



Local Economic Development in Stutterheim

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socio-economic
consultative council



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1. Introduction: Stutterheim's crisis

The town of Stutterheim in the Amatola mountains of the Eastern Cape is South Africa's most celebrated case of Local Economic Development (LED). The town leaders' efforts since 1990 have attracted published commentary in dozens of South African and international newspaper articles (e.g., Lewthwaite, 1998), in NGO evaluations (e.g., Tandy, 1992), in development training manuals (e.g., Chaturvedi, 1996), in consultancy reports (e.g., Dewar, 1995), in academic papers (e.g., Nel, 1994), in a short book (e.g., Nussbaum, 1997) and in a video documentary (South African Broadcasting Corporation, 1993). The contemporary policy-paper technique of illustrating the merits of favoured strategies through "boxes" has been applied to Stutterheim LED by advocacy groups ranging from the SA National Civic Organisation (1995, 68-69) to the National Business Initiative and International Republican Institute (1998, 5). Without exception, these commentaries have been effusive in their praise for the "Stutterheim experience."

As the driving force behind the publicity, the Stutterheim Development Foundation regularly hosts South African and international visitors and trains officials from dozens of other municipalities on how to "do" LED. Observers such as those who visited Stutterheim in May 1998 for an international conference on LED can be forgiven for concluding that South Africa's overall transition "miracle" is encapsulated in this town, and that Stutterheim should be a role model for similar initiatives by municipalities and local civil societies.

After all, in key demographic and geographic respects, the Stutterheim area has characteristics not unusual of the many dozens of South African agricultural centres tied firmly to impoverished rural hinterlands. Of roughly 55 000 people living in the vicinity of Stutterheim, the African township of Mlungisi is estimated to have approximately 8 000, the traditionally white town of Stutterheim is estimated to have somewhat less than 4 000, and the traditionally coloured Amatolaville township is considered to have around 1 000. There are another 18 000 or so "Greater Stutterheim" residents -- though excluded from the Stutterheim Transitional Local Council -- in the African townships of Kubusie (8 000), Cenyulands (6 000) and Cenyu (4 000). Another 24 000 or more (Africans) live in surrounding villages within 30 km of the town: Mgwali (12 000), Wartburg (8 000), Isedenge (3 500) and Heckel (1 000) (Stutterheim Development Foundation unpublished estimates).

Even outstripping national population growth, the number of Stutterheim residents is said to be expanding by 3,5% per annum (Makalima Johnston Associates, 1997, 15). The area's economy is based partly on raw materials -- timber and the Lentz and Rance saw mills -- but there are two other major employers: Boardmans factory (paint, candles, toiletries) and the Dohne Agricultural Development Institute. Stutterheim also has relatively good tourism prospects and is a potential site for further industrial production based on its location near key transport routes and in the proximity of the provincial capital, Bisho.

Most importantly, at first glance Stutterheim appears to have made the transition to the new South Africa seamlessly. The town, according to Barbara Nussbaum (1997, back cover) of the University of the Witwatersrand Business School, "managed to change its destiny from a town crippled by violence, poverty and racial tension, to one in which black and white created a partnership, working together, meaningfully engaged in social and economic development." Similarly, in the words of Lewthwaite (1998), "It is a dramatic turnaround for a town which, in the 1980s, was an example of the worst of South Africa, characterised by racial conflict, fear and uncertainty. Today it is the epitome of the best, a community that has stolen the lead on the policymakers in Pretoria."

A closer look at Stutterheim, however, reveals a variety of substantial problems that warrant a more critical perspective:

! Stutterheim resegregated itself after an initial movement towards ending the apartheid urban form, and now

consists of a mainly "white" area, a mainly "coloured" area and an "African" township, with at least three other close-by African townships and many other proximate, highly-dependent rural villages -- together representing more than three quarters of the Stutterheim community -- effectively left out of resource distribution, local democracy and planning for future development;

! the resegregation of the town of Stutterheim is also well advanced, with early 1990s notions of a "buffer zone" that would separate low-income black people from white residential areas now replaced by class-conscious residential development planning which has the same effect;

! Stutterheim's LED activities -- particularly those coordinated by the Stutterheim Development Foundation - have never managed to develop beyond a few discrete projects, many of which proved to be unsustainable, while skills training left people still unemployed or forced to leave the area in search of employment, and indeed the very existence of the Foundation itself was at one point threatened by delivery crisis;

! privatisation of water in Stutterheim was carried out in a manner that a large foreign firm successfully "cherry-picked" the lucrative white and coloured areas, which receive dependable water supplies at present, but which left much of the official Stutterheim township (Mlungisi) unserved and the unofficial neighbouring townships (Cenyu, Kubusie, Cenyulands) nearly entirely unreticulated -- at the same time the general secretary of the area's civic association won a job working for the water company;

! the ability of even the fortunate township residents who are incorporated into Stutterheim to pay their bills, under circumstances in which a redistributive block tariff has not been instituted, is so limited that 61% of Mlungisi residents have effectively been declared indigent for the purposes of paying for municipal services (moreover, the use of "remissions" for these residents -- consistent with national Department of Constitutional Development "indigence policy" -- has backfired, according to the Stutterheim Council, in that it has generated a doubling of consumption by those who receive free water, in part, it is alleged, because of "free-riding" by those who were cut off);

! water service was cut off to nearly 20% of Mlungisi residents during the final three months of 1997 (the latest available information), in a manner that was probably both unconstitutional and illegal, and only 6% of this group had their water reconnected during the course of the three-month period;

! the overall ratio of municipal services payments in arrears to payments due, was 112% in Mlungisi in January 1998 (due to accumulated arrears), as compared to 15% for the white and coloured areas of Stutterheim and 27% nationally;

! there has been no effort, as yet, made by the Stutterheim Council to price basic services in a socially-just manner, to repair water and electricity lines and hence save resources lost to apartheid-era leaks and faults, or to carry out other aspects of demand side management;

! there has been a general failure, by Stutterheim Council councilors and officials, to link the provision of infrastructure to opportunities for job creation, public health provision, gender equality and geographical desegregation; and

! capital spending declined last year, and there has been virtually no transformation of the municipal budget.

Each of these aspects of Stutterheim's LED crisis is explored in the pages below, beginning with a review of the local economic and social inheritance (Section 2). Notwithstanding extremely intense struggles over both apartheid politics and socio-economic underdevelopment (Section 3), Stutterheim emerged from the 1980s as the most visible emblem of local-level reconciliation (Section 4). However, since municipal service delivery problems stand out in many contemporary South African townships -- and indeed have generated protest riots in some (Barchiesi, 1998; Phadu, 1998) -- it is most appropriate to highlight the sudden surge of service cuts that occurred during the last quarter of 1997 (the most recent "Project Viability" records provided by the Department of Constitutional Development) (Section 5), before proceeding to a general examination of missed opportunities in service demand management (Section 6), budget transformation (Section 7), housing (Section 8), small business (Section 9) and land reform (Section 10), hence leading to an uncertain but pessimistic future (Section 11).

2. The local economic development inheritance: From apartheid to neo-liberalism

The mythical status of Stutterheim as South Africa's premier LED success story is difficult to comprehend, given the distressing status of low-income people in the town today. An estimated three quarters of economically active people are formally unemployed, and about the same ratio are functionally illiterate (Chaturvedi, 1996, 4-5). Aside from an unverifiable, highly dubious claim that the area can claim a 15% annual economic growth rate, made by a former town clerk (SABC, 1993) and repeated often enough elsewhere, the following are typically cited as triumphs:

Since 1992, the [Stutterheim Development Foundation] has raised more than R25 million providing housing, schools, day care centres and more. A local business service centre provides extensive consultation and advice supporting local entrepreneurs. Extensive educational and job skills training courses are other important functions of the Foundation (NBI/IRI, 1998, 5).

Yet as discussed below, the sustainability of these activities has been thrown into question. Indeed there are many ways to understand the local development crisis Stutterheim faces at present. First, however, a review of

Apartheid in Stutterheim dated to two decades prior to the settlement's 1857 founding, when the Berlin Mission Society's Bethel Mission Station came, in the words of Colin Bundy (1988, 37), as torch-bearers of capitalist social norms and the market economy... [and to foster] class formation in African society." The subsequent century and a half of white domination included all manner of power plays by missionaries and mercenaries, and divide-and-rule tactics successfully deployed against the indigenous African inhabitants (Stutterheim Historical Society, 1984; Bond, 1998b).

One of the most shocking aspects of Stutterheim's inheritance -- both a reflection of failed LED and a potential catalyst to a people-driven LED (Ecsecc, 1998) -- is the status of basic residential facilities, especially municipal services. The vast majority of Stutterheim's black people were denied services and formal housing in the townships and villages in the vicinity of the white town. By 1977, the *Daily Dispatch* noted that

Mlungisi location is the shame of Stutterheim. It is a slum and for ten years all development has been frozen in the township while the government decides whether to build a new one. Twenty five taps serve water to 4 000 people of the township and yet Bantu Affairs Administration Board intends to spend only R240 on washing facilities in the coming year (cited in Nussbaum, 1997, 8).

Nussbaum (1997, 9) cites the threat of forced removals to the Ciskei as the main reason that the white government's funding on township development was inhibited. This was also a problem in neighbouring Mgwali, declared a "black spot" and cited for permanent removal to Frankfort in the Ciskei. The offer of residential and arable plots in the Ciskei may have appealed to some Mgwali residents, but the Mgwali Residents Association was dominated by "quitrent" tenure holders (leasehold tenure on ten-acre lots with rights over use of commonage land), who successfully mobilised against the forced removal. In 1985, a court granted Mgwali a reprieve (Border Rural Committee, 1997, 13).

Regardless of the homeland factor, the 1980s in any case witnessed the withdrawal of the South African state from provision of black urban housing, under the assumption that thanks to liberalised urban residential status (beginning with the 99-year lease), housing and infrastructure supplied by the private sector (bank and developer) and parastatal (SA Housing Trust, Development Bank of Southern Africa) could make up the difference. In 1990, the retreat from housing policy was codified by the establishment of the Independent Development Trust, whose site-and-service schemes represented a decisive shift in policy consistent with international trends that dated to the 1970s.

Internationally, the neo-liberal era brought fiscal constraint, high interest rates, deindustrialisation or at best jobless growth, and the rapid decline in workers' and poor peoples' standards of living. In the housing field, the World Bank and conservative international aid agencies recommended shifting the state responsibilities to house the poor towards merely providing serviced stands, upon which "self-help" shacks could be constructed, which would have the effect of lowering the amount of money workers would require from employers on a monthly basis to meet housing needs

(Burgess, 1978, 1985).

Even in upper-middle-income South Africa, neo-liberal development policy makers reached the conclusion that decent public housing would be impossible to provide to the citizenry. In the wake of the state's 1980s retreat from public housing construction, several public and private sector agencies formally adopted the analysis and language of neo-liberal development, gradually growing more sophisticated about the need for social contracts and community consultation so as to give more credence to policies in which the state would play a smaller role in maintaining the social wage (Bond, 1995). These included the Urban Foundation (a corporate think-tank and development agency whose origins date directly to the 1976 Soweto uprising), Development Bank of Southern Africa (which although set up to promote bantustan "independence," ultimately attempted to reform during the late 1980s by modeling itself on the World Bank), Independent Development Trust (founded in 1990 and then run by the former chair of the Urban Foundation, with a mandate to promote local negotiations over development), and Small Business Development Corporation (increasingly a vehicle to promote a black free-enterprise ideology, notwithstanding a loan book biased to white entrepreneurs).

The state relied, unwisely, upon a combination of repression and "winning hearts and minds" through the heightened responsibility these agencies bore for kickstarting development at a time Black Local Authorities had lost all credibility. But the highly-constrained form of "development" posited in the neo-liberal model, and the assurance that the existing system of capital accumulation would continue virtually unhindered, generated new contradictions which erupted in late 1989 into a major offensive by the black community against the white power structure.

3. The battle for Stutterheim's future, 1989-90

In Stutterheim, as across South Africa (Mayekiso, 1996), the combination of state socio-economic neglect and repression, augmented by intense racial discrimination by white residents and businesses, generated growing resistance (Tandy, 1992; Nussbaum, 1997). Although "a new spirit of protest was evident" in Mlungisi township beginning in mid-1989, according to Tandy (1992, 7), there had been precedents several years earlier. The mid 1980s witnessed increased protests, stayaways, boycotts and conflicts with the police. A boycott of local businesses in 1986 compelled white leaders to spend R1,8 million in upgrading Mlungisi and to construct a new school (*Daily Dispatch*, 11/1/90).

But it was the students of Mlungisi who catalysed sustained community resistance in August 1989 by leading a march of 1 000 residents in protest against segregated schooling. Workers at a local saw mill went out on strike. And on 5-6 September, a stayaway against the white parliamentary elections was estimated to be 90% effective (Tandy, 1992, 7).

The security state was still extremely effective, however, as reflected in a series of incidents that infuriated the town's black residents. The August student march was broken up by police. A progressive priest, Lulama Ntshingwa, was detained two days before the September stayaway, and at a prayer session for his release, more than 250 people -- including 23 priests -- were beaten by police, while later a smear campaign was launched by shadowy elements against the activist clergy. White businesses then dismissed workers who joined the September stayaway. A magistrate subsequently refused permission for township residents to march in protest against local conditions. On Christmas Day, a meeting to give solidarity to death row prisoners was teargassed by police. And on 16 January 1990, 214 residents were arrested in what was purported to be an anti-crime operation (Tandy, 1992, 8-10).

But the security state could not prevent a combined consumer and rent boycott, which was the tactic upon which township residents embarked on 13 September 1989. Local civic associations from the townships and villages came together as the Stutterheim Coordinating Committee (later known as the Stutterheim Unit of the United Democratic Front), with the following goals (some of which were national in character, some essentially local): upgrade conditions in the township; improve health services; increase wages; gain the release of detainees and lifting of detainee restrictions; reinstate dismissed workers; revise rentals and grazing rights; establish non-racial schools; and have troops removed from the townships (*Daily Dispatch*, 16/1/90).

Specific developmental demands were made for the tarring of the main road in Mlungisi and other potholed, non-navigable roads, the erection of security lights, installation of stormwater drains, provision of low-income housing at "affordable rents," and a better sanitation system. One immediate victory for the Stutterheim Unit was the forced resignation of the Black Local Authority. Yet ongoing living conditions remained untenable. There were regular

complaints that domestic and farmworkers earned as little as R40 per month. Rental rates, meanwhile, had increased from R12,98 to R21,50 per month in July 1989, although many residents lived in mud houses without services.

Racism remained widespread in local education, and accusations were leveled at the Stutterheim hospital that rejected patients on racial grounds (the mayor, Nico Ferreira, later insisted that "treatment is differential on an economic and not on a racial basis") (*Daily Dispatch*, 18/1/90). Economically, the Small Business Development Corporation's hive of industries was "doomed to failure," according to the Committee, because "A man who earns R40 a month does not have money to become involved in a scheme like this" (*Daily Dispatch*, 16/1/90). Farmworkers were evicted in February 1990 in another display of white power and insensitivity.

The consumer boycott, initially set for one month but then extended for another six, was aimed in large part at conservative shopowners. The context was the decisive role played by the Afrikaanse Sakekamer, a *verkramp*te business body which actively petitioned the local state to clamp down on dissidents. The Stutterheim Council, however, was controlled by *verligte* elements beginning in 1988 when a group of independents led by Ferreira were elected as councillors, a factor which ultimately allowed for a resolution of the crisis after 14 white businesses went bankrupt (interview, Hamish Scott, 1998).

The May 1990 negotiations between Ferreira and Chris Magwangqana -- leader of the township civics -- led to a few minor but immediate victories for the Stutterheim Unit, including a commitment by the white council to try to persuade white businesses to rehire dismissed workers (this was only partially successful); the withdrawal of the rental increase and writing off of arrears; and a reward offered for information about the smear campaign against the clergy. It also confirmed the grassroots power of township residents, and forced Stutterheim's elite to come to terms with the leaders of the boycott (Tandy, 1992, 10-11).

All of this history is important to understanding the changes that began in mid-1990. Barry Erasmus, then Stutterheim's town clerk, explained to a newspaper in 1991 "the origin of distrust and suspicion that had arisen from the land issue -- when settlers came into the area and took possession of black ancestral land" (*Daily Dispatch*, 11/7/91). Clearly, a great deal of what happened inbetween, including in relation to developmental and political grievances, also shaped the town's culture and race/class/gender relations. As in South Africa as a whole, the old way of doing business had to change, but the change itself could be mediated to suit the interests of elites. What followed was the ascendance of *verligte* politicians in white Stutterheim politics and the moderation of a few central black leaders.

4. Reconciliation and the promise of development, 1990-98

The change from early 1990 to mid-1991 was remarkable, by all accounts. As one reporter put it (Maclean, 1991), "A year and a half ago, Stutterheim was a microcosm of everything wrong in South Africa." Stutterheim was, subsequently, "the only town in the country to achieve what it did on such a scale at the time," according to Pumla Kubukeli of the DBSA (Nussbaum, 1997, 1).

A great deal of attention has been paid to the extremely effective conflict-resolution function of the key leaders -- amongst them Chris Magwangqana, Nico Ferreira, Loel Ferreira, Nosimo Balindlela, Miniyakhe Balindlela, Hamish Scott and Max July -- who were the founders of the Stutterheim Forum and later the Stutterheim Development Foundation (SDF) and various spin-off initiatives. The Forum was a negotiating platform with numerous subcommittees, and was established following a meeting in May 1990 led by the mayor (Ferreira) and main civic leader (Magwangquana), which also ended the boycott of Stutterheim's white shops and ultimately resulted in the SDF's prominence as the central strategic and implementing agency for LED.

Nussbaum (1997, 2) considers the SDF -- which has offices in the Stutterheim industrial site and a staff from across racial and class divides -- a "Community-Based Organisation," although in reality it much more closely resembles the Urban Foundation, the business think-tank established by the leaders of Anglo American Corporation and Rembrandt in the wake of the 1976 Soweto uprising. In this case, similarly, Barlow Rand -- itself submerged in a strike and threatened by a national boycott by several unions at the time, in 1990 -- sponsored much of the SDF's start-up activity and seconded the SDF's director (the former mayor, Nico Ferreira). Barlows was "a trusting, committed, unimposing outside champion," according to Nussbaum (1997, 5) (Barlows also sponsored the 1998 NBI/IRI book on LED).

Institutions like the Development Bank of Southern Africa (DBSA) and Independent Development Trust (IDT) became directly involved. Indeed, Ferreira had served as a project manager on a DBSA-sponsored project during the late 1980s and Magwangqana and Scott would later have jobs as IDT communications officer and project manager, respectively.

Politics moderated significantly under these circumstances. Magwangqana was quoted in the *Daily Dispatch* (Blacklaws, 1991) as saying "the term 'radical' need no longer be applied to the white or black communities, as democratic forces had brought about significant changes in attitudes." According to Lt Theo Meyer, "Police figures indicate that since 1989, there has been a remarkable decline in marches and political violence," cited by Nussbaum (1997, 29) as a lead "indicator of success."

Yet this was not a universal sentiment. Magwangqana noted in a video documentary (SABC, 1993) that the township leaders were accused by militant youth of selling out the struggle, a point reiterated by Max July (interview, 1998). But although activism was apparent in protest marches in 1992 and 1993 (after the Boipatong and Bisho massacres and the Hani assassination) -- Meyer acknowledges "eleven open air gatherings and marches" in 1993 (Nussbaum, 1997, 29) -- there was a marked stagnation of the ANC's own local branch development (Tandy, 1992). This led a researcher aligned to the Democratic Movement, Patrick Tandy of the progressive East London service NGO Corplan (1992, 21), to worry that "The Stutterheim experience also alerts us to a number of possible pitfalls in engagement in development structures, namely, that there is a danger that communities can be drawn into local development to the exclusion of wider political activity."

One such pitfall was the residue of apartheid development logic. The Council resolved in March 1990 that a housing scheme could go ahead in Mlungisi provided that "a buffer zone be created adjacent to white land owners and that the proposed future extensions be planned towards the airfield to allow for such a buffer zone" (Municipality of Stutterheim, 1990a, 6). The apartheid-era *Structure Plan* was subsequently replaced in 1991 by one funded by the DBSA and drafted by David Dewar, a University of Cape Town planner. Yet apartheid segregation considerations remained, for in June 1991, Council considered whether the Boer War "concentration camp cemetery in the vicinity of [Mlungisi should] be included in the narrowing of the buffer strip" (Municipality of Stutterheim, 1991c, 4). And services for the new housing scheme were also of an earlier era, as they did not include electricity. There was also no funding left over for housing. Nevertheless, in August 1991, nearly 900 serviced sites were approved for Mlungisi by the IDT (Municipality of Stutterheim, 1991d, 4).

Reflecting the spirit of what can only be described as "disengagement" that permeated municipal offices during the transition period, as early as April 1990 the possibility of privatising services was officially mooted (Municipality of Stutterheim, 1990b, 2). By May 1993, First National Bank had presented a symposium on the issue (Municipality of Stutterheim, 1993b, 1). "Delegated management" to the privatised water company, Water and Sanitation of South Africa (WSSA, ultimately controlled by Lyonnias des Eaux), began during the 1994/95 fiscal year, leading to a dramatic increase in waterworks and sewerage spending for virtually the same levels of services, as shown below.

Reconciliation was also tempered by long-standing suspicions. The Stutterheim Council's Constitutional Committee, for example, approved the names of civic representatives for a transitional local authority in November 1991, but the committee "was not happy with the nomination received from the Cenyulands Civics" (Municipality of Stutterheim, 1991e, 1).

Finally, in April 1992, the coin dropped on local negotiators that the most durable problem of all -- getting low-income residents to pay for municipal services -- could not be resolved through an elite-pacting process that was celebrated as a political victory with little attention to development problems. Council minutes show that

The financial position [of Mlungisi] remains critical as, although a reduced service fee was negotiated with the Civics only a small percentage of the accruals per month are being paid. This is not as agreed to with the Civics who indicated a 100% commitment to paying the reduced fee... This matter be discussed again at a later stage as Council moves towards an integrated community/council where the non-payment of service fees/charges will have to be addressed (Municipality of Stutterheim, 1992b, 2).

This problem was flagged, also, by Tandy (1992, 19), who in a review of the Stutterheim experience asked "How do

we anticipate communities engaged in local development structures responding to a central government cut to development/municipal funding -- e.g., cutting services, increasing service charges, winding down IDT/DBSA support?... Municipalities normally expect full cost-recovery. This is unrealistic in the short, and even medium, term."

Although it was evidently impossible for the Council to impose the rule of law at this stage, the "integrated" (but only partially) community would indeed have to address municipal services non-payment within a few years. It is easy to hypothesise that within the broader local political settlement, a central concession by whites holding power -- one that ensured a flow of aid resources into Stutterheim -- was, apparently, an unspoken consensus that *no real redistribution would take place*. In turn, a local economic development crisis, catalysed by cuts in municipal services, was assured.

5. Municipal services: Tariffs, non-payment and cut-offs

By year-end 1997, the Stutterheim Municipality's books carried chronic deficits in payments on several municipal accounts (although these were budgeted for surpluses) and an inherited provincial government loan of R3 682 098 was long in arrears, due (according to the acting treasurer) to "non-payment -- lack of history supporting individual balances -- not financially healthy to afford the cost of interest and redemption" (*sic*) (DCD, 1997, 4). Stutterheim's financial problems were most often blamed on low payment levels for municipal services by Mlungisi township's low-income citizens. Of 4 468 Stutterheim households receiving accounts, 45% did not pay regularly. Punishment, in the form of cut-offs during late 1997 and early 1998, was severe.

The broader context, to repeat, was a virtually complete lack of household services to the nearly 20 000 residents of Greater Stutterheim who lived nearby -- in Cenyu, Cenyulands and Kubusie -- but fell outside Stutterheim, Amatolaville and Mlungisi. The situation was particularly dire in Mlungisi, where payment rates of 22% were recorded in early 1998 (down marginally from 25% during 1997).

According to the Stutterheim treasurer, more than three out of five Mlungisi households -- those with below R1 050 per month income -- received "remissions" or sliding-scale payment subsidies, and 44% of Amatolaville households received remissions. A free-rider problem quickly emerged, according to officials, for "It was also discovered that consumers receiving a 100% remission have increased their water consumption by more than double!" (Stutterheim TLC, 1998, 1). As discussed in more detail below, such remissions were a far cry from the lifeline service and progressive block tariff system that could have been adopted. Means testing was unscientific, to put it mildly, in a township -- Mlungisi -- in which more than half the workers were unemployed.

Before looking at the remission schedule, consider the existing set of service charges. In addition to paying relatively high connection fees, low-income households in Mlungisi were billed the same monthly consumption levies as upper-income Stutterheim residents for refuse removal (R18) and sewage services (R39) (approximately 60% of the business tariffs). As for Mlungisi's recurrent water and electricity costs -- the real basis for the arrears problem -- there was no real concession to affordability and lower quality of township services. The flat rate for water on unmetered stands (before VAT was added) was R22 and for basic services R22. Even the lowest-income residents were expected to pay R62 per month (including the R18 for refuse removal) unless they received a remission. For those with metered stands, water was charged at a basic monthly rate of R16 plus R1,80 per kiloliter above 11 per month; refuse removal was R18; sewerage for "informal dwellings" was R26; and basic charges were also R22 (Stutterheim TLC, 1997, 46). In higher-income Stutterheim and Amatolaville, the basic rate for water was slightly lower at R20, plus R1,80 for each additional kiloliter above 11 per month. In short, there was no tiered block charge for water consumption, so luxury consumption carried exactly the same marginal cost as basic needs consumption.

Electricity, in contrast, was charged at variable rates, but these were regressive. The two-tier block model charged consumption below 300 kWh at 31 cents per kWh and above at just 25 cents. In addition, a basic charge was levied, ranging upwards from R54 for single phase connections of below 20 Amps. New connections were extremely expensive (R1 616,96 in Stutterheim, but as much as R3 419,89 in some outlying rural areas), and reconnection fees were R88,20 (Stutterheim TLC, 1997, 44). According to treasurer Geoffrey Hill (interview, 1998), the National Electricity Regulator -- increasingly influenced by cost-recovery principles -- wrote to the Council in March 1998 informing them that their tariff schedule was disapproved and that they should not have any block tariff, whether regressive or progressive.

The failure to redistribute income through tariff reform -- whether water or electricity -- cost Stutterheim dearly, not only in socio-economic terms but because using cost-recovery methods it was impossible to balance the books. All told, while South Africa as a whole witnessed accumulated arrears of debtors reaching 27% of the value of municipal accounts in 1997, Mlungisi's had risen to 112% by year end (at R2 149 619 -- including balances older than three years, which had not yet been written off -- compared to charges of R1 917 600). The combined Stutterheim/Amatolaville's ratio was just 15% (Stutterheim TLC, 1998, 3).

The above figures hint at the underlying issue, which is the maldistribution of basic infrastructural resources in a context of generalised poverty, and the potential solution, which is to view the provision of a lifeline service of water and electricity to all Stutterheim's residents -- followed by a steep rising block tariff to pay for consumption -- as integral to a bottom-up LED strategy.

Instead of drawing such obvious lessons, Stutterheim's local officials focused on getting politicians to address the non-payment problem. Extremely low payment rates in Mlungisi were initially recorded during the 1991/92 fiscal year. At that stage, however, central government's Intergovernmental Grant mechanism was providing sufficient subsidy funding that Stutterheim and most other municipalities rarely resorted to service cuts. But the national budget commitment to IGGs fell, in real terms by, 85% over the subsequent six years, from R856 million (in 1990 rand) to just R133 million in 1997/98 (Financial and Fiscal Commission, 1997, 20). This left most municipalities to engage in service cuts by late 1997.

A variety of discussions about low payment rates were held in the Stutterheim Council, which with its increased credibility was now expected, by officials and outgoing white councillors, to clamp down on what became generally known as "the culture of non-payment" of service charges. At national level, Operation Masakhane -- "let us build together" -- was a R30 million campaign founded in February 1995 and largely built on advertising. By July 1995, the failure of the national housing policy was evident, as Minister Sankie Mthembu-Mahanyale labeled the programme she had inherited from her predecessor Joe Slovo "toilets-in-the-veld" and as rates payments in many Gauteng townships fell to below 5% (Bond and Ruiters, 1996). But national pressure on local authorities to cut services to non-payers intensified.

By early 1996, a few months after the first democratic municipal elections in South Africa's history, the new Stutterheim Council had achieved sufficient legitimacy to consider "drastic steps to be implemented with regard to the recovery of arrear service charges and the commencement with general payment of service charges" (Municipality of Stutterheim, 1996a, 9-10). Interestingly, to this end, the engineers Ove Arup developed a video "intended for use as a method to encourage people to pay service charges," but their R40 000 bill was considered so "excessive" that the Council "furthermore questions whether the beneficiaries of the Old Mlungisi Project supported this expenditure" (Municipality of Stutterheim, 1996a, 9-10).

Disconnections were clearly now on the agenda, including "cutting off services for certain periods during the day and thereafter monitoring the effects thereof and reaction thereto" (Municipality of Stutterheim, 1996a, 10). Disconnection of even water was not limited to Mlungisi, as the new Council agreed that "the Amatola Regional Services Council be advised that unless outstanding amounts in respect of services rendered to Cenyu, Cenyulands and Kubusie by the Transitional Local Council on behalf of the ARSC are settled the services will be discontinued without further notice" (Municipality of Stutterheim, 1996a, 10).

Hence in the three non-municipal townships, the Stutterheim Council was by now prepared to engage in mass cut-offs of the inadequate (communal tap) water supply regardless of individual propensity to pay. The fault for non-payment may not have been with the residents, but with the contractor (ultimately the Amatola District Council) which had no feasible means of directly supplying services to its constituents, locked in as they were to residual apartheid-era patterns of residential segregation. A few weeks later, the Amatola District Council's chief executive formally confirmed receipt of a Stutterheim bill for R49 000 "in respect of water consumed by the residents of Cenyu, Cenyulands and Kubusie which had been paid by the ADC on behalf of the residents." Yet since the ADC had no means of billing the township residents, the ADC chief executive now expected "a firm proposal" from the Stutterheim Transitional Rural Council -- which itself had practically no capacity, and which reported to the ADC -- "in conjunction with community structures in respect of the payment for services," failing which he "would have no other alternative but to request [Stutterheim] to discontinue with services to the abovementioned areas" (Municipality of Stutterheim, 1996b, 13).

Although water supplies had reportedly not been cut at the time of writing (interview with Stutterheim Transitional Rural Council chief executive, 1998), other Stutterheim services remained out of reach. Access to the library was effectively denied residents of outlying townships, on economic grounds. The Stutterheim Council refused, in August 1997, to waive the R50 fee for access to the library payable by residents of Cenyu, Cenyulands and Kubusie (Municipality of Stutterheim, 1997e, 10).

Mlungisi, as a formal part of Stutterheim, fared little better, although to its credit the Stutterheim Council beat back an old-guard attempt to restore the apartheid town's geographical inheritance. The Stutterheim treasurer was told by Council at that same January 1996 meeting to "once and for all 'bury' the Old Cumakala Town Council concept and ensure that all financial administration is finalised and integrated with the Stutterheim Transitional Local Council by the end of March 1996" (Municipality of Stutterheim, 1996a, 10).

Nevertheless, Mlungisi was still subject to far lower-quality standards than in Stutterheim. In February 1996, the treasurer conceded that "intermittent supply problems occurred as a result of existing pipes being damaged which resulted in an irregular supply of water to Mlungisi" and as a result, disconnections should be postponed until supply was normal (Municipality of Stutterheim, 1996b, 13). A month later, the Council declared April would be "the month for the commencement with the payment of service charges" and "if by the end of April there was no significant improvement with regard to the payment of services charges, e.g. approximately 60%" then "Electricity and water accounts in arrear be cut off with immediate effect... however genuine cases who request deferment in payment due to financial reasons be considered on merit..." (Municipality of Stutterheim, 1996c, 14).

The measures included three that constituted collective punishment of a geographical area notwithstanding the possibility that individuals in the area were not themselves personally guilty of non-payment:

Withdrawal of services to be focused on areas where payment is lowest... Switching off of street and high mast lighting from Mondays to Thursdays... subject to careful consideration of the implications of such action particularly with regard to the already serious crime rate in certain areas and based on the principle of "with darkness comes crime," however the message and intention to the residents must be loud and clear; Discontinuation with the provision of refuse removal services to individuals who were in arrears... (Municipality of Stutterheim, 1996c, 14-15).

May 1996, the treasurer testified "that although the payment of service charges had increased to 20% in respect of April 1996 this was still far from satisfactory and a marked improvement thereon was essential." But the treasurer also reported that "services such as water and High Mast Lighting would be 100% normal by 1 June 1996 which included the repairing of all High Mast Lighting, upgrading power supply to newly erected pump station, and installation of bigger dimension main supply piping" (Municipality of Stutterheim, 1996d, 13). In fact, substandard and broken services to Mlungisi continued, leaving the authors of the October 1997 *Stutterheim Draft Structure Plan* to comment, "Losses of [water] pressure also occur as Mlungisi is fed through the central area of town, and the TLC is investigating the possibility of diverting the flow to Mlungisi to avoid the central area of town" (Makalima Johnston Associates, 1997, 18).

To the Council's credit, it finally came to realise that non-payment wasn't a matter of choice. Councilors requested information in May 1996 about, "as a matter of extreme urgency, ways and means of implementing remission of service charges for those people who genuinely cannot afford to pay" (Municipality of Stutterheim, 1996d, 13), a group that quickly became the majority of Mlungisi residents and almost a majority of Amatolaville residents.

The remission strategy included a schedule for rebates that ranged from 100% for households with less than R300 per month income, to 3% for households whose income was between R1 026 and R1 505. For every R25 per month additional income, an additional 3% of the municipal service charges had to be paid. The amounts in remission claimed by the 61% of Mlungisi households (numbering 1 170) plus the 40% of Amatolaville households (numbering 83) who received rebates, rose from R93 762 in September 1997 to R113 848 in February 1998. The average monthly rebate was more than R90 over the period.

Even before the remissions system became fully operative, service cut-offs remained a potent tool for the Stutterheim Council. The first wedge (in June 1996) would, "once the services ... have been restored to 100% normality," be "the

withdrawal of refuse removal services... as a first step towards implementing punitive measures" (Municipality of Stutterheim, 1996d, 13). That services never achieved 100% normality did not stop the cut-offs, nor did the cut-offs succeed in increasing the payment levels.

And nor did cut-offs help in providing new connections to those without services. Frustrated by the lack of progress in the Mzamomhle area of Mlungisi, the local civic association zone committee -- Mzamomhle SANCO -- requested in February 1997 that Eskom be allowed to have responsibility for supplying electricity (in view of the failure of the Council to extend its services to the area). This was a mistake, however, earning a stern -- even defensive and arrogant -- rebuke from the Council (Municipality of Stutterheim, 1997c, 4; 1997b, 8). The breakaway of a zone of SANCO from ANC loyalty or merely from adherence to established procedures of municipal governance -- which was also evident in SANCO-ANC tensions surrounding the SDF -- was not unusual in mid-1990s South Africa, particularly given systematic attempts at national level and in many provinces and locales to co-opt SANCO through corporatist deal-making. Attempting to play the dual role of community mobilisers and close allies of the governing political party often proved difficult for SANCO leaders, who faced on the one hand grassroots rebellions and on the other, deals that didn't deliver. Nationally, SANCO's investment arm, headed by Moses Mayekiso, decided to participate in joint municipal infrastructure ventures with the British firm Biwater, which became controversial in Nelspruit when virtually all civil society forces opposed this pilot case of water privatisation. In Stutterheim, a parallel phenomenon was the decision by SANCO's general secretary to take a job with WSSA, promoting water privatisation.

When finally the Council agreed to make a request to Eskom on behalf of residents, the parastatal replied in October 1997 that "it was not in a position at the present time to electrify Mzamomhle" and would only be able to evaluate such a proposal when "occupation exceeds 80%... permanent houses are built and occupied; an approved surveyor general layout plan is available; and housing and civil services are completed" (Municipality of Stutterheim, 1997f, 6). Notwithstanding the informal character of many of the Mzamomhle dwellings, the Stutterheim Council eventually approved electrical hookups (interview, Councillor Anna-Marie Mayekiso, 1998).

But the cut-offs that commenced in November 1997 left nearly a fifth of Mlungisi without access to household water. An astonishing 400 Mlungisi households and 45 Amatolaville households had their water supplies disconnected. Only 35 households subsequently made payments so as to have their water service reconnected (DCD, 1997, 4). In interviews, one of the town's councillors and its treasurer surmised, however, that Mlungisi residents whose services were cut were either using their neighbours' water, which was now partially (or in some cases fully) subsidised, or using nearby communal standpipes that were legacies of the old government's provision of infrastructure. The implications, however, of the cut-offs for sanitation, sewerage and public health, were not known by councillors or Council staff, nor had been considered.

In addition, electricity disconnections numbered 70 during the fourth quarter, with 34 paying to be reconnected (DCD, 1997, 4). The number increased dramatically in the town of Stutterheim, from average monthly levels of 25 during 1997, to 112 in February and March 1998. In Amatolaville, average electricity cut-offs of 1 per month during 1997 soared to 48 during March 1998. The Council's policy was to cut off electricity services to all people whose accounts showed any indebtedness (even if not on the electricity account). Of electricity cuts, only 50% of households cut off later reconnected. Yet the result of these cuts, by January 1998, was a decline, not increase, in Mlungisi's payments rate.

6. Neglect of demand side management

A large amount of time and energy was paid by Stutterheim officials and Councillors in trying to make people pay, in a context in which most cannot, objectively, afford to. The main reasons higher levels of payment are required, are to increase the amount available for capital expenditure (and hence, potentially, new connections), and to fund the recurrent (operating and maintenance) costs of the services.

Some such capital expenditure would not be required, however, if conservation were to take place. And payment requirements for recurrent costs can also be mitigated by cross-subsidisation through a socially-just progressive block tariff with lifeline service. Such outcomes, which were not considered by the Stutterheim Council or its officials, would depend upon an effective "demand side management" strategy. (To the Council's credit, though, an attempt in June 1997 by commercial farmers within Stutterheim for reductions in rates and levies was rejected [Municipality of Stutterheim, 1997d, 8].)

Demand side management is an emerging subdiscipline of resource economics that draws attention not just to building supply-side capital projects (water works and other bulk infrastructure) so as to quench an insatiable thirst for water and other services, but attempts to better distribute those resources so that basic consumption norms are met and other socio-economic and ecological goals, especially conservation, are achieved. Demand management techniques include repairing leaky pipes; changing water usage patterns through progressive block tariffs; water conservation education; regulations prohibiting excessive watering of gardens; and a variety of physical interventions. Amongst these latter are the replacement or installation of low-flow showerheads, dual-flush toilets, and similar mechanical interventions, as well as saving more water through clearing invasive alien trees and vegetation.

For example, the extent to which Mlungisi's water losses could be attributed to leaky pipes (or washers) and faulty infrastructure was unknown to officials. Investigating was, the treasurer conceded, "the most difficult task," for "Line losses do occur, but is very time-consuming" to calculate (Stutterheim TLC, 1998, 4). No attempt was made to bring community organisations into the process of monitoring water use and leakage. Yet Mlungisi's outdated apartheid infrastructure was a well-known problem, and the following comment appears in the October 1997 *Draft Structure Plan*: "The major problem with water supply in Stutterheim is that of water losses through old and inadequate water mains. There is thus a need to investigate costs of replacing many of the internal pipelines to limit losses" (Makalima Johnston Associates, 1997, 18).

Under a system of fully privatised water provision, it would have been reasonable to expect the privatised water supply company, WSSA, to repair the Mlungisi pipes, but due to "cherry-picking" -- the tendency of firms to avoid doing business in low-income areas -- WSSA only provided service to Stutterheim and Amatolaville. (WSSA did make proposals to serve Mlungisi, but these were considered financially disadvantageous, according to Councillor Anna-Marie Mayekiso) (interview, 1998). (The delegation of management for water provision, to WSSA, was accompanied by a 25% increase in water fees paid by consumers in 1994/95, according to the Stutterheim Municipality budget.)

However, notwithstanding the poor payments record and the additional costs associated with the privatisation of water, the municipal water budget had a projected surplus of R136 825 for 1997/98. In addition, the sewerage budget was anticipated to generate a surplus of R164 782. Those surpluses were redirected into other aspects of the budget, rather than to expanding basic provision of services in Stutterheim's townships.

At the same time, Stutterheim dramatically increased its capital expenditure on the bulk water works, raising the capacity by 67%, from 1,5 Ml/day to 2,5 Ml/day, in the process incurring extremely expensive debt servicing obligations. Apparently there was little or no attention in the Council or in the Stutterheim budget to demand side management. The irony was that retail services were desperately necessary and were not being adequately funded, while expensive bulk water supply could have been mitigated through conservation on the demand side.

A small programme to clear invasive aliens has been funded through the national Working for Water scheme. But even this could have been expanded dramatically, given that, according to the *Stutterheim Draft Structure Plan*, "Invasion by black wattle and other alien species is a serious problem in Stutterheim, leading to a reduction in stream flow and diminution of wildlife habitat" (Makalima Johnston Associates, 1997, 12).

How much water could be saved through such measures? Preston and Davies (1994) estimate 30% in typical South African conditions, hence reducing the need for large capital projects while at the same time assuring all residents a fair share of access to water -- not through an open-ended and ultimately unsustainable indigents' fund (the remissions on 61% of Mlungisi accounts and 44% of Amatolaville accounts) but through socially-just tariff pricing.

Much the same principles apply to electricity pricing, which at present is done on the basis of a regressive (not progressive) block tariff with an incentive to higher usage. Electricity fees generated a substantial surplus of R998 344 in 1997/98. But connection and reconnection fees brought in only R96 000 for the 1997/98 year, indicating that fewer than 50 new accounts were supplied notwithstanding the tens of thousands of residents in the greater Stutterheim area without electricity.

Unfortunately, the *Draft Structure Plan* does not set out demand management techniques such as cross-subsidisation as options for infrastructure and services delivery. Finally, none of the extensive economic multipliers and other

benefits of better demand management -- including direct economic benefits (employment, SMME creation, productivity enhancements, smallholder irrigation, etc) and indirect public health, environmental and gender benefits - have been factored into Stutterheim's municipal services. Nor have such considerations apparently informed the town's broader budget.

7. Unreconstructed budget

The budgets for water, sanitation and electricity have been considered in the previous section. There are a variety of other areas of the R11,4 million 1997/98 budget that reflect a lack of transformation.

Most importantly, the municipality is cutting back substantially on its capital spending, from 1996/97 levels of R1 706 645 to R1 336 022 in 1997/98. The only major expenditures accounted for in 1997/98 were a new grader (R350 000) and an electricity ring connection to Lower Kologha (R140 000). Water reticulation capital spending fell from R67 500 to R50 000.

Amongst general expenditures, public health spending rose from 1996/97 to 1997/98 due to a 20% salary increase and a dramatic increase in medicines (from R60 000 to R248 928). However, public health income also increased, from R678 008 in 1996/97 to an anticipated R1 018 746 in 1997/98, largely due to a near doubling of the provincial government's health subsidy. The requirement that the municipality shoulder a greater healthcare budgetary requirement should have sensitised Councillors to the implications of service cuts for public health, but apparently did not.

Aside from public works (R964 092 deficit), the biggest single deficit item in the budget was for Parks, Gardens and Sportfields (R372 457, which included in 1997/98 a 40% increase for salaries/wages and allowances, to R303 204, in comparison to 1993/94, in which of R143 840 in spending less than R100 000 was for salaries and wages). Most of the public recreational facilities in Stutterheim -- including the town park -- are still located in the immediate vicinity of the wealthier residential areas. In any event, according to the *Draft Structure Plan*, Stutterheim's other recreational facilities are "generally of a private nature (e.g. the Country Club and Golf Course, as well as the swimming pool at Stutterheim High School). There is a need for public facilities such as sports fields both in the central part of town and Mlungisi" (Makalima Johnston Associates, 1997, 20).

Could the budget have been transformed during the 1993/94-1997/98 period? Perhaps, but to be fair it must be pointed out that fiscal constraints associated with government's macroeconomic policy may have also played a role in locking in existing spending. The total government subsidy for Stutterheim in 1995/96 was R899 433. That was anticipated to increase to R1 003 262 in 1996/97 but instead fell to R515 797 (the shortfall was covered by increased fee income). For 1997/98, the government subsidy was estimated to fall further still, to R165 425. In real (after-inflation) terms, this 90% decline in central to local spending represents one of the most important constraints to Stutterheim's future transformation.

8. Growing housing backlogs

According to Stutterheim's *Draft Structure Plan*, "In the lower income residential areas, there is a great need for the upgrading of both services and housing. There is a need to expand the existing residential development in Stutterheim, as the future demand has been estimated to be in excess of 2 000 stands" (Makalima Johnston Associates, 1997, 19). This is an understatement, of course, given that the housing shortage legitimately extends to many tens of thousands of greater Stutterheim residents who live in impermanent, substandard housing. Indeed, according to the Plan, "The highest priority identified in the majority of the community workshops was that of the need to develop additional residential land" (Makalima Johnston Associates, 1997, 32).

The main problem, however, is that Stutterheim Council essentially agreed to forfeit its responsibility to provide and maintain any form of public housing, when in 1991 the Independent Development Trust's site-and-service model was adopted. Nel (1994, 374) aptly describes the function of housing privatization, as facilitated by the IDT in Stutterheim: "The injection of finance into the town has assisted the municipality through the removal of responsibility for providing housing sites." According to Max July (interview, 1998), the IDT funding did not pay for electricity, nor was there a top-up due according to the new 1994 national housing policy. Moreover, according to July, "There was protest over the small size of houses" built using the IDT subsidy.

The removal of municipal responsibility was marginally reversed after the 1995 local government elections, when the Council gradually began to take on responsibilities, no longer as a municipal developer of housing but instead as facilitator. Yet even this role was constrained by the difficulties presented by the developer-driven character of the national housing policy.

For in undertaking Stutterheim's main housing project -- 500 units in Mlungisi, proposed initially in 1993 -- the two firms involved, Grinaker Construction and Ove Arup, spent an excessive amount (R9 000 per unit) on the provision of services during construction in 1997, leaving an insufficient amount for the top structure. Then, in December 1997, the Council realised that they had little room to maneuver when "Grinaker indicated that they were not in a position to continue with the project until they have received financial details" (Municipality of Stutterheim, 1997g), presumably about how the Council wanted to proceed with funding house construction. Less than a year earlier, Grinaker had entered the Eastern Cape with the claim that it would generate 20 000 houses if given the opportunity to utilise their "bottoms up (*sic*) people driven" process (Municipality of Stutterheim, 1997a, 4), which indeed was the basis for the Council transferring the long-delayed construction of the 500 units (interview, Anna-Marie Mayekiso, 1998).

One of the main things that a municipal facilitator must do is establish Land Development Objectives, which highlight the integration of social, economic, institutional and physical aspects of land development. This theme was repeated by Dewar (1997, 78) in discussing Stutterheim development planning principles. But here not only were the contradictions between theory and reality revealed in the decision to omit most of Greater Stutterheim from municipal service delivery, as discussed above, Stutterheim's planners also endorsed, in practice, contrary residential development objectives that exacerbate the tendency of class segregation to replace racial segregation. While denying this in principle -- lip service is paid to establishing a single town "integrated physically, fiscally, administratively and politically" -- Makalima Johnstone Associates give this tendency full momentum by evoking "density" as a euphemism for class.

Thus although demand for "medium to low density housing" is "limited," Makalima Johnston Associates (1997, 34-35) set out several exclusive areas for development, including in-fill housing in the centre of town. Moreover, high density, high cost housing should also be constructed in geographically-favourable areas: "Based on discussions with residents and local estate agents, there appears to be a need for additional flats and townhouses. These should be developed close to town around the CBD, where land and services are available." High cost housing should also be located on 20 hectares of suitable commonage land immediately to the north and south of town, according to Makalima Johnston Associates (the low-income townships of Mlungisi, Cenyu and Cenyulands are due east, and Kubusie is southwest of Stutterheim, so this trajectory of housing development for high cost housing would utilise land that could otherwise have been allocated to lower-income people desiring to be closer to amenities).

In contrast, Makalima Johnston Associates (1997, 32-34) observe, there are four options for high density, low cost housing to serve the 2 600 households (from Mlungisi, Kologha and Amatolaville) who are on formal housing waiting lists. Tellingly, even though land directly adjacent to Kubusie is cited for development, no Kubusie (or Cenyu or Cenyulands) residents were considered in need of Stutterheim housing.

Where there exists a (single) low-cost housing development option that has the potential to border wealthier neighbourhoods near the golf course, the Makalima Johnston Associates (1997, 33) planners are quick to point out that "Previous discussion that this portion of commonage should be set aside for future low density residential usage is recorded. Many residents regard the area as prime land and if utilised for high density housing will lead to depreciation of adjoining properties" (*sic*). The potential class bias of the "many residents" referred to is not recorded. Of the other three options, two include extending and amplifying the inherited apartheid geography of Stutterheim, by building on the southeast end of Mlungisi or west of Amatolaville, while the last option is a small piece of land around Amatolaville.

Most importantly, low-income residents are implicitly excluded from potentially well-located developments on in-fill spaces within Stutterheim, on nearby buffer land such as between Kubusie and Stutterheim, or just north of Stutterheim. In sum, the Makalima Johnston Associates' *Draft Structure Plan* dispenses with the early 1990s attempt to reinforce a physical buffer zone separating the white residential area from the African township, but its income-related planning has much the same effect.

All of this is not to deny that very gradual racial desegregation is taking place. With one exception, the key Mlungisi leaders active in the SDF from 1990 have moved to Stutterheim; several earn sufficient incomes from well-paying Bisho jobs to afford bond payments. The one SDF leader who didn't move was Max July, who in an interview confirmed he stayed in his (unserved) Mlungisi residence "to promote self-help."

9. Small business cul-de-sacs

The pride of Stutterheim's LED efforts is entrepreneurial training and small business promotion. Yet in the most important respects -- retention of trained people in the community through local job creation, and enterprise sustainability -- the SDF and its two main education/training and advice centre offshoots are not succeeding.

The Business Advice Centre provides support to entrepreneurs in the form of skills development (geared to local resources such as wood and sewing); assistance in the location of raw materials; facilitation of premises such as a hand weavers' workshop and rural market workshops; and marketing assistance. There was an attempt to establish six periodic markets linked to pension payouts, but these "never worked," according to Max July (interview, 1998).

Addressing the perennial problem of access to credit, the Advice Centre and Eastern Cape Development Agency (ECDA) established a group credit scheme that replaced what Dewar (1997, 82) had described as a "not particularly successful" small loan scheme of the Kei Development Trust. Writing in October 1994, Dewar (1997, 83) found the new ECDA scheme was "particularly successful," yet after a facilitator -- an American citizen - left, the scheme collapsed, according to Max July (interview, 1998).

More generally, bank credit for small entrepreneurs is unavailable in Stutterheim (interviews, 1998). There is allegedly no local decision-making power on the part of the town's bank branch managers, and although Stutterheim municipality had R5,3 million in four bank accounts (R3 million with First National Bank and R2,3 million with Unibank) in 1998, it had never enquired about the possibility of linking such deposits to lending relationships (Stutterheim TLC, 1998, 7; interview, Ferreira).

Thus without credit, the Stutterheim entrepreneurial projects most often celebrated have a built-in ceiling on growth, leaving most beneficiaries of programmes stuck in the cul-de-sacs of hawking and sewing, according to Councillor and entrepreneur Anna-Marie Mayekiso (interview, 1998). Moreover, she continued, of the ten sewing ventures begun during the early 1990s, only three still exist. Although pottery and shoe-making enterprises are still in business, there is nothing like the growth required to catalyse employment generation on anything more than a token scale.

Reflecting the limits of the entrepreneurial strategy, the other area of Stutterheim's community upliftment most often praised is privatised educational and child care support. Yet here too, the famous Amakhaya home-based educare creche programme ran into difficulties associated with a neo-liberal conception of the daycare problem and its self-help solution. Instead of receiving generous municipal funding, as would be a reasonable demand by residents, the creche scheme was based on a discrete intervention to rationalise child care but with as little involvement as possible by the state. Ironically, the founder of the scheme (Nosimo Balindlela) went on to become the MEC for Education in the first post-apartheid Eastern Cape provincial cabinet (although she was dismissed from this position in early 1998). "In the initial conception," according to Dewar (1997, 89),

the Amakhaya mothers were appointed by, and were accountable to parent groups, which in turn were responsible for collecting contributions from parents. The Foundation, in all good faith and with the best of intentions, raised some finance to supplement the "pocket money" of the mothers and paid this to them directly. This created the perception that the mothers were "employed" by the Foundation: this led to reduced contributions by parents and discontent over "levels of pay" on the part of the mothers.

For Dewar (1997, 89), this problem reflected merely "confusion" in "lines of accountability," rather than a misguided structural relationship of workers to employers, and of citizens to their local state.

10. Land reform paralysis

"Land reform is failing here," commented Stutterheim Councillor Anna-Marie Mayekiso (interview, 1998). The main

evidence of land reform in the Stutterheim area is the 1995 demarcation of an additional 1 031 plots on the Mgwali commonage, which codified existing arrangements but which also exacerbated legal conflicts over control of the commonage land and social conflicts between long-term quitrent tenure holders and those without tenure security. The divisions generated by differential tenure, and the overall paralysis in redistributing the Stutterheim area's rural land, are the main reflections of ongoing rural development crisis. But the complete lack of access to water and any other municipal services also serves as a warning for the time in the near future when Mgwali and other peripheral -- though densely-populated -- rural areas will fall under Stutterheim municipal rule.

In 1995, 65 holders of quitrent tenure who were dispossessed during the betterment-era demarcation of sites, filed a Land Claims Court claim in 1995. The 1993 Upgrading of Land Tenure Rights Act allowed quitrent tenure to convert automatically, upon application, to freehold status. But to access the sites on the commonage from which the quitrent holders were dispossessed during the 1960s-70s reversion back to tribal and then homeland rule, requires the powers of the Restitution of Land Rights Act of 1994.

According to the quitrent holders' claim, the homes of subsequent settlers on the commonage land "resemble a rural slum and it is almost impossible for quitrents to continue with successful farming. Our main aim is to recapture the agricultural environment we once enjoyed before betterment took control of the commonage." Under these conditions, class differentiation between quitrent holders and other residents is intensifying, such that 14 Mgwali families own more than one quitrent plot, and only 30 of the original 152 quitrent plot title deeds are considered legally valid. Moreover, according to the Border Rural Committee (1997, 20), "There are class stratifications among the quitrenters themselves... There is a tendency by original quitrenters to exclude the new owners in decision-making on the issues that affect all quitrenters, especially when a difference of opinion is anticipated."

Although in this uncertain tenure context, "The internal market for land in Mgwali appears to be very limited," as the Border Rural Committee (1997, 20) puts it, the estimated value of plots is R30 000. One form of return on such a substantial investment is cash rental (since labour tenancy on black-owned farms was prohibited by the Bantu Laws Amendment Act of 1964). But as the Border Rural Committee (1997, 24) continues, "The uncertainty of land reform has resulted in the escalation of evictions of tenants, by landowners forcing tenants to move to their newly demarcated sites. This is attributed to a sense of fear and anxiety regarding the possibility of losing their land to the tenant occupants." Theft of agricultural implements, livestock and fencing is also common.

In sum, a variety of informal tenancy arrangements had emerged in the 1980s, some of which were formalised by post-1994 legislation. But strong class and patriarchal social residues hindered progressive changes in rural social relations.

This was not because civil society was non-existent. Organisations in Mgwali that have been involved in settling disputes over land include the SANCO Village and Central committees, the ANC, ANC Women's League, ANC Youth League, Community Policing Forum, the Farmers Association and the church. But reporting on its role in mediating the land issue, the Border Rural Committee (1997, 4) observed "serious tensions within the community, particularly between the youth who are active in local structures and a small group of the elderly who are quitrenters."

Some quitrenters refused to sign a Code of Conduct proposed by government officials and the Border Rural Committee (1997, 6) -- for the purposes, apparently, of codifying an initial consultation -- because "in the past, signing government documents had resulted in loss of land. They suggested that the team continues with its work and finds land for the landless without their signing the Code of Conduct." Indeed, without good faith efforts to open up new land for the landless, concedes the Border Rural Committee (1997, 7), "It was unrealistic to have expected the quitrenters, in particular, to sign a Code of Conduct. A second criticism is that it is arguable whether a signed Code of Conduct would have ensured community commitment in any case."

Women residents of Mgwali were particularly harmed by the process. In general terms, rural women play a vastly important but rarely recognised role in the formal South African economy by ensuring that their fathers, brothers and sons are born, raised, healed when sick, and cared for in retirement -- so that employers in distant cities do not have to pay wages sufficient to cover such costs. The unpaid role of women in the reproduction of the male work force is particularly poignant in rural areas of the Eastern Cape, for it is only the women's extraordinary rural tenacity -- on overgrazed land in areas fraught with social tensions -- that ensures not only survival under difficult conditions, but the cross-subsidisation of costs (rearing, caring and retirement) that normally are built into the wages and salaries of

urban men, in societies not burdened by inherited bantustan-type rural-urban relations.

And yet the progressive denuding of women's rights to land -- which existed, *de facto*, in customary arrangements but were removed in the 1927 Native Affairs Administration Act in favour of male primogeniture -- have been cemented, not overturned, by the introduction of an imperfect land market, which adds a pecuniary incentive for men to retain control and effective ownership. Mgwali women have "seen widows in this community being driven away from their homes by sons who claim to be owners" (Border Rural Committee, 1997, 29), and are further disadvantaged by illiteracy and lack of resources to transfer land into their own names. Although the Equality Clause of the Constitution provides equal rights to women, the failure to overturn sexist laws, and *de facto* discrimination -- such as the requirement that a husband's signature accompany a bank loan application -- together mean very little has changed for women (Border Rural Committee, 1997, 27-28).

What must also be questioned, in all of this relatively micro-level contestation of land rights -- while the Stutterheim district's large tracts of white-owned commercial farmland remains untouched by distributional challenge -- is whether the outcome envisaged by the Department of Land Affairs, namely a growing class of small-scale entrepreneurs, is realistic. According to the Border Rural Committee (1997, 31, 33), "For an individual to cultivate the 10 acres of land [in Mgwali] it costs him/her approximately R1 000 and only a small proportion of the households can afford to pay this... [Instead,] households do maintain small gardens where vegetables are grown for subsistence."

Perhaps most disturbingly, any vision of more thorough-going transformation -- more aggressive land reform activity in white farming areas, government intervention in agricultural markets (including inputs such as seed, fertilizer, credit and irrigation systems, such as those which white farmers depended on), much more technical assistance, a much larger grant from central government to buy land and own it, perhaps communally -- seems to have been lost in the process. Even the Border Rural Committee's (1997, 39) recommendations to the Department of Land Affairs assumes that "Mgwali will never again be a thriving agricultural settlement, but with an integrated approach, it could develop into an economically viable and socially stable peri-urban area," all evidence to the contrary notwithstanding.

11. Conclusion

Stutterheim's local economic development crisis has the potential to be resolved only if enormous changes to power relations, institutional forms, planning and consultation processes, municipal budgeting, and ideological vision are all transformed. More likely is the prolongation of the crisis, as even activities considered viable at one stage are unveiled as unsustainable when donor funding is withdrawn.

Some may not approve of the pessimism implicit in this analysis of Stutterheim. At the other end of the spectrum, Nussbaum (1997, 55), for example, remarks that

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

Yet criticising Stutterheim for relying on an excessively ideological brand of local boosterism is not particularly controversial. As Nel (1994, 374) remarked at a relatively early stage,

This raises the question whether the initiative is replicable in other towns or even sustainable in Stutterheim in the long term without continued financial support. Most of the finance does not appear to have come from the private sector and a negligible amount was raised locally... The limited private sector investment in the town and in major forum projects is a matter for attention in the future.

Tandy (1992, 20) flagged the problem even earlier, commenting that "it is not clear that the Stutterheim funding is available for similar projects on a similar scale." For Nel (1994, 374), "The effects in Stutterheim of the external financing and entrepreneurial development can only be assessed when current funding runs out and the town has to rely on its own resources and skills."

But already, well before Stutterheim loses its appeal to external donors, it is feasible to assess the general results of the model adopted since 1990. Those results reflect the acceptance of a wretched *status quo* by Stutterheim's mass base, largely, it appears, because a small group of township leaders pacted with Stutterheim's *verligte* white elite, and demobilised popular protest. While Stutterheim was, in the process, highly celebrated by the intellectual and policy wings of big business -- including Barlow Rand, a major conglomerate with a long track record of promoting neo-liberal public policy -- its premature local social contract has conclusively failed in nearly every material respect in which it can be judged.

The vexed problem of "sustainability" cannot even begin to capture, however, the scope of Stutterheim's deficiency. In his study of *The Rise and Fall of the South African Peasantry*, based on evidence from Stutterheim and similar settings, Colin Bundy (1988, 243) asserts that "The underdeveloped sector of the South African economy is not 'separate' from the developed sector: the economy of the former is firmly integrated with that of the latter." This theme has emerged repeatedly in historical and geographical ways throughout this paper.

Indeed "uneven development" -- differential growth of sectors, geographical processes, classes and regions at the global, regional, national, sub-national and local level (Bond, 1998a) -- is readily observed as a continually evolving process that ties Greater Stutterheim residents to their fate in the local, national and increasingly international divisions of labour. It is true that most people in the area are "surplus" to formal capitalist economy, as witnessed by the high and rising rate of unemployment. But the informal ties to capitalism as a system bind more closely, for rural women in Greater Stutterheim continue to surrender their unpaid labour to reproduce a male labour force in distant urban areas, a fact not in the least changed by the post-1990 "Stutterheim Experience" or by post-1994 democracy.

The phenomenon of uneven development in peripheral settings has, thus, been explained as a process of "articulations of modes of production" in which the capitalist mode of production depends upon earlier modes of production for an additional "superexploitative" subsidy by virtue of reducing the costs of labor power reproduction (Wolpe, 1980). Smith (1990, 156, 141) insists, however, that "it is the logic of uneven development which structures the context for this articulation", rather than the reverse. This observation appears valid in Stutterheim, for it was necessary to trace the historical unevenness of settlement in the area to understand how forcibly African people were thrown off their land, in efforts by missionaries and mercenaries to draw them into the formal capitalist relations that led to a century and a half of systematic underdevelopment.

It is in this broader context that the rationale for the Stutterheim Experience becomes clearer. Stutterheim was, after all, only an emblem -- albeit a particularly impressive one -- of the problems that South Africa's white elites faced during the 1980s. The solution to both the specific 1989-90 boycott and to the more general radicalisation of Stutterheim's township conforms to the problem faced by what Ferguson (1994) has called "The Anti-Politics Machine" in a book subtitled "'Development,' Depoliticization and Bureaucratic Power in Lesotho." That important work calls our attention, as students of depoliticised development, to the fact that failure -- in Stutterheim represented by multiple objectives set having not been reached, and instead an observable deterioration of living conditions -- does not necessarily represent cause to change course. Ferguson (1994, 19-20) cites the French theorist Michel Foucault to help deconstruct development discourse:

Perhaps the best example of this kind of analysis is Foucault's "genealogy" of the prison... By differentiating illegalities, and by turning one uniquely well-supervised and controlling class of violators against the others, the prison did end up serving as part of a system of social control, but in a very different way than its planners had envisioned. "If this is the case," Foucault (1979, 276-77) writes, "the prison, apparently 'failing,' does not miss its target; on the contrary, it reaches it... For the observation that the prison fails to eliminate crime, one should perhaps substitute the hypothesis that the prison has succeeded extremely well in producing delinquency, a specific type, a politically and economically less dangerous -- and, on occasion, usable -- form of illegality; in producing delinquents, in an apparently marginal, but in fact centrally supervised milieu; in producing the delinquent as a pathologised subject... So successful has the prison been that, after a century and a half of 'failures,' the prison still exists, producing the same results, and there is the greatest reluctance to dispense with it." The point to be taken from the above argument is only that planned interventions may produce unintended outcomes that end up, all the same, incorporated into anonymous constellations of control -- authorless "strategies," in Foucault's sense -- that turn out in the end to have a kind of political intelligibility.

Of importance to concede is the undisputable evidence that in Stutterheim the issue is not an expansion of the state (as Ferguson observed in Lesotho) but rather its contraction and replacement by an unelected, elite-controlled development agency whose relations with external agencies -- the Independent Development Trust, Development Bank of Southern Africa and a host of supporters in major foundations, corporations, allied think-tanks and periodicals -- appear far more successful than Stutterheim's own development trajectory. But to borrow Foucault's words, "after a century and a half of `failures,' the prison still exists, producing the same results," just as after a century and a half of failures, so too does the metaphorical "delinquency" of systematically generated underdevelopment of people who come into contact with increasingly more sophisticated missionaries and mercenaries of capitalism. The last decade of development and underdevelopment in Stutterheim bears all the scars of misapplied physical force, divide-and-rule strategies, cooptation, and indirect rule -- all with the overriding objective of combining legitimation of the system with increasingly sophisticated efforts at drawing surplus from the victims of "development" -- that were evident in the town's first decade or two.

The "political intelligibility" of all of this does not need much clarification, for it is Stutterheim's role as a poster child of LED and local social contracts ("reconciliation") that helps us understand the very limits of such concepts. Unless LED can break loose from association with the set of discrete, unconnected (though often mislabeled "holistic"), marginal and demonstrably ineffectual interventions that characterise the Stutterheim Experience, it is doomed as a strategy, either for local-level growth or for addressing poverty in South Africa, or anywhere else for that matter.

The alternatives to the kinds of depoliticised LED initiatives found in Stutterheim are many (Ecsecc, 1998), and follow very closely the strategy proposed in the conclusion to the most serious analysis of the South African economy yet produced, Fine and Rustomjee's (1996, 252) *The Political Economy of South Africa*: "We place considerable emphasis upon a state programme of public expenditure to provide social and economic infrastructure. This forms part of a strategy to provide for basic needs. The problem of how to finance such a programme is less acute than the formation of the political, social and institutional capacity to carry it out."

The lack of apparent political, social and institutional *will* to attempt anything much more than the ineffectual initiatives associated with the Stutterheim Experience was not the subject of this research, though certainly deserves study. Instead, in this evaluation, a prerequisite understanding has been established. For writing somewhat myopically in the early days of the Stutterheim Experience, Tandy (1992, 21) found that "The lesson of Stutterheim is that much can be done during this interim period without doing violence to the political objectives, short and long term, set by progressives." No one could deny the general logic of this comment -- i.e., mass organisations' continually maturing engagement with the development industry, and potential for progressive outcomes. But the particular myth of Stutterheim as a developmental success story -- for progressives and neo-liberals alike -- is certainly open to revision.

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