidays are the time when the town's population is at its lowest. Fort Hare has approximately 4 000 students.

Alice has a higher volume of people and activity than Fort Beaufort, and the level of poverty in Fort Beaufort is reportedly higher than in Alice. The level of unemployment in Alice is estimated at 40%, which is slightly above the national average, but below that of most former homeland towns in the Eastern Cape (now the poorest province in the country).

Alice has two banks (FNB and Standard), and a few small chain stores. However most businesses are small and local, and reportedly offer a low standard of services. Businesses are paying their business licenses, but the income for the TLC is not significant. Unemployment in the town is high, and informal trading is an important source of income for many households.

Alice supports the commercial needs of Seymour and Middel drift. Businesses in Alice do express a level of confidence in the future of the town, especially if the surrounding agricultural sector were to improve (Ikwhezi business survey 1999). Fort Hare University employs about 600 people. Government departments in the town include Fort Hare, Agriculture, Health, Police, Education, Social Welfare, Public Works and Justice. These departments are also significant employers, and are being 'chased' by the TLC to pay their rates and taxes. There are many teachers and nurses in the town, with unemployment being highest among unskilled workers.

There are 137 formal businesses in town according to the Ikwhezi survey, the greatest number being in the motor sector, grocery and food and drink, and then household furniture. The business sector has a low level of confidence in the TLC, their suggestions for the TLC being listed in the survey as:

- Market the town and improve its image
- Provide information board around the town indicating where to find key services
- Develop more business space in the CBD
- Improve streetlighting, bins and refuse collection, security and general street maintenance in the CBD
- Push for development in surrounding district as this will enhance sales
- Provide business support through information on tendering opportunities in the Alice district
- Provide detailed statements itemizing costs for services rendered by the local authority
- Give prior notice of electricity and water cut-offs

Some of these issues have already been attended to. Business are well-represented on council, and have little basis for complaint. A lot of economic leakage does takes place to King Williams Town, 60km away, where many people go to shop.

In terms of access to residential land, most people in the town own their properties, and the rental market is limited. There is little pressure for land, with plenty undeveloped sites. There are land-claims lodged by a number of residents on a strip of land in Ntselamanzi used for communal agriculture. This land currently falls under the TLC's ownership, but due to the land-claim cannot be utilized. The claim has been unresolved since 1996. The TLC has a massive 2 900 hectares of commonage.

The area of Alice does have some natural assets, namely plenty of water and forests on the mountain-sides. Olive trees are being planted in the area, and although it takes many years for olive tree's to reach full-bearing capacity, there will be an opportunity for processing of the raw olives in the town of Alice. Olives must go through a process of salting and soaking before they are palatable, and the extraction and bottling of olive oil is an obvious opportunity. Tourism exists within the Alice area due to its natural beauty as well as its rich history. There is a local community tourism organisation, which the TLC's health inspector participates in. The tourism function of the TLC is not yet properly developed, and the health inspector only promotes tourism through his involvement in a tourism organisation structure that approached the TLC for a representative.

The levels of crime in Alice are not seen by the TLC as being a problem, and it appears that most crimes are not violent. The most common problems are shop-lifting and house-breaking. Community policing forums are in place.

5.7.2 LED initiatives

In terms of past LED initiatives, the Alice District Forum has had special committee's, one of which looked into LED. They did an informal survey of the needs of the town commercially, and suggested the need for a chain-grocery store, as food is a basic commodity everyone must buy. Part of the motivation was that the 57 villages in the Alice TRC are inhabited by residents who depend largely on government welfare grants, and remittances from migrant workers, and they shop for food in the town of Alice. Murray and Roberts were approached to facilitate the construction of a supermarket in

the town, but they lost interest when another project in Mdanstane started. A site had even been approved for the supermarket, but there was opposition from local business. Some of the other tenants planned for the small complex withdrew, and the local developer seems to have lost interest. A Spar supermarket is being opened in the town, owned by a local individual. There seems to be a lack of local buildings for rent. There is plenty of vacant land for development in the town, but building costs are high.

An RDP housing project which the TLC managed has been completed with 1080 houses built. Further housing projects are planned with applications to the Housing Board having been submitted. This contributes to local employment and economic activity.

Efforts by the council to attract investment to the town have been largely unsuccessful. A plan for a French investment in a grid-iron factory was proposed, but did not come to fruition. The investors were offered lower rates and service charges as incentive, which is not usually offered to business in Alice. Tax holidays were investigated by the TLC, but government declined (this was an old homeland border policy that could not be resurrected). No municipal markets or events have been staged by the TLC. The TLC did apply for DCD LED money to resuscitate the local market and an agricultural project on Lovedale fields (with co-ops), but were turned down.

Councilors feel that there are underutilised opportunities around tourism, especially since overseas visitors who come to see Fort Hare have to stay in Hogsback (the Amatola Hotel closed down recently).

The TLC does not recycle waste, although there is a local recycling project where paper, plastics and metals are compacted for sale. The Department of Economic Affairs assisted in this community-based project, which the TLC is not involved in. The only NGO's involved in Alice seem to be GTZ and ECSECC. While the relationship with GTZ is on-going, no specific projects are currently underway with the TLC. The TLC has recently been invited to apply for funds for LED by the department of Housing & Local Government in Bisho, who have access to money from the national ministry.

Within the town of Alice there are numerous community projects. The TLC has very little knowledge or contact with these initiatives, which is unfortunate. There is a baking project and another brick-making project in Ntselamanzi, and an agricultural project being formulated at Lovedale. The waste recycling project has also been mentioned previously. These projects date back to prior to the creation of the TLC in 1995, and only ward councilors have informal contact with these projects.

In terms of what the TLC can contribute to LED, there are a number of ideas which staff expressed. These include making facilities available for projects, for example land for agricultural and livestock projects, and offices for small businesses. An internal TLC structure or desk is seen as necessary to institutionalise the LED function. This structure needs to monitor and promote LED and provide feedback to council. The TLC has had very little LED involvement, with no person dedicated to this function. The TLC is unsure about where or how to contribute to LED, and as a function it is not seen as a core TLC power.

5.7.3 Poverty

Three areas have been identified as where the poor are most likely to reside in Alice, namely Ntselamanzi, Golf Course and Hillcrest. Knowledge or information on poverty in the town of Alice is limited. A household income study which was done in about 1998 exists, but focuses on household income levels for the purposes of investment in the town, not poverty alleviation. All respondents felt that the causes of poverty in the town and rural area were due to unemployment. The government sector is the largest employer (University, hospital, schools etc), and the unemployment problem is largely in the unskilled sector. The TRC councilors say that even educated people are unemployed in the rural areas. The perception of poverty being exclusively due to unemployment, limits the solutions to the problem to creating jobs, and very often through investment in the town. This all leads to the trickle-down approach to economic development, which is only one of many approaches. A proper analysis of both urban and rural livelihoods in the area is necessary in order to understand the causes of poverty. A proper poverty audit is an important step in an LED process, which has never been undertaken.

Discussions with staff revealed that it is believed that the beneficiaries of LED should be the most poor and disadvantaged, particularly in rural and semi-rural areas. Some staff believe that Alice town should be the site for core-projects, with the spill-over effects reaching other areas. Greater employment in the town of Alice is expected to result in an improving of the towns image, which would bring in further investments, which would result in a trickle-down of benefits. This is very much the traditional view of LED, in line with GEAR.

The Alice TLC has an indigents policy, which is its chief contribution to poverty alleviation. The policy is in line with national guidelines, and was prepared by the MSP team. The indigents policy identifies households with an income of R500 or less per month, as qualifying for a 100% subsidy on general service charges, sewerage, 12Kl of water and refuse charges. This is subject to the fitting of a flow-control washer on the water supply if the 12Kl is exceeded. Another category of indigent households is identified, for those whose income exceeds R500, but is less than R1000. A 50% subsidy applies to these households, with the first 6Kl of water being free. Where households have accounts in arrears, these are suspended, and an acknowledgement of debt required to be signed by the account-holder. The policy makes provision for a list of indigent households to be made available to the Information Trust Corporation (Credit Bureau). The implications of this need to be further investigated, as this may prejudice the ability of these households to gain access to credit, especially for commercial purposes in the future.

The indigents policy warns that people supplying false information to qualify for the subsidy, will be disqualified, repayment of subsidies received will be demanded, and even criminal action taken against these people. Council can also send officials to the households to check the details on site. In order to apply, the account holder must come in person to the offices, with a municipal account, ID, and information on names and ID's of all members of the household over 18 years of age. The subsidy assistance is valid for 12 months, and must be reapplied for each year. This is phrased as being due to the fact that the funds come from national government (its permanence implicitly questioned), rather than due to a possible change in financial status of the household.

This notion of poverty being a permanent condition is potentially problematic, and an LED strategy should work towards building peoples ability to pay for services.

5.8 Demarcation

There is a local facilitation committee for EC127, although the process of negotiating the transition is clearly being led by the Facilitation Committee for Amatola District Council. Local meetings are held at Amatola's request, and seem frequent and unplanned. All information and capacity for managing the change seems to come from the DC.

The Alice council expect the new EC127 to be a collective mayoral type, which seems to have been agreed upon. The absence of an executive mayor makes sense where numerous towns are combined, as is the case with EC127. In terms of powers and functions for the new municipality, the Alice TLC feel that they cannot ask for functions they do not currently perform. For example they feel that roads within the town can be maintained by the local council, but major reconstruction and inter-town roads would be beyond their current capacity. Similarly electricity has never been supplied by the TLC, and while they know it is a potential source of surplus income, they have noted how Fort Beaufort is loosing money on electricity, and therefore have mixed feelings on the matter. They fear developing a large debt to Eskom in the event of non-payment for services. Fort Beaufort has outsourced water and sanitation, which will complicate matters when the amalgamation takes place, as this is the key service of Alice TLC. The Alice fire-fighting service is expanding, with a new fire engine having recently been purchased. Water purification and domestic supply is another function they would like to keep, and they are currently renovating the water system to increase capacity from 8 to 12 megalitres. Other functions they feel confident with are stormwater management, cemeteries, refuse collection, and streetlighting. They are keen to develop the tourism function as they see visitors coming to Fort Hare and other historical sites like Lovedale. There is also a game reserve nearby, and Hogsback, which attracts tourists. The kind of function the TLC does not want to get involved in is transport. Alice do have a traffic section, and they also manage recreational facilities.

The expectations for restructuring are that jobs will be guaranteed, but not positions. It is expected that the unions will not respond well to changes. Service restructuring is likely to be difficult. Previous retrenchments in the water works section of the TLC caused problems when retrenched workers closed the valves, stopping the water supply to the town briefly. Some of the water pipes date back to 1930, but are receiving attention. The TLC believe the water system can be extended, but would prefer that Amatola take the responsibility of collecting payment of bills in rural parts. This arrangement was apparently in place in years past, and worked well. The role of Amatola DC will continue to be important, particularly in rural areas, and in funding capital projects. The Alice TLC believes that support for expanding their service networks needs to come from a national level, rather than district or provincial levels. There is a perception that national departments have greater capacity to assist than Amatola DC or the Provincial government.

The Alice Town Clerk participates in the facilitation committee, as do a couple of councilors. Knowledge on the new local government dispensation and restructuring seems limited to a few key people. This needs attention.

5.9 Finance

5.9.1 Budgeting method

Alice TLC has had a Town Treasurer seconded to them from Germany for two years, courtesy of GTZ. This person has recently completed the two years and returned to Germany, leaving the post vacant while the deputy Town Clerk acts in the position. There is a senior accountant who is the most senior member of staff in the treasury section, and having worked with the Treasurer for about a year, seems to have picked up a system for addressing the backlogs in the accounting of the Alice TLC. The TLC has also had the benefit of assistance from the MSP, who have helped the senior accountant in drafting the latest budget for the TLC, using the incremental budgeting method. This method is the only one used in the recent history of the TLC, and has been favoured due to its simplicity for personnel drafting the document. This method does, however, have a number of problems. Firstly it entrenches past patterns of expenditure, and does not encourage re-orientation of expenditure toward disadvantaged areas. It also discourages councilors from questioning pre-existing financial commitments, thereby disempowering councilors from their right to direct expenditure according to an elected mandate.

The senior accountant previously worked in a large accounting firm, and is experienced in GAAP (Generally Accepted Accounting Practice), which is put forward by the White Paper on Local Government as the accounting standard for municipalities. The staff under the senior accountant do not have sufficient skills to complete their tasks as yet, and he is working on building their capacity. Once the team is able to ensure smooth running of the accounting, he believes that they will be ready to try alternative budgeting methods. The council have expressed an interest in alternative budgeting methods.

5.9.2 Statement of income and expenditure

The most accurate means of testing whether a council is balancing their budgets and is in good financial standing is to compare a years budget against statements of income and expenditure for that year (which are audited). The most recently completed statement of income and expenditure for Alice TLC is from 1996. This backlog indicates some of the accounting problems which persisted in the TLC from 1995. The accountant has been working on a manual system to catch-up on statements, and the auditors are currently in possession of records which will allow them to give the TLC an opening balance for 1998. It is anticipated that once this is provided, the catching-up will occur rapidly. Without these statements it is difficult to comment on the financial capacity of the TLC. However, there do not appear to be any major deficits according to staff. In addition the only debt which the TLC has other than small creditors (suppliers), is a loan from the DBSA which was used for a sewerage project. The TLC does not have an overdraft (its credit-rating probably prohibits this) and reportedly does not suffer from cash-flow problems. Creditors and salaries seem to be paid on time, with the major creditor being the water account (bulk water from Amatola Water) which totals about R40 000 per month.

5.9.3 Recovery on services/pricing

The exact levels of payment for services is unknown (estimated at 60%), however the debtors total 5 million rand (this includes services and rates accounts outstanding). The

MSP have been assisting the TLC with developing a creditors and debtors system, and it is understood that levels of payment have been going up. The exact level of cost recovery on each service is unknown, although the accountant claims they are breaking even. This could however be because of the rates account, which picks up the deficit from other accounts. The actual cost of services is not analysed, which is unfortunate, and probably stems again from the incremental budgeting method that simply builds on previous years (and potentially compounds pricing errors). In addition the lack of financial statements makes the figures for actual costs unavailable. The debtors and creditors section has been issuing summonses to residents not paying their rates and services, and disconnections have also occurred. This seems to be paying off as payment levels have increased. Recently a business that had not been paying for services came in and paid R12 000 on outstanding accounts. The rates income for the TLC is significant, with Fort Hare by far the largest contributor. The TLC's relationship with Fort Hare is good, although water is the only service the TLC provides Fort Hare with. The only trading services the TLC is able to generate a surplus on is water, as they do not supply electricity. Eskom supplied electricity directly, thereby depriving the TLC of that potentially significant income often used to cross-subsidise essential services.

5.9.4 Assets

TLC equipment outside the municipal offices, is not generally in good repair. An assets register is being compiled, and is necessary for the handing over of the TLC to EC127. Much of the infrastructure and assets of the TLC are aging, for example equipment like graders. This leads to the TLC hiring equipment when the need arises. The capital budget does not accommodate replacement of this equipment, some of which dates from 1960. With the combining of towns into the new local authority, the improved economies of scale may allow for purchase of some new equipment linked to specific locally provided services. The TLC does own a number of houses, buildings and land. Rental is charged for the houses, although a dispute seems to exist between a Bisho department and the TLC as to who is entitled to the rental income.

In terms of vehicles the TLC owns 4 bakkies, 3 trucks, and 5 tractors. The TLC does own a bull-dozer and grader. The main office does not have a vehicle, and new money is in the budget for purchase of vehicles.

5.9.5 Equitable Share

The TLC's Equitable Share stands at around R1 million per annum. It has declined over the last three years, from 1998 when it was around R1,5 million down to 1 million for 1999 and again for 2 000. The change occurred as the new formula was introduced. The accountant believes the ES is a fairly small portion of the budget, and while it is appreciated, it cannot be said that the TLC is dependent on the ES for survival. The TLC does have some investments, which seem to be funds as yet unspent for a specific area of the town. These funds are budgeted to the rates account for the 2000/20001 financial year.

The Capital budget for the TLC stands at around 33 million for 20001. Of this total, 8 million is internally funded. This is significant, as many TLC's rely entirely on external funding.

5.9.6 Credit control policy

The TLC's credit-control policy was produced by the MSP, and is a generic policy obviously used for many of their municipalities. This is especially evident since it covers electricity supply and disconnections, which the Alice TLC is not in a position to carry-out since Eskom supplies all electricity in the town. The policy places the responsibility for implementing credit-control ultimately with the CEO. The policy requires deposits from new consumers and those reconnecting, and suggests a credit-control officer to be appointed in the TLC. This person controls disconnection and reconnection of services, a computer generated final letter of demand, the making of arrangements with consumers reacting to disconnections and the handing over to Council's attorneys those consumers not reacting to the initial credit control steps. Arrangements for payment on arrears accounts are phased according to the income level of the household, over different periods of time. This allows for more lenient approaches to poorer households.

The major service which the Alice TLC can apply the policy to, is water. If the account is not paid, first a restriction washer is placed in the water meter and a letter left on the premises explaining that payment must be made in 48 hours. If the consumer comes into the office to pay, 10% of the arrears must be paid and a reconnection fee of R150 is charged, as well as an addition to the deposit to make it equal two months consumption. If the consumer does not react, a final letter of demand is issued, and seven days later full litigation process is initiated. If consumers re-connect illegally, the water meter is removed and the piping plugged. Reconnection fees go up to R500. If consumers still do not respond, the water-piping is removed up to the main water line. The reconnection fee in this case goes up to R1 500. The system for sanitation is similar (on the same water system). For refuse arrears, will be debited to the sewerage section of the bill, and payment will be credited to the refuse section. This will overstate sewerage creditors, but will be noted in the financial statements.

A study of disconnection and reconnection trends would be opportune, as many towns have experienced only 50% reconnection, thereby reducing the service network (and also unit costs) and creating a health risk or criminality (illegal reconnections). Through this study the relationship between the credit control policy and indigents policy can be traced, showing the success of each.

5.9.7 Draft Operating budget for 2000/2001

The 2000/20001 budget was drafted by the MSP for the second year running. The operating budget totals 9.5 million, with no increase in expenditure from the previous year. Salaries, wages and allowances total R4 485 527, which is 49 % of the total expenditure, still higher than the 35% norm. Revenue can be broken down as follows:

Rates	R3 026 432
Rental	R300 000
Interest received	R50 000
Refuse removal	R60 000

Sewerage	R1 457 442
Subsidy	R880 000
Water	R3 112 000
Other	R39 300

Clearly rates and water are the largest sources of income, although the rates income was overstated by the accountant in interviews (he thought it was 5 million rand). The budget is drafted for a nominal surplus of R5 440. It is not legal to budget for a deficit, and 100% payment for services is assumed. Particular votes show the following information:

- Council general expenses – expenditure of R975 872, with no income, to be funded by the rates and general account
- Town Engineer – expenditure of R429 128, with no income, to be funded by rates and general account
- Parks and Recreation – expenditure R391 528, with an income of R13 300 (cemetery fees and sale of wood), deficit of 378 228 to be funded by rates and general account
- Roads and Stormwater – expenditure of 1 192 821, with no income, to be funded by the rates and general account
- Town Clerk – expenditure of R602 285, with no income, to be funded by the rates and general account
- Town Treasurer - expenditure of R1 393 140, with an income of R3 376 432 (rates, interest and rental), with a surplus of R1 983 292 to be transferred to rates and general fund
- Commonage and pound – expenditure of 135 466, with income of R26 000, deficit of R109 466 to be funded by rates and general account.
- Refuse removal – expenditure of R705 831, with income of R601 075 (refuse removal and removal of wrecks), deficit of R104 756 to be funded by rates and general account
- Sewerage and sanitation – expenditure of R 1 815 055, income of R1 457 442 (connection fees and sewerage charges), deficit of R357 613, to be funded by rates and general account
- KuNtselamanzi (newly incorporated settlement) – expenditure of R160 000, income of R880 000 (intergovernmental grant), leaving a surplus of R720 000 to be transferred to rate and general account

The under performing account is clearly pound and commonage. The TLC has large tracks of commonage land that are not realizing their potential income. The pound service, like most towns, is running at a loss. Some towns have closed down their pound service, and the Alice TLC should look very closely at this function. Also the use of an IGG for a certain area (Kuntzelemanzi), to cross-subsidise other areas is somewhat questionable, unless there are virtually no developmental needs in Kuntzelemanzi. These two areas of expenditure require closer consideration. The water-borne sewerage system is being cross-subsidised heavily by the water trading service. Given that the TLC cannot provide electricity (and therefore cannot cross-subsidise this), this is probably the best service to be propping up beyond cost recovery levels. The council should, however, be made aware that the sanitation levels are not running at cost recovery, which many staff and councilors are mistaken about.

The heavy reliance on water trading service for surplus is somewhat risky. EC127 should seek to diversify its income base.

5.9.8 Draft Capital budget 2000/2001

The capital budget comes to R33 525 000.00. This is made up of 17 projects:

1. The upgrading of the waterworks is funded by CMIP and Amatola DC with R4million, of which R1 300 000 has already been spent (project in progress expected to be finished in 2001).
2. The upgrading of roads is funded by the TLC and Amatola DC to a cost of R9million (this project has not started).
3. The augmentation of streetlighting is to be funded by the TLC, costing R400 000 (project not started yet).
4. The purchase of furniture to the value of R150 000 is to be funded by the TLC
5. Paving of sidewalks is to be funded by the TLC, costing R150 000.
6. The purchase of vehicles to replace old ones will cost R700 000 of the TLC's money
7. The upgrading and purchase of computers will be funded by the TLC, to the value of R50 000.
8. Fire engine equipment will cost R50 000, also to be purchased by the TLC
9. A road-marking machine costing R30 000 will be funded by the TLC.
10. The Alice TLC will also fund the construction of parks and gardens to the cost of R150 000
11. Paving of Kuntselamanzi community hall will cost the TLC R250 000.
12. The construction of a community hall in Happy Rest, costing R500 000 from Amatola DC is half way.
13. The construction of low-cost housing units worth R16 545 000 provided by the Provincial Housing Board is underway, with R14 145 000 already spent.
14. The TLC will purchase grass-cutting equipment for R200 000 from its own funds
15. The TLC will undertake the rehabilitation of buildings for R75 000.
16. The TLC will resurface the access road to Gqumashe to the value of R1 200 000
17. Finally communication radio's worth R75 000 will be purchased from TLC funds.

This capital budget comes to R33 525 000.00. The TLC will provide a total of R8 480 000 from internal funds for this capital budget. Within this capital budget R15 695 000 has already been spent as part of on-going projects carried over from the previous year, and 19 130 000 will be spent by the end of the budget in June 20001. The kind of expenditure contained in this budget, shows an emphasis on improving the face of the town (paving, grass-cutting, building improvement etc). This will please business owners who mentioned this as a reason why industry is not drawn to invest in the town.

5.10 Municipal capacity - Transitional Representative Council (rural Alice)

5.10.1 Planning

The Alice TRC have been involved in the IDP process, but have been frustrated with the slow progress. They have never previously worked on joint projects with the TLC. Nor have they experienced any previous planning exercises.

5.10.2 Rural economy

In the TRC area unemployment is very high, even among skilled and educated people. Migrants particularly from the mining industry have been retrenched and returned to their rural homesteads. According to councilors poverty in the TRC area is uniform, with no difference between villages closer to town and those more remote. Unemployment is a serious problem, as the councilors put it, even educated people are starving. The only people with any wealth in the rural parts are active farmers who own cattle, and sell milk. The lack of livestock for ploughing and lack of capital for equipment like tractors, means that land is being underutilised. According to the council access to land is not a problem, access to capital to develop it is. There are many rivers in the area, and water for irrigation is sufficient, but underutilised again due to under capitalization.

5.10.3 Services and infrastructure

Access to clean drinking water is a serious problem, as rural residents get water from boreholes and rivers where animals drink. Roads in the rural area are a serious problem, with rains causing huge donga's. This creates transport and mobility problems for rural dwellers. Stagnant water is also causing a health problem in rural areas, as stormwater drainage is inadequate or non-existent. Minibus taxi's do service the rural areas, but charge high rates because of the bad roads. Unemployed people cannot afford these taxi fares. Households tend to be large with 10 or more individuals dependent on one pensioner. Pensions are R550 per month, and supporting so many people is difficult. Very few remittances come to the area as many migrant miners have been retrenched in recent years, causing further decline in the rural economy which impacts on farming activities, as capital is absent.

Roughly 90% of the rural villages are electrified, and about 60-70% of the villages have Telkom installed phones. Many of these phones do not work however, and Telkom seldom services them. Most phones in the rural area are public, few people have in-house telephones. Most people drink unpurified water from rivers or boreholes. No in-house water connections are known, and only a few villages even have taps in the streets (supplied from windmills). The only form of sanitation is pit-latrines, and these do not even appear to be VIP latrines which are the minimum RDP standard. There is no stormwater drainage and no refuse removal service in the rural areas. The only public facilities in the rural areas is community halls and a few informal soccer fields.

Crime in the rural area does not seem to be a major problem, although there is some stock-theft. There is one police satellite station in the TRC area, but it has closed down. There are four clinics in the TRC area, and numerous schools. Almost every village has a primary school (an estimated 50), and there are about 15 high schools. The population is fairly sparsely distributed, and housing does not appear to be an issue, with no housing projects completed or planned. People in the rural areas need services more urgently, and are not even aware of housing subsidies, or the amalgamation of municipalities for that matter.

The TRC see the obvious underutilised opportunities in the area as being agricultural (it is believed the soil is rich especially towards Double-drift), and tourism. The road to Hogsback is flanked by many rural villages who are not benefiting from tourism. People

also visit Lovedale and Fort Hare University. There is a large dam known as Binfield where water sports such as boating are enjoyed by people coming from East London. Cultural tourism in particular is seen as an opportunity in traditional rural villages.

5.10.4 Institutional

The TRC has no assets, even the Toyota Venture provided for the TRC belongs to the Amatola DC. The TRC has no source of revenue, provides no services, and does not even draft its own budget, or have a bank account in its name. The only function the TRC has, is to prioritise the needs of rural people, which seem to be focused around roads and services, especially water. These needs are referred to Amatola DC, and the DC allocates what money is available. When projects are approved and implemented, the money stays with the DC, and the DC does all the management, including hiring of consultants.

The Amatola DC is central to the functioning of the TRC. With its only staff being the Amatola administrator assigned with a Venture and a telephone to each TRC, it has very limited capacity. The TRC has had no opportunity to develop its capacity with virtually no powers and functions. The councilors feel that delivery is slow, and with 19 TRC's falling under Amatola DC, they get little attention. They are frustrated with the pace of delivery, citing as example the fact that community halls need renovating and the money has been allocated but not spent, as there is a lack of capacity within Amatola to get around to implementing this project.

The only equipment the TRC has at the moment is a phone and fax, they were promised more office equipment, but are now putting everything on hold until the amalgamation of municipalities has taken place. The IDP planning process has been of little value to the TRC so far.

Within the TRC area there are numerous traditional leaders. The TRC has made an effort to keep relations with the traditional leaders good, and there have been no reported problems.

5.10.5 Capital development

Projects which have been undertaken in the TRC since 1995 include the construction of 5km of roads, including small bridges, and the repair of water supplying windmills and boreholes. A large water supply project was started in 1997 (reportedly worth R20 million), but only two of the 58 villages have benefited so far. New water engines have been installed for some of the boreholes and windmills. Six community halls are due to be renovated (a delayed project), and a dipping tank and dam being built for livestock. Fencing of cemeteries in some villages was completed, and the new TRC office and hall is being built in the town of Alice as it is central. All the money for these projects comes from Amatola DC as far as the council is concerned, because even where it originates from the CMIP and other funders, it is paid through Amatola, so councilors do not even know where the money comes from. Councilors clearly resent this paternalistic attitude from Amatola, and feel debilitated by the lack of control over information on their own development.

5.10.6 Intergovernmental relations

The TRC's relationship with Amatola DC cannot be described as good. The chair of the TRC was sent to be the TRC representative on the Amatola DC. He was elected to chair of the DC however, and another councillor from the TRC now attends DC meetings to represent the Alice TRC. The chair of the DC is a high-profile position, and the TRC feel that their councillor no longer has time for the TRC. The TRC feels that their interests are not being promoted on the DC, and they are not being reported back to, after DC meetings. All decisions for the TRC are really being made by the DC, and they complain of being spoon-fed. The TRC council is frustrated by the high level of control from the DC, and the administrator even has to get permission to use the Venture to drive councillors anywhere within the TRC area.

The TRC has few contacts with other government departments other than health and welfare through clinics and pension payments. The department of Agriculture has independent projects in the rural area which are not channelled through the TRC or DC. There are two irrigation projects for example. Some projects have had outside donors, such as the EU, who funded the building of 5 pre-schools. This was channelled through community groups, and not the TRC.

The TRC has little chance to co-ordinate or integrate local development, and their capacity in municipal functioning is nominal, due to the system for rural local government. This is one of the reasons why the system for urban and local government has been changed for the final phase.

5.11 Conclusions and Recommendations

The capacity of the Alice TLC can be described as fairly good for a former homeland town of its size. Its weakest area is still finance, which is a key factor in managing and promoting local development. At the same time it is carrying out its service provision reliably, and with few complaints. The council is a committed and mature group of people who are noted for taking wise and well-considered decisions. My own impression was of a group of staff and councillors who are serious about their work, and committed to improving the conditions of Alice. The independent opinion of the MSP confirmed this impression. It was the opinion of the MSP that the senior staff of the Alice TLC can expect to have top positions in the new EC127 local council, as Fort Beaufort cannot match their capacity.

While the TLC is well positioned to undertake LED work, and has shown great interest in developing an LED strategy, they need assistance in this endeavor as they are not always sure how to go about LED. The six generic approaches to LED listed in the ministry of provincial and local government policy are:

- Traditional approaches which seek to attract investment into the local area
- Entrepreneurial/competitive approaches that emphasise supporting local businesses through research, loans, grants, consultancy, premises, technical infrastructure etc
- Urban efficiency approaches which aim to raise urban productivity by lowering the costs of living and running business in a locality
- Human resource development aims to develop the local skills base

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- Community-based strategies emphasise working directly with local income communities and their organizations
 - Progressive approaches explicitly aim to link profitable growth to redistributive development.

Some of these approaches are more suited to the Alice area than others. It is the traditional approach that people are most familiar with, but this is precisely the approach that has failed so far, despite the fact that it is the only approach councilors have really attempted (albeit informally). The second, entrepreneurial approach was mentioned in the business survey, and may be worth further investigation. The third, urban efficiency approach is an attractive option as it impacts on the poor, assuming that they benefit most from reduced service costs. The fourth approach of developing the local skills base is the kind of approach that larger TLC's may be able to manage, but a TLC like Alice can only facilitate others providing this function. With the high number of educational institutions, and the interest which Fort Hare University has shown within its forums, the University would be best placed to undertake skills-building exercises. This does not preclude the TLC's involvement though. The community-based strategies where the TLC would work directly with local communities, is an area that has been neglected by the TLC, and should be developed. The final approach of linking profitable growth to redistributive development tends to go hand in hand with investment and industrial growth, which the town is unlikely to experience with any scale and impact.

The national ministry for Provincial and Local Government does have various policies and guidelines for LED, and is making funds available for LED activities. This shows a new emphasis on not just planning for LDO's and IDP's, but a strong economic component to implementing these plans. The LDO and IDP planning framework was designed to undermine the traditional spatial planning of the apartheid era, which made no attempt to deal with the economic crises in South African cities and towns. This new IDP framework is seen by the White Paper on local government as a key component of LED (particularly the co-coordinating and integrating aspects), but not the only one. It would seem that the half-way complete IDP should be completed, in order to enhance the ability of the TLC and TRC to co-ordinate and integrate local development. There is clearly a lack of this within the TLC, witnessed by the staff and councilors lack of knowledge on community projects, activities of government departments in town, and the understanding of poverty being caused by unemployment. All this would suggest that the IDP should be completed as a matter of urgency. However, given that most participants are dissatisfied with the process so far, and it will only be four or five months before the amalgamation of municipalities takes place, it is unlikely to be expenditure that offers sufficient return. There are, however aspects of the IDP/LDO programme that could be taken forward into an LED strategy.

6. TOWARDS AN INTEGRATED LOCAL ECONOMIC DEVELOPMENT STRATEGY FOR ALICE

6.1 Approaches to LED

Local Economic Development (LED) has recently emerged on the policy landscape as the panacea for sustainable economic development. As such there are very few recent policy proposals that do not make some mention of LED or at least propose LED as part of an array of strategies for development.

In practice, however, the notion of LED has come to mean different things to different people. These range from something akin to an IDP/LDO planning process which culminates in a plan or document, to LED as more of a strategic process through which local development is stimulated by the harnessing of external and local resources. LED also means different things to different social interests. Thus LED is given a different focus depending on whether the view represents business, NGOs/CBOs or local government.

A guide to LED published by the DCD (1998) as well as ECSECC's "LED in the Eastern Cape: A People Driven Option" (2000) identifies six approaches to LED based on the experiences of municipalities around the world. These approaches can be summarised as follows:

- **Traditional**

Traditional approaches to LED emphasise initiatives that attract investments in order to promote local jobs and expand the local tax base. Ultimately investors are lured through concessions (tax breaks, cheap land, cheap loans) or rewards (subsidised rates or transport etc).

- **Entrepreneurial-competitive**

This approach is centred on targeting local strengths, such as a particular sectoral advantage. This is promoted through direct support in the form of financial, research or other targeted support, or through facilitating public-private partnerships.

- **Urban efficiency**

This approach is based on the strategy of addressing the local costs of living and doing business through strong government planning. The idea behind this approach is to increase urban productivity through lowering costs, especially of labour. Actions taken to facilitate this approach include tax breaks, improved transport infrastructure, and attacks on social services and organised labour.

- **Human Resource development**

This strategy identifies low skills levels as core constraints to economic development. Investors are drawn to areas where local communities are highly skilled, while local communities can best find employment and contribute to local economic development

through being highly skilled. Human resource development thus becomes the means to attract investment as well as to enable and sustain economic development.

- **Community-based**

LED strategies, which are people-driven and community based, target marginalised and resource poor communities by working directly with them and their organisational representatives. The underlying assumption is that without targeted intervention marginal interests will not benefit from economic development. Actions taken to facilitate this approach include prioritising infrastructure development, facilitating linkages with the construction sector, implementing preferential procurement policies, support for community financial and development institutions etc

- **Progressive**

The progressive approach links growth and redistributory considerations. The strategy attempts to prevent uneven development from occurring through for example insisting that a company which is awarded a lucrative construction tender invests part of the profit in low income housing. The state has a key role to play in correcting market imbalances through facilitating intervention in areas that may not be rewarding.

- **Our approach**

The approach adopted in this study is to favour a combination of the above options, particularly the community-based and progressive options, suggesting that an LED strategy for Alice incorporate the following:

- ❖ Enabling a participatory and inclusive approach to LED planning and implementation in order to avoid consultant, technocratic or elite-driven development;
- ❖ Improving people's quality of life, especially poor and marginalized social classes, through the provision of basic needs goods and services (land, housing, water, sanitation, electricity etc);
- ❖ Reducing poverty and addressing the structural conditions which cause poverty;
- ❖ Extending ownership of productive assets (especially among historically disadvantaged and marginalized groups);
- ❖ Building institutional capacity in local organisations (especially local authorities) to enable their participation in and management of local development interventions;
- ❖ Identifying comparative and competitive advantages of the local economy and designing sectoral economic development and investment strategies;
- ❖ Packaging projects in order to mobilise and harness financial and technical support;
- ❖ Identifying skill requirements to prosecute economic development strategies, and formulating and implementing a human resource development plan.

It should be noted that while communities and local government should be at the heart of local economic development, effective local economic development needs to be facilitated at a number of levels. One simply cannot expect under-capacitated local authorities and impoverished communities to break out of historically entrenched patterns of underdevelopment. National and provincial government, as well as public

research and finance institutions, have a fundamental role to play in supporting strategic LED planning and enabling local economic development. At the same time, “parachuting” an LED strategy and projects from above is likely to have equally negative consequences, resulting in dependent and often elite-driven development.

6.2 Alice Economic SWOT Analysis

Any LED strategy must be grounded in the concrete analysis of conditions pertaining in the local economy. This is presented in the following SWOT analysis.

Strengths/Opportunities	Weaknesses/Threats
<ul style="list-style-type: none"> • University of Fort Hare - skills, institutional capacity and support (especially agricultural), market etc • New will of University of Fort Hare to improve relationship with Alice community (evident in the Alice-UFH Integrated Development Programme) • Large public sector markets (hospital, university, schools, nearby prison etc) • Tourist sites- rich cultural history, proximity to Hogsback, Amatola mountains, Double-Drift Game Reserve • Low crime rate • Fairly established social infrastructure (police station, hospital, schools etc) • Has hosted international sport events • Political cohesion and close-knit community • Fair economic infrastructure (banks, retail outlets, roads, etc) • TLC has some capacity and cohesion • Political will to develop the district • Alice is close to the hearts of national and provincial political leaders • New interim administrative centre of municipality 	<ul style="list-style-type: none"> • Lack of business skills- no entrepreneurial class • Lack of technical skills • Alice economy dominated by service sector - almost totally in public sector (62% of output and 70% of formal employment); • High levels of livelihood dependence on the state; • No economic development plan or strategy • IDP incomplete • Underdeveloped agricultural infrastructure (fencing, dipping tanks, irrigation etc) and farmer support • No agro-processing/beneficiation • Lack of available land for farming • Lack of institutional support for SMMEs -credit, business and technical training, marketing support etc • Lack of outside investment • Lack of niche marketing of Alice • Alice economy not geared towards local state-sector markets • Weak business and farmer associations

6.3 Strategic Thrusts

It is proposed that the Alice LED strategy comprise four strategic thrusts – tourism, agriculture, infrastructure development, and institution building.

6.3.1 Tourism

Clearly one of the key sectoral strategies to create jobs and grow the Alice economy is tourism and related hospitality industry.

- Alice has a rich cultural history and heritage, being home to both Lovedale College and the University of Fort Hare, which together have nurtured some of Southern Africa's most revered leaders including Albert Luthuli, Steve Biko, ZK Mathews, Nelson Mandela, Thabo Mbeki, Robert Mugabe, Ntse Mokhele (Lesotho), Sir Seretse Khama (Botswana), among others.
- Alice occupied a key position in the Xhosa-British wars in the early 1800's, and is home to two historical forts (Fort Hare and Fort Thompson).
- The University of Fort Hare hosts the archives of the liberation movements, as well as the art collection of the African National Congress.
- Alice has a natural charm and beauty, lying in the basin of the Amatola Mountains and in close proximity to Hogsback and game reserves such as Double-Drift.
- The University of Fort Hare hosts numerous national and international visitors, many of whom are currently accommodated in Hogsback.
- Alice has hosted an international cricket match, and could host other international sporting events (eg. boxing) if facilities and infrastructure allowed.

Clearly tourism presents major opportunities in the hospitality and tourist service sector. Other industries which have synergy with tourism (such as the art and craft sector), as well as the retail and service sector more generally will benefit greatly from increased tourist market in Alice. Currently though, Alice doesn't have a sophisticated tourist infrastructure (accommodation, restaurants, craft centres, tour guides etc), and is not niche marketing the town in terms of its unique attractions.

Stakeholders include the Eastern Cape Tourism Board, the Industrial Development Corporation, the Centre for Investment and Marketing in the Eastern Cape (Cimec), the Eastern Cape Development Corporation, the Eastern Cape Socio-Economic Consultative Council (Ecsecc), the University of Fort Hare, the Amatola District Council, the Alice TLC, and other appropriate civil society organisations (development forum, labour unions etc).

What is recommended is the development of a tourism business plan for Alice, which packages a range of specific projects to develop the tourism, hospitality and related trades sector. Each project should be identified in terms of a needs analysis, objectives, activities, outcomes, stakeholders, broad time-frames for implementation, and approximate budgets. This will form the basis for project prioritisation, and more detailed scoping and feasibility studies for prioritised projects. This process will result in business plans being drawn up for prioritised projects, which can then be used to mobilise investors, equity partners, and other technical and financial support. Examples of such projects are a "liberation struggle museum" (as suggested in the Alice-UFH Integrated Development Programme), an art and craft centre etc. With the appropriate institutional, financial, and training support, the sector promises significant SMME opportunities for tour guides and operators, conference organisers, bed and breakfasts, restaurants etc. The first step in this process is the constitution of a Tourism Task Team to drive and oversee the development of a tourism business plan for Alice.

6.3.2 Agriculture

Agriculture represents the other sector which has tremendous potential but which is currently functioning at sub-optimal levels. Agriculture presents major opportunities around food security (eg. communal gardens), as well as income generation and

employment creation (eg. around high value crop production and agro-processing). The University of Fort Hare, which boasts one of the best agriculture faculties in the country, clearly can be seen as a major resource which can be drawn into the development of a strategy to develop the agriculture sector in and around Alice.

Problems currently constraining the development of the sector include unavailability of land, under-developed agriculture infrastructure (fencing, dipping tanks, irrigation etc), community attitudes to farming (especially among the youth), the lack of farmer support, financial and other resource constraints, the lack of innovation and diversification around product types, and the absence of any clear linkages between agriculture and industrial processing.

Stakeholders who need to participate in the development of an agricultural strategy for Alice include the national and provincial Departments of Agriculture and Land Affairs, the Agricultural Research Centre (ARC), UFH's Agricultural Faculty, Cimec, ECDC, ECSECC, the CSRI, IDC, Land Bank, local municipality, local farmers associations, Amatola District Council, among others. A specific project which should be considered for replication in Alice is the Integrated Livestock and Crop Farming Project (provincial DALA and the ARC), which is proving to be highly effective in trial projects.

Once again, as was the case with developing tourism, a task team needs to be constituted to drive and oversee the development of an agriculture business plan. This sectoral business plan will package projects to revitalize agriculture in and around Alice. The team will use the same format of identifying and prioritising projects, and then drawing up more detailed business plans for prioritised projects. Possible projects include those which enhance the beneficiation potential of primary agricultural production (eg. citrus processing, olive oil etc); those which explore and promote trial projects in high value crop production (artichokes, herbs etc); irrigable communal market gardens (which have food security and poverty alleviation benefits – see attached business plan); a farmers market (see attached business plan); and the upgrading of the Alice abattoir. These packaged projects can then function as an important means to crowd in the technical and financial support needed to revitalize agricultural production in Alice.

6.3.3 Infrastructure development

In an area such as Alice where huge inherited infrastructure backlogs exist, infrastructure development must comprise a key component of any LED strategy. Infrastructure development fulfils the three-fold aim of:

- (1) Improving people's quality of life through provision of social (housing, schools, clinics etc), and physical infrastructure (water, sanitation, roads, electricity, telecommunications). In terms of meeting RDP objectives of providing equitable access to basic service levels, an infrastructure development strategy must target those most in need. Within the Alice sub-region, this will mostly be in the rural areas around Alice which have been somewhat neglected in comparison with infrastructure resource flows into the Alice TLC area. But putting infrastructure into the ground is not sufficient. There must be a means for municipalities to allow sufficient consumption of services by all residents, even those with very low incomes. This suggests that municipalities cannot charge "full cost recovery" rates for basic services (such as water and electricity) and should

instead pursue an approach which provides a "lifeline" minimal amount of water/sanitation and electricity, with higher volume consumption attracting higher (and rising) tariffs.

- (2) Job creation and poverty alleviation through ensuring labour intensive production techniques (as with the community-based public works programmes), preferential procurement with respect to the awarding of tenders and recruitment of labour (targeted minimum proportion of vulnerable group employees such as women, youth, disabled persons etc); SMME development and support; mentoring projects (between established and emerging contractors etc).
- (3) Economic development through providing the necessary economic infrastructure to enable economic growth in targeted sectors. This may include bulk water supply, agricultural infrastructure such as fencing, holding dams, irrigation; electrification; an effective road network; telecommunications etc.

Once again, as with both tourism and agriculture, specific projects need to be identified, packaged, and prioritised in order to mobilise the necessary funding and technical assistance required for implementation. Important sources of funding are government (Consolidated Municipal Infrastructure Programme; Community-Based Public Works Programme; and numerous provincial departments which fund sector-specific infrastructure development (housing (DH&LG), agricultural infrastructure (DALA), sports, arts and recreational infrastructure (DSRAC); health infrastructure (DoH); educational infrastructure (DoE) etc). The Alice municipality needs also to begin better co-ordinating its infrastructure planning with the Amatola District Council, who are being called upon to begin co-ordinating infrastructure delivery within the broader district council area, as well as being the key player in funding rural access road projects.

6.3.4 Institution Building

The Municipal Support Programme (MSP) will continue to work with the TLC on the financial side, and aims to have them budgeting properly and producing statements of income and expenditure that are acceptable to the Auditor General. The MSP staff/consultants are predominantly former Town Clerks who took early retirement from CPA towns, and are capable of basic municipal functioning in the traditionally technical areas (such as finance). They have little to offer in terms of training on policy and legislation, developmental local government and planning though. For these development orientated activities, especially LED, development planners with a different approach are required. ECSECC and its partners in development are better placed to take up these support aspects.

An LED strategy is only as good as the local-level institutions which are tasked to drive and co-ordinate it. In the case of Alice, the municipality will be the key driver of the LED strategy, and should be oriented and capacitated to enable it to meet this mandate. What is suggested is the establishment of an LED unit/committee within the municipality which will be tasked with setting up and co-ordinating the various task teams which will begin developing sector-specific tourism, agriculture, and infrastructure development strategies. This will require a fairly high level of skills and planning and strategic capacity, although it is suggested that this capacity can be harnessed from the University of Fort Hare (in terms of the Alice-UFH Integrated Development Programme). Strategic and capacity building support for LED is also offered by the following: Municipal Mentoring Project; and the Planning and Implementation Management Support Systems for Small Municipalities (PIMMS). Other key stakeholders for

resourcing and building capacity within the Alice municipality includes the provincial Department of Housing and Local Government, the national Department of Provincial and Local Government, the Amatola District Council, and support organisations such as ECSECC (who have provided strategic support to the TLC in developing an LED strategy).

7. RECOMMENDATIONS

This study makes a number of recommendations to the TLC for immediate action.

1. Push for a professional engineer for EC127 to work on capital projects
2. Connection of taxi rank toilets to sewerage system to be carried out immediately, and fast-tracking of water-borne sewerage connections to outstanding areas to be completed by the amalgamation in about November/December.
3. Recycle municipal waste, enlisting the help of the local community recycling project
4. Design basic investment and local procurement policies
5. A policy of mixed land-use be adopted by the council
6. Design and introduce monitoring and evaluation system for projects, with detailed council reports on TLC progress in areas which impact on poverty and LED
7. Undertake a comprehensive poverty audit, and workshop the results
8. A study of disconnection and reconnection trends, to ensure that the indigents policy is picking up the poorest households, and the service network is not shrinking
9. The implications of provision of information on indigent households to credit-bureaus be further investigated ,and potentially halted.
10. Give councilors and staff training on new local government dispensation (especially TRC councilors), with a strong emphasis on the new mandate
11. Give senior staff detailed training on the new systems and finance acts/bills
12. Alternative budgeting methods be investigated for use in EC127
13. Upskill the receptionist and design a system for monitoring staff whereabouts and contact numbers
14. Once financial statements are updated, do a proper costing of each service for the purposes of promoting efficiency, proper cross-subsidisation and correct pricing (tariffs)
15. Analysis of revenue and restructuring of services for EC127 will have to be undertaken, the more information is available for this, the better. EC127 will need assistance in restructuring service provision, especially around water and electricity (water and sanitation privatised in Fort Beaufort, electricity run by Eskom in Alice complicating matters).
16. The formation of an LED desk within the TLC with specific staff assigned
17. The establishment of sectoral task teams (tourism, agriculture and infrastructure) to chart the way forward with respect to the identification, packaging, and prioritisation of projects. These projects will provide the basis for resource mobilisation (technical and financial). Task teams should be broadly representative of key stakeholders and should include political champions, interest groups, as well as technical and other resource people.
18. Design local community projects with the new forum/structure, which makes better use of the extensive municipal commonage (see attached business plan)
19. Closure of pound be further investigated