

Socio-Economic Profile and LED Options for the Midlands Karoo Region

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1. Introduction

The challenges of Local Economic Development and Developmental Local government are to find ways out of the current development constraints by revitalising local economies at the local level and assuming developmental responsibility rather than as was the practice in the past to carry out directives established elsewhere. Whether the current emphasis on LED and developmental local government is devolving responsibility to the local level or absolving provincial and national government of responsibility locally will be determined by the extent to which meaningful decision making power of any consequence is assumed by local government and more importantly whether resource and implementation capacities accompany this.

Whether an institutional support structure can be established, that will facilitate the development of capacity at the local government level is vital to appraising whether LED might successfully take off in the study area. Whether a co-ordinating infrastructure is constructed that will ensure that local initiatives can link up with broader processes and role-players, likewise, will have implications for the fortunes of LED. Whether a regional LED strategy is developed which is realistic, focussed and implementable will determine whether an integrated and sustainable regional economy can flourish. Furthermore, whether financial resources accompany institutional and human resource development programmes – all these issues are of crucial importance for LED in the region.

The fact that the Midlands/Karoo is so totally unlike other rural areas in the Eastern Cape or other parts of South Africa for example, make it extremely difficult to draw on accumulated wisdom in these areas. Conceptual frameworks and indeed, practical solutions, that have been developed elsewhere in the struggle against poverty are therefore not amenable to ready replication in the study area. Whereas sustained state investment in public works programmes around infrastructure construction and maintenance have provided the opportunity to reach into areas of rural poverty elsewhere it is not as easy to generalise these experiences as a model for the Midlands/Karoo. The creation of SMME opportunity and stimulation of job opportunity require qualitatively different implementation strategies.

That the Midlands/Karoo is essentially rural is not under dispute. Rather, the rural population in this study area is after all predominantly white and relatively affluent. The poor in the Eastern Cape Karoo have a significantly greater presence in the small platteland towns that simply cannot accommodate or sustain work opportunities for them.

As a result, the challenge is to pioneer genuinely original strategies to combat the evident hopelessness. Given the limited strategic capacity within the region and the absence of immediate high profit investment opportunities, regional LED strategies cannot rely on market forces but will have to identify a strategic vehicle through which a regional LED initiative can be driven. This study concludes that the most suitable vehicle for driving LED in the region is the Western District Council. Fulfilling this mandate in the face of revenue losses and a region which lacks strategic capacity, where civil society is fragmented and divided becomes more urgent as well as difficult.

2. Objectives of the Study

The Objectives of this study are to examine the areas of Steytlerville, Pearston, Aberdeen, Jansenville, Cradock, Graaf-Reinet, Sommerset East, Middleburg and Willowmore in terms of the following:

- To gather information on the historical development of the area
- To provide a demographic profile of the population
- To analyse the local economy in terms of its human and material resource endowments; labour market; industrial and economic profile (trade, agriculture, industry); and service infrastructure
- To identify development stakeholders (provincial government departments, TRCs, TLCs, DFIs, LBSCs, NGOs, CBOs etc) assess their interaction and networking, and evaluate their role in LED
- To identify and assess the impact of government interventions on the area
- To provide an overview and assessment of LED identifying possible opportunities and constraints.

2.1 The Research process - research methods

There were a number of phases and processes involved in completing the research. A wide variety of research techniques were utilised ranging from focus group discussions to structured questionnaires. Included in the research processes are the following:

- In depth interviews

A number of in depth interviews were held with a wide range of local role players. The interviews were generally open-ended allowing the interviewing process to take its own direction rather than being constrained by interview schedules. Amongst the interviewees are included the following:

- Representatives from TLCs (Councillors and bureaucrats)
- Representatives from TRCs
- Representatives from national and provincial government departments operating in the region
- Representatives from local Business organisations (farmers associations, chambers of commerce, agricultural co-operatives)
- Regional DFI (Development Finance institutions) including the Eastern Cape Development Agency (ECDA) and the Land Bank
- Representatives from local development forums, social compacts and IDP/LDO planning committees
- Representatives from development service organisations (DSO) including advice offices and local business service providers
- Representatives from local community based organisations (CBOs) and non-governmental organisations (NGOs).

- Focus groups

A number of focus group discussions were held particularly where small groups could be assembled given time constraints. Examples of focus groups include emerging farmers' associations, community organisations and development forums.

- SMME Survey

The views of a total of 50 small businesses were solicited through the use of a questionnaire. The interviewees were drawn from four districts in the region namely:

- Graaf-Reinet
- Middelburg
- Willowmore
- Steytlerville

Local people administered questionnaires. They were employed in each area. To ensure that the questionnaires were administered uniformly, training sessions were held in each locality. During these training sessions the sample for the local area was also drawn up.

- Documentary analysis

A wide range of relevant documents was scanned. These included TLC minutes and budgets, IDP/LDO documents, various relevant reports, databases of various departments and agencies, journal articles, books and newspapers.

- Role playing (WDC sub-regional IDP planning committee)

Arrangements were made with the Western District Council strategic planning team to attend the meetings of the Karoo sub-regional planning committee for the regional IDP. A request was made in late 1998 to the members of the committee to use the workshop for a collective research exercise. The members of the workshop agreed to a role-play exercise that was held in early January 1999. Members of the committee were asked to project themselves some time into the future where they were members of a regional, LED planning forum responsible for identifying a regional development plan. The group was then split into two smaller groups who worked through a hypothetical agenda of this regional planning forum.

2.2 Description of the Study Area

The study was conducted in nine magisterial districts in the Midlands/Karoo. These districts include Steytlerville, Willowmore, Aberdeen, Graaf-Reinet, Pearston, Sommerset East and Jansenville which fall in the Western region (and thus under the Western District Council). Cradock and Middelburg, which fall in the northern region (under the Stormberg District Council), were also researched.

2.3 Structure of the Report

The report presented here represents a condensed version of an earlier report presented to ECSECC which contained far more descriptive detail. This report is essentially focussed on drawing out the main trends within the region with the intention of identifying

A note on terminology

Black, white and coloured are used in the text particularly in the socio-economic profile section. The data source from which the statistics presented here were taken use these categories and they are therefore also used in the discussion of the data. The intention is not to give legitimacy to these categories but rather to present the socio-economic realities of the region which would not be as visible if not examined through these categories.

3. A Brief Historical Overview of the Region

Up until the early 1800's all of the districts comprising the Midlands/Karoo region were part of the district of Graaf Reinet, which became the fourth district of the Cape Province in 1785. Only with the proclamation of the deputy drostdy of Cradock in 1814 and Somerset in 1825 did the district system as it is currently known begin to take shape. The district of Graaf Reinet was vast stretching from the Fish River in the east to the Gamka River in the west and the Orange River in the north. One would not today believe that the Graaf Reinet district played a core role in the economy of the Cape colony until the discovery of diamonds and gold. This was due to the fact that, "prior to the discovery of gold and diamonds, the whole economy of the Cape, it could be said, was carried on the sheep's back" (Dubow, 1982: 3). Between 1862-1864 for example wool accounted for 73% of the Cape's exports (ibid). It was precisely due to its position as primary commodity producer in the international division of labour that determined Graaf Reinet's rise to prominence in the cape economy and simultaneously also its dependence on the international markets that led to its demise.

The sustainability of the Midlands/Karoo region has historically been guaranteed by various state strategies. Initially the colonial state facilitated the process of land dispossession from the indigenous population and simultaneously also facilitated proletarianisation and the creation of a landless work force. The effectiveness of the colonial and Apartheid State in terms of land dispossession is evident from the fact that the study region currently consists almost totally of privately (white) owned farmland.

During the Apartheid period the Midlands/Karoo region bordered the Eiselen line west of which was proclaimed the 'coloured' labour preference area within which any unemployed coloured person was assured preferential access to work. This resulted in a number of removals of african people out of the area to the 'homelands'. People from Middelburg, Cradock and Sommerset East/Cookhouse for example were moved to what became known as Dimbaza and Sada. The intended effect of the demarcation of areas was clearly social division by giving communities differential stakes in the system. Thus coloured communities benefited from preferential access to employment in terms of the Eiselen line - an economic offering in the face of the removal of coloured people from the voters role in the 1950s.

With the introduction of the House of Delegates in 1983 in terms of the so-called tri-cameral parliament the coloured population was again offered a relatively better deal than the african population through the pretence of political representation and a level of social welfare intermediate between that of white and african. Work-In Progress (1985) paints a picture of Cradock in the mid-1980's. "About 25 years ago the sprawling black location was separated into the coloured township of Michausdal and Lingelihle (the African township). The main road from Port Elizabeth to the interior divides the two areas and while Linglelihle was in turmoil during 1984, Michausdal residents, lulled by adequate facilities and rents considerably lower than their African neighbours, remained quiet (WIP 38, 1985: 8)".

The legacy of these influences is still felt strongly in the region today fuelled further by the spatial separation between communities. In many instances local conflicts are expressed through apartheid created categories of coloured, white and african. The politics of the region are also cast in this apartheid mould often offering obstacles to processes of local

development. This, coupled with personalised local politics in the region often creates quagmires, bogging down initiatives to promote local economic development.

The history of dispossession and selected support to white farmers and coloured labour was accompanied by a complex array of institutions, which regulated and promoted the social divisions upon which the political system was based. The material basis for the continued reproduction of these divided lives is laid by the physical separation maintained by the separated residential areas. All of the Midlands/Karoo towns are divided into at least three residential areas. In some cases an informal settlement also exists, although this is often adjoined to the historically African residential area.

4. Socio-economic profile of the region

4.1. Demographic Profile

4.1.1 Population Size

The current trends in the local population distribution in the Midlands/Karoo region have largely been shaped by the impact of colonial and more recently apartheid policies. The early colonial policies and the importance of wool in the economy of the cape colony gave rise to the formation of local service centres essentially established to service the farming sector. Many of these towns which account for the main population concentrations within the region today face crises in that the economic base of their existence, farming, is on the decline. The large concentration of the so-called 'coloured' population is partly as a consequence of the enforcement of the preferential labour area policy in the 1970s. This was accompanied by the reduction in some areas of the 'African' population who were in some instances moved into the 'homeland' areas. With the withdrawal of the Apartheid State and the consequent decline in the fortunes of the local economies of the region, there has been an increasing out-migration of the more mobile white population.

The table below provides a breakdown of the current population of various districts in the study area. Cradock, Graaf-Reinet, Middleburg and Somerset East are clearly the largest centres within the region. The others are relatively smaller towns with populations around ten thousand and less. The table also gives an idea of the population distribution by colour. Half of the population of the study area falls into the population category of coloured with 38% black and 12% white. The racially defined residential areas within the regions urban centres remains unchanged with little integration between them.

The total population of the Midlands/Karoo region constitutes less than three percent (2.6%) of the population of the Eastern Cape. Further comparison between the population statistics for the Eastern Cape and the study area reveal a slightly older population in the study area as well as a far higher urban concentration with 70% and more of the local population residing in the urban centres.

Table 1 1999 population by racial category

	Black		White		Coloured		Total
	#	%	#	%	#	%	#
Somerset East	17497	57.92	3358	11.11	9313	30.8257	30210
Cradock	22031	58.41	5055	13.40	10612	28.1339	37720
Middelburg	9046	38.05	3007	12.65	11698	49.2042	23774
Aberdeen	1479	16.76	705	7.99	6551	74.2572	8822
Graaff-Reinet	9695	23.56	5890	14.31	25522	62.0208	41151
Pearston	1670	34.55	161	3.33	3001	62.1188	4832
Jansenville	4505	40.80	996	9.02	5540	50.1766	11041
Steytlerville	851	14.62	962	16.52	4011	68.862	5825
Willowmore	435	3.36	857	6.62	11655	90.0221	12947

Total	67210	38.12	20990	11.90	87904	49.8539	176323
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Source WEFA

The regional population reflects a slightly larger female population accounted for by the higher life expectancy of women borne out by the age structure of the regional population in table three below.

Table 2 Regional Population by Sex

	#	%
Female	91163	51.70
Male	85160	48.30
Total	176323	

Source WEFA

The age structure of the region reflects a similar pattern between the sexes reflecting a predominantly youthful population accounting for just under two thirds of the total population. This trend is more pronounced among the black and coloured population categories reflecting higher levels of mobility among the white youth moving out of the region for educational and employment opportunities, reflected in table four below. Programmes which target the youth are clearly an important priority area within the region.

Table 3 Age structure of the Karoo regional population by race and gender

	Black	White	Coloured	Female	Male	Total
0-15	30.4	23.0	35.1	31.0	32.8	31.9
15-30	27.3	16.7	28.2	26.1	26.8	26.5
30-45	20.0	22.6	18.7	19.6	19.7	19.6
45-60	14.2	18.1	11.0	13.1	13.1	13.1
60+	8.1	19.6	7.0	10.2	7.6	8.9

Source WEFA

4.1.2 Education Levels

The region is clearly undereducated with extremely low levels of qualifications above matric. Those who have achieved qualifications higher than matric are almost all white with very few black and coloured members of the population having achieved any post-matric qualifications. A relatively undereducated region is clearly a factor, which will constrain regional LED initiatives in terms of local strategic capacity and points to the need for increased access to training and educational opportunities particularly for the black and coloured youth.

Table 4 Highest education level of persons 15+ by race

	Black male	black female	White male	white female	Coloured male	coloured female
	%	%	%	%	%	%
No schooling	13	15	0	0	11	11
Grade 0-2	7	7	1	0	12	8
Grade 3-6	27	26	1	1	25	28
Grade 7-9	30	30	13	12	30	30
Grade 10-11	12	14	17	23	10	12
Less than matric & certif/dip	1	0	5	4	2	2
Matric only	7	6	37	39	7	7
Matric & certificate	0	0	3	1	0	0
Matric & diploma	1	2	9	14	2	1
Matric & Bachelors degree	0	0	7	5	0	0
Matric & Bachelors & honours	0	0	0	0	0	0
Matric & Bachelors & diploma	0	0	0	0	0	0
Matric & Masters degree	0	0	0	0	0	0
Matric & Doctors degree	0	0	4	0	0	0
Matric & Other qual	1	0	2	1	0	0

Source WEFA

The data for functional literacy within the region presented in table five below serves to reinforce the discussion above and is again a stark reminder of the vast gap between coloured, black and white population sectors in terms of inequitable access to resources.

Table 5 Functional literacy: age 20+ completed grade 7 or higher

	Black	White	Coloured
National	48.2	99.3	42.1
Somerset East	45.7	99.3	41.4
Cradock	48.8	99.8	48.6
Middelburg	48.4	99.2	42.4
Aberdeen	56.2	100.0	29.7
Graaff-Reinet	53.9	99.4	43.9
Pearston	57.5	100.0	32.5
Jansenville	50.4	99.2	34.2
Steytlerville	59.6	100.0	28.5
Willowmore	57.6	100.0	45.1

Source WEFA

4.1.3 Poverty indicators

While poverty indicators provide measures of the extent of poverty in a particular context, such indicators say very little about how poverty is experienced and lived. This can only be gauged through an examination of current strategies through which poor people manage to maintain livelihoods in marginal situations despite being poor. By identifying the current strategies which people employ to sustain their livelihoods we are also simultaneously identifying the basis from which to begin assembling 'poverty alleviation' strategies. Such an

undertaking is however beyond the scope of this report. Undertaking poverty audits in each local area will be vital to assembling effective regional and local poverty alleviation strategies integrated into LED strategies and programmes. For present purposes however key poverty indicators are outlined to gauge the extent of poverty within the region.

The poverty indicators from the Department of Welfare suggest that areas that experience the highest levels of dependence on welfare payments are also those areas where the poverty gap is lowest. This is a clear reflection of the limited economic opportunities and activities in these areas. Steytlerville and Willowmore have the highest levels of welfare grant dependence (35% and 25% respectively). Pearston, Steytlerville, Aberdeen, Jansenville and Willowmore represent a core of towns in the region who not only have fairly high levels of welfare grant dependence but who also exhibit a general lack of economic opportunities witnessed by their low poverty gaps.

Table 6: Poverty Indicators for the Western Region 1998

District	%Beneficiaries of Pensions/grants	Poverty Gap (R'000)
Aberdeen	13.2	3,865
Graaf-Reinet	11.9	11,383
Jansenville	12.8	4,459
Pearston	11.8	2,346
Sommerset East	6.5	11,815
Willowmore	25.0	4,109
Steytlerville	35.0	2,596

Source: Department of Welfare 1998

Poverty data for the region broken down for racial categories confirms the apartheid legacy and the differential life chances cast in racial categories. The following broad trends are discernible (see table below):

- The stranglehold held by the white community on the regional economy is reflected in the low levels of poverty within this sector of the population. The poverty levels for the local coloured sector of the population is significantly higher than that for the white although slightly lower than that of the black sector of the population.
- Poverty levels for the black sector of the population are generally higher than the national average excepting in Graaf-Reinet and Aberdeen. A significantly higher level of the coloured population within the Karoo region suffers from poverty than is the norm nationally.

Table 7 Percentage of persons in poverty (1999)

	Black	White	Coloured
National average	58.31	2.79	19.68
Sommerset East	70.61	2.23	40.28
Cradock	69.65	5.32	36.22
Middelburg	65.73	1.99	31.82
Aberdeen	46.03		45.73
Graaff-Reinet	46.98	0.78	35.88

Pearston	68.04		42.81
Jansenville	84.23	7.22	44.84
Steytlerville			44.86
Willowmore			39.01

Source WEFA

4.1.4 Employment and Unemployment

The pattern for unemployment between racial categories and sex gives an indication of the challenges for employment creation within the region. While the white population represents the smallest regional population it reflects the lowest levels of unemployment. The local coloured sector of the population represents 44% of the unemployed within the region while this is so for 55% of the black population. Within the coloured and black categories women represent significantly higher levels of unemployment than men. This clearly reinforces the point that LED strategies should include targeted interventions aimed at women.

Table 8 Number of unemployed persons: 1999 (expanded definition) for region

		Total number	% of total
Black	Male	4564	23
	Female	6132	31
Total		10696	55
White	Male	174	1
	Female	196	1
Total		370	2
Coloured	Male	3697	19
	Female	4861	25
Total		8558	44
Total		19623	100

Source WEFA

The table below gives an indication of the breakdown of those who are economically active by sex and racial categories.

Table 9 1999 economically active population (expanded definition) for region

		Total number	% of total
Black	Male	11803	20
	Female	9832	17
Total		21635	37
White	Male	4950	8
	Female	3598	6
Total		8548	15
Coloured	Male	15829	27
	Female	12915	22
Total		28744	49

W.P. Book @ June 1, 2011

Total	58927	100
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Source WEFA

The way in which unemployment is structured within the region for particular areas is reflected in the table below. The unemployment rate for black women reflects by far the highest levels of unemployment across the region. While the gap in unemployment rates between white men and women reflects slightly lower levels of unemployment by white men, overall the levels of unemployment among the white sector of the population are far lower than any other population category. The gap between men and women in terms of the unemployment rate is higher for the black population category than that of the coloured or white. These realities of how inequality within the region is structured must inform the implementation of targeted LED and poverty alleviation strategies.

Table 10 Unemployment rate: 1999 (expanded definition)

District	Black			White			Coloured		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
National	38.54%	58.47%	47.76%	6.60%	6.85%	6.71%	17.28%	23.28%	20.02%
Somerset East	36.67%	69.80%	51.39%	7.36%	3.01%	5.50%	24.17%	37.59%	29.95%
Cradock	42.82%	59.90%	50.50%	1.73%	3.85%	2.62%	27.67%	44.71%	34.70%
Middelburg	35.02%	57.42%	47.15%	4.92%	8.02%	6.30%	20.71%	38.02%	28.85%
Aberdeen	46.05%	63.10%	53.92%	10.60%	43.44%	19.96%	22.63%	41.14%	30.43%
Graaff-Reinet	36.89%	54.37%	44.69%	1.66%	4.50%	2.99%	23.89%	35.95%	30.09%
Pearston	59.51%	77.90%	67.38%	0.00%	0.00%	0.00%	40.68%	42.85%	41.68%
Jansenville	28.84%	69.95%	46.06%	7.82%	0.00%	4.87%	17.14%	26.69%	21.06%
Steytlerville	36.77%	59.52%	45.51%	0.00%	0.00%	0.00%	26.02%	42.23%	31.55%
Willowmore	23.54%	0.00%	21.95%	0.00%	15.31%	4.68%	16.17%	31.77%	22.19%

Source WEFA

4.1.5 Household Income

The historical impact of Apartheid policies on the region is further evident from the differential household incomes between black, coloured and white households. The structure of household incomes reflects the differential incorporation into and benefit from the regional economy by black, white and coloured communities. Income in white households are far higher than coloured and black households with coloured household incomes significantly higher than the black households. Inter-regional inequalities are further evident with household incomes for Cradock, Middleburg, Graaf-Reinet and Somerset East being significantly higher than other districts in the region.

Table 11 No of households by income category: 1999

	Black		White		Coloured		Total	
	#	%	#	%	#	%	#	%
0	1140	3.28	4	0.02	103	0.29	1247	1.47
R2400-R12000	22385	64.40	1531	10.25	19186	53.24	43124	50.99
R18000-R30000	6312	18.16	2666	17.85	8851	24.56	17896	21.16
R42000-R72000	3193	9.19	4963	33.23	5780	16.04	13936	16.48

R96000+	1728	4.97	5773	38.65	2120	5.88	9621	11.38
Total	34758		14937		36039		84577	

Source WEFA

The overall distribution of income across racial categories finally just reinforces again the stranglehold held by the white population on the regional economy. While the white population represents just over one tenth of the regional population almost half of the regional personal income accrues to them.

Table 121999 annual total personal income (r million)

	Black	White	Coloured	Total
#	472	902	605	1980
%	23.8	45.6	30.6	

Source WEFA

4.2 Overview of Local Economies

The Midlands/Karoo region is in many ways underdeveloped. The region produces what it does not consume and consumes what it does not produce. The current regional economy is heavily dependent on state expenditure with the service sector accounting for the largest slice of the GGP for the region. Farming on the other hand, despite severe cutbacks in recent times, is still the most labour intensive sector providing one third of employment within the region. Farming is the core value-generating sector in the region, focussing particularly on the production of wool, mohair and meat (mainly mutton). These raw materials are exported from the region to be processed (and consumed) elsewhere. At the same time the Midlands/Karoo region offers a market (albeit a shrinking one) for the commodities produced in the industrial centre - Port Elizabeth. The proximity of the Midlands/Karoo hinterland to Port Elizabeth has meant that local businesses could never compete with the economies of scale of Port Elizabeth. Growth in the tourist sector in some areas such as Graaf-Reinet have however given some hope for the expansion of this sector and exploring its untapped potential will be an important feature of any regional LED initiative.

The extent of economic dependence and underdevelopment in the region is reflected in the limited economic linkages between the local economies in the Midlands/Karoo and any other region outside of Port Elizabeth/Uitenhage. The importance of Port Elizabeth (PE) to the local economies in the Midlands/Karoo cannot be underestimated. The historical relationship between PE and the farming hinterland could be seen as a classical example of the relationship between metropole and satellite with a chain of dependency flowing out from the rural farmlands to the city. Even the road infrastructure has been developed around access to PE with little thought having gone into local/regional linkages, thus supporting an economy that has historically focussed outward toward PE. The small business sector in many of the small towns in close proximity to PE (Steytlerville, Jansenville, Willowmore and Sommerset East) face stiff competition from lower prices in PE which offers additional constraints on the development of this sector within the region.

4.2.1 Sectoral Analysis

Sectoral contributions to GGP

The regional economy of the study area has not been very dynamic throughout its history. It emerged, and still largely remains, an economy based on the farming sector primarily involving small stock farming but also increasingly in terms of game farming coupled with tourist activities. Despite the importance of agriculture for the region however, the service sector accounts for the largest proportion of the regional GGP.

Looking at the GGP for the region between 1980 and 1994 it is clear that the historical economic base of agriculture is in decline within the region. Community services and Trade and Catering are the only sectors that have exhibiting increasing shares of total GGP for the period 1980-1994. This however seems to reflect more the recomposition of regional GGP due to the declining farming sector than real growth within these sectors.

Table 13: GGP per Sector as % of Total for Region

	1980	1991	1994
Agriculture, forestry and fishing	29.0	25.2	19.5
Mining and quarrying	0.0	0.0	0.1
Manufacturing	2.9	2.4	2.5
Electricity and water	1.4	1.3	1.5
Construction	2.8	3.7	3.4
Trade and catering	13.3	19.3	20.5
Transportation and communication	16.3	12.4	13.9
Finance and real estate	12.8	12.7	13.6
Community services	21.6	23.0	25.0

Source: DBSA 1999

The service sector, dominated by government services, particularly education (22% of regional GGP), health (11% of regional GGP) and public administration and defence (7% of regional GGP) accounts for the largest contribution to GGP for the region. Agriculture is the only other sector which contributes significantly to regional GGP (25% of regional GGP). This disproportionate reliance on the state to maintain current levels of sustainability within the region does not bode well for regional stability, particularly in terms of vulnerability to state expenditure cutbacks. That most small businesses in the region are mainly involved in distributing rather than creating value is obvious from the table below with a very small manufacturing sector accounting for just over one twentieth of regional GGP (6%). The implications are that LED strategies will have to identify new growth and value creating solutions to the regions current crisis of sustainability.

Table 14 GGP by economic sector: 1999 (r million)

	Rand (million)	%
Agriculture	474.64	25.0
Mining	11.40	0.6
Manufacturing	122.21	6.4

Electricity and water	9.89	0.5
Construction	55.40	2.9
Trade	156.21	8.2
Transport and comm	112.13	5.9
Finance	76.25	4.0
Comm services	837.65	44.2
Other business activities	40.03	2.1

Source: calculated from WEFA

The desperate realities of the regional economy presented above by the aggregated data mask some worrying disparities within the region suggesting that uneven development also characterises the relationship between local economies within the region. First of all the larger and more stable regional economies (Graaf-Reinet, Middelburg, Cradock and Sommerset East) are clearly more reliant on state service expenditures with about half of their GGPs accounted for by this sector. This tendency is likely to be more pronounced with the rationalisation of the state services sector, increasingly being concentrated in the more established local economies. This process has also been accompanied by the rationalisation of private sector services such as banking and other businesses, also increasingly being concentrated in larger more viable areas. This can be seen in terms of the structure of the more marginal local economies. The smaller and more vulnerable local economies (Jansenville, Steytlerville, Pearston, Aberdeen and Willowmore) are structurally dependent on the farming sector with around 50% and more of their GGP's accounted for by this sector. It thus seems plausible that the municipal demarcation process will facilitate more equitable access to the benefits of state expenditure for areas such as Pearston and Aberdeen incorporated into Sommerset East and Graaf-Reinet respectively. This is by no means guaranteed however and will depend on the extent to which local and regional development strategies address uneven development and ensure that resources and opportunities are equitably distributed within the region.

The manufacturing that does take place within the region is generally concentrated in more established local economies. Given the scale of local economies it should also be borne in mind that in areas where manufacturing does take place it often represents only one or two establishments. In Somersset East and Willowmore for example a tyre manufacturer and sawmill constitute virtually the whole manufacturing sectors respectively. The figure for the manufacturing sector in Jansenville seems to be incorrect as there is no major manufacturing establishment within the local economy. Given that the service sector represents mainly government expenditures we are left with farming and a small manufacturing sector to create value within the region.

Although tourism has been identified as a significant potential growth sector within the region a cursory examination of GGP would suggest that up until 1999 those sectors associated with the tourism industry exhibit relatively little to pin hopes on. This would support the need for more focussed regionally co-ordinated interventions to promote this sector as the market on its own has obviously not even begun to achieve this. GGP for hotels and restaurants represents less than 2% of GGP for the region and if government expenditure is taken away from the service sector very little remains to suggest that tourism has in any way generated significant growth within the region. A significant proportion of GGP associated with tourism may be 'hidden' within the GGP figures for agriculture as farming

practices have increasingly become more complex often including tourist related activities. A more in depth evaluation of the current contribution of tourism to the regional economy would thus be necessary and would in addition contribute to identifying those areas of potential within this sector.

One sector with potential for reducing leakages out of the local economies is within the construction sector. From GGP data alone it is clear that the smaller economies have very marginal construction sectors despite significant investments in housing, bulk services and other infrastructure projects. An examination of infrastructure projects discussed elsewhere in this report would suggest that in many instances opportunities to harness the economic spin-offs from such projects have been missed. This points to the need for increased small business and tender advice, streamlining regional procurement policies as well as promoting training opportunities within the region to ensure that leakages are minimised.

Table 15 GGP by economic sector by area: 1999 (r million)

Sector	Somerset East		Cradock		Middelburg		Aberdeen		Graaff-Reinet		Pearston		Jansenville		Steytlerville		Willowmore		Total	
	#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%
Agriculture	69.8	22.3	93.4	23.4	40.8	15.9	60.2	52.3	52.5	11.4	23.8	54.1	46.5	41.7	22.7	30.3	65.0	54.7	474.6	25.0
Mining	0.0	0.0	0.0	0.0	11.4	4.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	11.4	0.6
Manufacturing	26.1	8.3	12.1	3.0	23.7	9.2	4.2	3.6	26.1	5.6	0.5	1.2	26.1	23.4	1.1	1.4	2.4	2.0	122.2	6.4
Electricity and water	3.3	1.1	0.0	0.0	0.0	0.0	0.0	0.0	6.5	1.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	9.9	0.5
Construction	3.7	1.2	21.1	5.3	12.2	4.8	1.3	1.1	14.7	3.2	0.3	0.6	0.7	0.6	1.1	1.4	0.5	0.4	55.4	2.9
Trade	29.3	9.3	28.5	7.1	15.2	5.9	8.8	7.6	58.6	12.7	0.8	1.8	5.9	5.3	1.5	2.0	7.6	6.4	156.2	8.2
Transport and comm	10.2	3.3	22.1	5.5	17.3	6.8	22.3	19.4	18.8	4.1	10.8	24.6	4.3	3.8	1.9	2.5	4.4	3.7	112.1	5.9
Finance	20.2	6.5	14.8	3.7	7.0	2.7	0.0	0.0	44.5	9.6	0.0	0.0	0.9	0.8	2.7	3.7	0.0	0.0	90.2	4.8
Comm services	149.4	47.6	184.8	46.3	128.3	50.1	18.4	16.0	225.0	48.6	7.9	17.9	27.0	24.2	43.8	58.6	39.0	32.8	823.7	43.4
Other business	1.5	0.5	22.8	5.7	0.0	0.0	0.0	0.0	15.7	3.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	40.0	2.1
	313.6		399.6		255.9		115.1		462.6		43.9		111.4		74.8		118.9		1895.8	

Source: calculated from WEFA

Agriculture

Historically the region's economy has been based on agriculture particularly small stock farming involving mainly Angora (Mohair) and sheep (wool and mutton). This traditional economic base has increasingly been eroded with the changing fortunes of the international demand for (and prices of) wool. The relatively fluctuating fortunes of the farming sector together with the sensitive natural environment have had the following broad effects on farming in the region:

- The size of economically viable farming units has increased substantially
- Very few farmers concentrate only on one commodity such as only mohair, but have increasingly adopted more complex farming strategies, where a combination of sheep and goats might be farmed complemented with game farming.
- The growing tendency to game-farming, particularly for hunting and game viewing.

These changes in farming practices seem to have had relatively little affect on the labour processes in the agricultural sector. The unitarist/paternalistic framework of labour relations is still by and large the rule rather than the exception.

There are a number of additional comments that can be made about the farming sector:

- There are indications that in the early and mid 1990's drought alone was not responsible for the 'shedding' of farm labour but rather more the threat of looming legislation such as ESTA (Extension of Security of Tenure Act.). Indeed some farmers have reported that the new Labour Act has also contributed to unemployment of labour.
- In terms of return on investment farming in the Midlands/Karoo indeed seems in many cases to be more of a lifestyle than a lucrative business. By and large farmers from within the region have complained that inputs have become increasingly expensive while the international prices for agricultural commodities have stagnated or declined implying that farmers are increasingly running at a loss.
- The agricultural sector of Cradock, Middelburg and Somerset East is more diverse than the rest of the region. This is due to the Orange River water scheme which ensures a perennial supply of water to these areas along the Fish river. As a result there is an established farming sector built around the irrigation potential along the banks of the Fish River with particularly fruit, lucerne and maize being grown. It is here that the greatest potential for promoting newcomers to the farming sector could be explored in terms of a land reform programme in conjunction with larger-scale investments such as the sugar beet initiative. In other areas the fluctuating fortunes of the farming sector and the low carrying capacity of land present more formidable obstacles to promoting an emerging farmers sector.

Transport

Even the trend in the relatively small public transport sector reflects the metropole-satellite relationship between the Midlands/Karoo region and Port Elizabeth. The local and inter regional transportation market is insignificant with most of the taxis for example focussing on longer distances to Cape Town, George and Port Elizabeth. Port Elizabeth is the most popular long distance destination. The trends in the transport sector suggest that there is still significant labour migration to the urban centres.

Regional economy

The local and regional economies in the Midlands/Karoo region are characterised by a general absence of linkages. While some linkages with Port Elizabeth exist, there are few, local or intra regional linkages. Within the agricultural sector the obvious linkages include the mohair and wool marketing, beneficiation and exporting sector in Uitenhage/Port Elizabeth. Very few local linkages have been established with the exception of some small-scale mohair projects in Graaf Reinet and Middelburg. There is currently no significant example of local beneficiation. This desperately requires attention both in terms of establishing the technical feasibility of promoting such linkages within the region as well as resuscitating the initiative by Ecsecc to set up demo projects around wool/mohair beneficiation.

4.2.2 Labour markets

Labour demand in the Midlands/Karoo region seems to be structured around the following core labour markets: farm/agricultural (including seasonal labour); labour markets of the urban centres including the informal sector; migration and temporary labour markets around housing and infrastructure projects.

Farm/agricultural

Employment in the farming sector is in crisis. A number of factors have contributed to the alarming decline in employment within this sector including the following:

- A general decline in the local farming sector,
- The effects of drought,
- Legislative changes,
- The conversion of land use from stock farming to the less labour intensive game farming
- Increasing size of viable productive farm units

It is clear from discussions with a number of farmers in the region that many farmers have shed labour in response to the new labour act, which now covers farm workers. In addition, farmers also seem to have cut down on their labour forces in anticipation of the extension of security of tenure act (ESTA). More recently land speculation around game farming through which many farms have been bought up and merged into larger game farms have also had consequences for the redundancy of some farm workers. The consequence has been that a larger pool of unemployed workers competes for already scarce resources in the urban centres. The table below provides an idea of the extent to which employment in agriculture has declined.

Table 16: Agricultural Employment

	1980	1991	1994	% Growth
Aberdeen	778	185	128	(83.49)
Cradock	2,053	1,798	1,213	(40.94)
Graaff-Reinet	1,349	1,051	691	(48.74)
Jansenville	954	617	434	(54.49)
Middelburg	1,087	952	634	(41.67)
Pearston	513	390	271	(47.20)
Somerset East	1,870	1,793	1,243	(33.53)
Steytlerville	591	408	287	(51.43)
Willowmore	836	668	466	(44.22)
Total	10,030	7,861	5,367	(46.49)

Source: DBSA 1998

Labour markets of the urban centres

There are very few stable employment opportunities in the region. Jobs that do exist are either government related or based in the few businesses found in the urban centre. Very few stable jobs in manufacturing exist with a majority of employment based in wholesale and retail businesses. Many of these employment opportunities are low paid, offer little security and very little potential for mobility.

The table below which indicates the regional employment, GGP and labour remuneration by sector illustrate some fundamental issues concerning the region. Clearly the services sector is the largest contributor to the regional GGP (43% of regional GGP) and accounts for by far the largest proportion of labour remuneration within the region (57% of labour remuneration). Yet farming contributes almost 50% less than the services sector in terms of regional GGP (25% of GGP) but results in more net employment within the region (34% of regional employment). Despite higher levels of labour intensity however, the farming sector offers the least rewarding employment options (14% of labour remuneration for the region).

Table 17 Employment, GGP and Labour remuneration by sector (1999)

	Employment		GGP (million)		Labour remuneration	
	#	%	Rand	% of total	R 1000	% of total
Agric	9760	33.9	474.6	25.0	157,754	14.3
Mining	238	0.8	11.4	0.6	7,412	0.7
Manu	1354	4.7	122.2	6.4	67,766	6.1
Elec	51	0.2	9.9	0.5	3,629	0.3
Const	949	3.3	55.4	2.9	35,155	3.2
Trade	1847	6.4	156.2	8.2	93,918	8.5
Trans	569	2.0	112.1	5.9	56,265	5.1
Finance	949	3.3	90.2	4.8	48,466	4.4
Comm serv	8284	28.7	823.7	43.4	632,506	57.4
Households	4823	16.7	40	2.1		

Source: calculated from WEFA

If informal sector employment reflects local micro, survivalist and very small business activities then the wholesale/trading sector clearly currently offers most opportunity within the region accounting for 40% and more of informal sector employment. In fact trade represents more employment opportunities than all the other sectors put together. The higher levels of employment in trading activities within the more marginal economies of Aberdeen, Pearston, Steytlerville, Willowmore and Jansenville are an indication of the virtual absence of any other opportunities within these areas. Local trading within these marginal areas is also dependent on welfare grant payments which make up a sizeable proportion of demand within these local areas. The higher levels of employment within the trading sector is also a reflection of a regional economy structured around wealth distributing rather than generating activities. This was something which emerged in the SMME survey of the region discussed elsewhere in this report and suggests that current small businesses are unlikely to be a vehicle for kick-starting regional LED but would rather be beneficiaries of investments made in value generating sectors of the economy.

Table 18 1999 informal sector employment

District	Man		Con		Trade		Trans/com		Fin		Com serv		Total #
	#	%	#	%	#	%	#	%	#	%	#	%	
Region	724	14.39	635	12.62	2775	55.14	260	5.17	57	1.12	582	11.56	5033
Somerset East	164	26.96	44	7.24	300	49.30	71	11.58	5	0.76	25	4.16	609
Cradock	58	6.56	123	13.94	421	47.68	66	7.43	29	3.32	186	21.07	884
Middelburg	198	31.26	138	21.81	270	42.73	18	2.79	9	1.42	0	0.00	633
Aberdeen	55	12.02	23	4.99	355	77.03	0	0.00	0	0.00	27	5.96	460
Graaff-Reinet	166	10.36	184	11.49	873	54.38	91	5.65	14	0.85	277	17.27	1605

Pearston	10	10.81	10	10.74	75	78.44	0	0.00	0	0.00	0	0.00	95
Jansenville	18	10.40	37	21.72	100	58.72	16	9.16	0	0.00	0	0.00	171
Steytlerville	10	12.13	21	25.12	52	62.75	0	0.00	0	0.00	0	0.00	83
Willowmore	44	9.01	54	10.98	328	66.62	0	0.00	0	0.00	66	13.30	492

Source: calculated from WEFA

Migrant labour – distant labour markets

Information on labour migration within the Midlands/Karoo region is currently insufficient and incomplete to be able to identify conclusive trends in this regard. There are however indications that remittances from labour migration continue to be important components of local household livelihood strategies. Port Elizabeth, George and Cape Town seem to be the main destination of migrant workers from the region.

Very little can be said about the types of employment which migrant workers engage in. There are indications of labour recruitment taking place in areas such as Pearston, Jansenville and Somerset East where Cape Town based 'labour mongers' are recruiting labour locally and then transporting them to Cape Town where they find themselves in often harsh and authoritarian working environments. The 'cheap and docile' labour force which is recruited in the Midlands/Karoo region are often employed in informal sector activities such as street hawking or employed by shopkeepers and other small business people. Such practices need to be more closely monitored and regulated by local government to ensure that the exploitation of local desperation is minimised.

Temporary labour markets around housing and infrastructure projects

A number of stop-start or temporary labour markets relating to infrastructure projects have emerged in the region and which provide periodic employment – often manual, unskilled or semi-skilled labour. This idea of the stop-start labour market has to some extent become institutionalised in smaller towns such as Pearston around periodic infrastructure projects. This is reflected for example in the hire purchase agreements of the local businesses structured around the four to six month period of infrastructure projects.

4.2.3 Regional SMME Survey

Introduction

What follows are some of the more general conclusions drawn from a survey conducted within the region. A full discussion of survey results can be found in the appendix. The small business sector within the areas surveyed is generally dominated by a small group of white business people. Through their strategic location within the CBD (often owning the CBD), they inevitably control the local small business sector. There is very little evidence of any emerging businesses making any inroads into the 'established business sector'. There are a number of chambers of commerce (Sakekamers) in the region namely in Cradock, Middelburg, Somerset East and Willowmore that are inevitably local forums for established

businesses representing the small white business sector. As such they are often perceived as gatekeepers of opportunity within the local SMME sector.

SMMEs Potential for LED

Very few businesses in the Karoo are actively involved in the process of creating value. In most cases their economic base is the grants and pensions, or wages from government employees, local government or a few productive local manufacturers. It is ironic that SMME operators are waiting for or looking to economic development as a source for their business expansions. This questions the role of existing SMMEs in the Midlands/Karoo region in terms of LED. With the exception of one or two larger manufacturing enterprises there were very few small businesses that are potential role players in promoting LED. The sad truth is that most of the existing small businesses that operate in the region would be beneficiaries of LED rather than core contributors to LED. Most of the small businesses are survivalist or micro enterprises and thus possess very little capital for investment. Ironically the most important service required for SMME development is the creation of SMME opportunities- the need to create markets.

The following issues are some of the most important facing SMMEs in the study:

- Restricted/limited and saturated markets
- Typical 'township' small businesses (survivalist enterprises) are generally faced by supply problems
- Lack of regulation - street traders competing with formal businesses
- Lack of support from local residents (people do not buy locally)
- Monopoly control by few wholesalers
- Lack of simple and well structured SMME support system - one stop shop.
- Lack of a small business lobby that could for example address the lack of affirmative procurement policy adoption at local government level. This is a problem at the national, provincial, regional and local level.
- SMME sector is generally uninspired. The owner of a guest house in Steytlerville for example expressed frustration at having to "continually stay ahead of the other businesses, always bring something new because it is not long and others are doing exactly the same thing that you are doing" (Interview).

Survey Data

The sample for the survey was determined independently for each sample site. The following factors guided the sampling process:

- Contribution to the local economy
- Representivity of local economic sectors
- Geographical representation within the locale (township, CBD and other business nodes were identified).

Table 19: Sample by Sector

Sector	No	%
Manufacturing	10	22.7
Retail and motor trade and repair services	7	15.9
Wholesale trade, commercial agents and allied services	4	9.1
Catering accommodation and other trade	6	13.6
Transport, Storage and communications	5	11.4
Finance and business services	1	2.3
Community social and personal services	10	22.7
Agriculture	1	2.3

Assessment

Only 1% of the sample population relies entirely on SMME opportunity for household income. Thus engagement in SMME activity would appear to be just one avenue among multiple livelihood strategies. Those that do, acknowledge that, their client base resort to government grants and pensions to sustain their purchasing power. To small businesses, the alternatives available are predominantly located in spheres outside their field of accessibility or entrepreneurial expertise.

SMMEs surveyed are more likely than not, to employ immediate family members. Their potential to contribute to job creation wider than this is most probably going to be in the area of manual labour. Issues of low remuneration and fragile job security result.

The implications for LED strategies should not discount the clear tendency in the research area for small business to extract the maximum mileage out of an already very restricted asset base. That so few interviewees even recognise the potential for importing a market, as tourism would, indicates the extent of impoverishment.

That so little SMME activity is dedicated to manufacturing or processing of raw materials, likewise contributes to the sectors relatively marginal status, even when compared to the small and micro nature of established white business concerns.

Whereas in other areas of the province and indeed the country, policy encourages the establishment of co-operatives, in the Midlands/Karoo sample of this research effort, little evidence was discovered of any significant potential for going to scale.

The one type of new SMME intervention, micro-lending, identified among more general observation of the locations visited, is open to unscrupulous business practices. The 'skopper' phenomenon is indeed alarming.

Challenges for the SMME sector in the region, therefore, include the following:

- Extending currently narrow focus (diversity) of SMMEs
- SMME support - financial and non financial support (regional/local support infrastructure)
- Promotion of market accessibility external to the region
- Promoting value creating as opposed to value distributing SMMEs

- Promoting regional SMME interest groups (chambers etc)
- Dealing with 'skoppers' (informal credit which skims value from welfare incomes)
- Local/provincial etc procurement policies sourcing locally
- Community based businesses (around eco-tourism needs to be explored)

4.3 Resource endowments:

4.3.1 Infrastructure

The Midlands/Karoo region, despite high levels of poverty, has a fairly sophisticated service infrastructure (particularly in relation to the rest of the province). This is not to say however that there are no backlogs and that fundamental upgrading of current infrastructure is not necessary to make it more accessible and in line with the basic service needs of the local communities. The most pressing challenge in the region is to ensure that the service infrastructure and upgraded levels of service provision are sustainable. While there has been a significant extension of the basic levels of services available to local communities they are in many instances not in a position to become regular consumers of services. The current economic opportunities, particularly within the private sector are not able to sustain service consumption either at current levels or at increased levels. Unless there is therefore major state subsidisation, levels of service provision in the region are not sustainable.

The table below suggests that the Western region experiences the least backlog in the Eastern Cape as far as water and sanitation are concerned. Only 10.6% of resident in the Western Region have insufficient access to basic levels of water and 14.7% fall under minimum levels as far as sanitation services are concerned. Although these figure include the PE area and the realities in the hinterland would reflect slightly higher levels than the average presented here the levels of access to water and sanitation would not be significantly lower than those for the region as a whole.

If these figures are compared with other regions in the province then the question emerges as to whether the region is a priority in terms of infrastructure investments, particularly in terms of ensuring basic levels of service provision?

Table 20: Backlog in Terms of Basic Services by District Council Area

	Water	Sanitation
Amatola	51.3	68.9
Drakensberg	81.6	91.9
Kei	83.1	96.7
Stormberg	80.4	92.6
Western Region	10.6	14.7
Wild Coast	81.9	99.6

Source: East Cape Online 1998

The table below would suggest that the urban residents are generally much better off than their rural counterparts. This database is however based on 1993 statistics. In the five years since then a number of infrastructural programmes in the region have substantially improved the lot of the local populations, particularly in the urban townships. This is not to suggest though that there are not substantial backlogs and an intense infrastructure upgrading of the area is clearly required. One of the most pressing challenges here is to address the disparity in infrastructure and service levels between local communities in the region as well as between urban and rural contexts.

The urban-rural inequalities in the region present a more difficult challenge in terms of addressing backlogs and equalisation of services. This is primarily because most of the rural areas in the study area are made up of private commercial farmland. The Western District Council, amongst others, currently have a policy that no infrastructure development can take place on private land. The majority of the rural populations in the region, who reside on privately owned farms, thus cannot access infrastructure and service development funds. In addition, the TRCs, who are responsible for local government in the rural areas, are currently not legislatively mandated to generate income and are thus restricted by very limited budget allocations. This would to some extent be overcome by the demarcation process ensuring that the former TRC areas gain access to resources.

Table 21: Eastern Cape Housing and Infrastructure (per district): 1993

Magisterial District	Area	% House Electric	% Water house	% Water Onsite	% Comm tap	% H2O Other	% Full Waterborne	% Septic tank	% Bucket	% Other
Aberdeen	Rural	14.4	4.7	34.3	31.3	29.6	0.0	38.1	0.0	61.9
	Urbn	62.3	71.2	14.3	7.9	6.6	83.9	0.0	2.6	13.5
	Total	46.0	48.7	21.1	15.9	14.4	55.4	13.0	1.7	29.9
Cradock	Rural	13.3	3.9	25.4	33.2	37.5	0.0	26.6	0.0	73.4
	Urbn	24.2	62.2	10.7	21.3	5.7	71.9	0.0	5.1	23.0
	Total	20.8	44.0	15.3	25.1	15.7	49.4	8.3	3.5	38.8
Graaff-Reinet	Rural	14.0	4.1	29.5	33.0	33.4	0.0	31.7	0.0	68.3
	Urbn	68.4	81.4	6.9	9.2	2.5	87.1	0.0	3.0	10.0
	Total	58.5	67.4	11.0	13.5	8.1	71.3	5.7	2.4	20.5
Jansenville	Rural	13.5	4.2	29.6	31.8	34.4	0.0	31.8	0.0	68.2
	Urbn	23.9	65.4	8.5	20.6	5.5	70.4	0.0	7.3	22.3
	Total	20.1	43.4	16.1	24.6	15.8	45.0	11.5	4.7	38.8
Middelburg (Cape)	Rural	20.4	7.8	24.2	31.9	36.0	0.0	29.4	0.0	70.6
	Urbn	77.2	74.1	5.8	15.8	4.2	78.3	0.0	4.7	17.0
	Total	61.3	55.6	10.9	20.3	13.1	56.5	8.2	3.4	31.9
Pearston	Rural	13.0	6.4	32.9	30.5	30.2	0.0	38.1	0.0	61.9
	Urbn	61.1	82.0	0.5	13.7	3.8	78.6	0.0	6.7	14.7
	Total	44.5	56.1	11.6	19.4	12.9	51.6	13.1	4.4	31.0
Somerset East	Rural	12.8	3.8	28.1	33.1	35.0	0.0	29.8	0.0	70.2
	Urbn	33.1	63.2	10.9	21.5	4.4	73.0	0.0	4.4	22.6
	Total	25.7	41.6	17.1	25.8	15.6	46.4	10.9	2.8	40.0
Steytlerville	Rural	15.4	6.7	31.0	30.1	32.1	0.0	35.8	0.0	64.2
	Urbn	59.1	75.1	4.8	11.0	9.1	75.6	0.0	5.9	18.6
	Total	40.4	46.0	16.0	19.1	18.9	43.3	15.3	3.4	38.0

Source: Calculated from DBSA based on Nelf database in conjunction with ESKOM

The table below gives an indication of the current levels of service infrastructure in the study region. It is clear that the black townships are generally still lagging considerably behind when it comes to service provision. The most marginal communities, particularly the shack settlements, clearly continue to find themselves in situations of neglect with very low levels of service provision and infrastructure on the whole.

Table 22: Selected Infrastructure Indicators for the Midlands/Karoo as at 1997

		Water	Sanitation	Electricity	Clinics	Sport Fields
Middelburg	Kwanonzame	Metered	Waterborne	Ready board	2	1
	Lusaka	Communal standpipes	Buckets	None	0	0
	Middelburg	Metered	Waterborne	Full	2	1
	Midros	Metered	Waterborne	Ready board	1	1
Jansenville	Holland/Mauritius	Metered		Ready board	0	1
	Jansenville	Metered	Septic tanks	Full	1	0
	Kwazamukucinga	Metered	Buckets	Ready board	1	1
Graaf-Reinet	Anderdorp	Metered	Septic tanks	Full	0	0
	Kroonvale	Metered	Water/buckets	Full/ready board	2	14
	Town	Metered	Waterborne	Full	1	13
	Umasizakhe	Metered	Water/buckets	Ready board	1	2
Aberdeen	Lotusville	Metered	Water	Ready board	1	1
	Thembalesizwe	Metered	Water	Ready board	1	1
	Town	Metered	Water	Full	2	1
Cradock	Squater Camp	None	None	None	0	0
	Lingelihle	Standpipe/individual	Buckets/water	Ready board	-	-
	Michausdal	Metered	Waterborne	Ready board/Full	-	-
	Town	Metered	Waterborne	Full	-	-
Pearston	Khanyiso	Individual	Buckets	None	1	0
	Nelsig	Individual	Buckets		0	1
	Town	Metered	Water	Full	1	0
Steytlerville	Golden Valley	Metered	Buckets	Full	1	1
	Town	Metered	Septic tanks	Full	0	1
	Vuyolwethu	Metered	Buckets	Full	1	1

Source: Department of Housing and Local Government, Infrastructure assessment (1997).

Electricity

There has clearly been an extension of electricity within the region (see Table 13). In all areas, excepting Aberdeen, there has been a fairly significant increase in electricity consumption between 1992-1996. The extension of access to electricity has undoubtedly had a positive impact on the quality of life of previously marginalised communities in the region. However, the extension of electricity does not seem to have been accompanied by the creation of any significant economic opportunities in the region. In addition it remains to be seen whether the levels of electricity consumption are sustainable.

Table 23: Electricity Consumption

	1992/93	1995/96	% Increase
Middelburg	3157643	5562489	76.2
Graaf-Reinet	3619165	4366119	20.6
Aberdeen	579638	472580	-18.5
Cradock	23977105	25819332	7.7
Pearston	1180303	1227064	4.0
Steytlerville	413000	496300	20.2
Sommerset East	1461880	1689207	15.6

Source: Department of Housing and Local Government, Infrastructure assessment (1997).

Housing Projects

RDP housing projects are being conducted to varying degrees of success in the TLC areas of the Midlands/Karoo region. In some cases local councils have sufficient capacity to take on the role of developer. In many of the smaller TLCs however developers from outside the area are being commissioned to oversee the development of housing projects. This has been due to lack of local capacity and experience in the managing of infrastructure programmes. As part of their developmental role TLCs need to become effective developers and implementers of projects. It is due to this lack of capacity that the potential developmental impact of particular housing projects has in many instances been missed, and much of the capital has flown out of the local economy.

While the housing projects have had an impact on the vulnerability of the local poor by extending their asset base the housing projects have not as a rule had a broader impact in terms of skills development, job creation and SMME development. This is partly due to the lack of experience and capacity of TLCs referred to above to ensure that benefits are taken advantage of locally.

Table 24: Housing Projects (Excludes Cradock and Middelburg)

Town	Developer	Units	Units complete	Subsidy amount
Aberdeen (Lotusville and Thembakiszwe)	Aberdeen project committee	600	229	9675000
Aberdeen (Lotusville)	Aberdeen project committee	52		780000
Klipplaat	Klipplaat TLC	418	150	7210500
Sommerset East (Housing phase II)	Sommerset East TLC	1004		15060000
Sommerset East (kwanjoli)	Sommerset East TLC	140	130	2415000
Cookhouse (Bhongweni)	Cookhouse TLC and SANCO	360	360	6255750
Cookhouse (Bhongweni phase II)	Cookhouse TLC and SANCO	313		5399250
Graaf-Reinet (koebergville)	GR TLC	237	237	3555000
Graaf-Reinet (Tjoksville)	GR TLC	124	85	2127500
Graaf-Reinet (Umasizakhe)	GR TLC	91	78	1569750
Pearston (Nelsig, Khanyiso and Central Pearston)	Pearston TLC	176	38	2651150

Steytlerville (Vuyolwethu)	Karoo developers	292		4810185
Willowmore	Willowmore TLC	460	15	7502550
Jansenville (phase II)	Jansenville TLC	185		3191250

4.3.2 Water

Water security is clearly one of the major constraints confronting the Midlands/Karoo region. Most of the towns, as well as the farming sector are dependent on ground water. The exceptions include Cradock and Sommerset East who have an abundance of water due to the Orange/Fish river scheme. Access to water is not only essential to ensuring the sustainability of human settlements in terms of household water needs, but also significantly limits the choices for economic development within the region. Increasing water security (even slight improvements) in the more water vulnerable areas (Jansenville, Steytlerville, Graaf-Reinet and Middelburg) is likely to substantially increase the choices for local poverty alleviation programmes in terms of small-scale urban agriculture. Industrial development options are severely constrained by an absence of water. Development options such as leather processing and wool washing have for years been identified as having significant potential in the region but have been constrained in terms of the limited availability of water.

The local water supply, in terms of local rivers, dams and groundwater is inadequate to meet local demand. This was already identified in the 1960's when local water supply tapped into the Orange River scheme to ensure regional water security. The extension of groundwater sources of water supply is constrained by the salinity and generally low quality of water in the region as well as the as yet lack of certain knowledge on the extent of the underground water resource.

An integrated water resource management programme which would bring a host of stakeholders on board is clearly of strategic importance for the region. Such an idea needs to be developed and co-ordinated by the District Councils who are already involved in water management and within the Western Region have become project implementing agents for DWAF.

4.4 Assessment

An overview of the regional and local economies of the study area indicates that the Midlands/Karoo is in crisis. Resource endowments by way of infrastructure, electricity, water and housing projects do not seem capable of significantly contributing to job creation. The stimulation of SMME activity has also not materialised to any marked degree by investments in the above. The industrial and economic profile examined here likewise, reflects a context for LED that offers limited potential.

Based on the evidence relating to the current levels of infrastructure and service provision it does not seem possible that further infrastructural programmes in the Midlands/Karoo region,

particularly around housing and service upgrading are going to solve the unemployment or wealth creation crisis in the region. This is not to say however that a major, regional bulk water programme would not have a beneficial impact. Clearly increasing the water security in the region and opening up opportunities for secondary industry and irrigation (and thus farming) would actually provide the economic solution that the region needs. In this instance the short-term multipliers associated with the infrastructure development would provide a productive asset which would increase the economic sustainability of the region. However, the levels of investment required to increase water security in the region are currently prohibitive. The feasibility of such investments needs to be explored further while in the interim current water resource management strategies need to be enhanced where they exist.

Arguments relating to the multipliers created by electricity and other infrastructure development (such as construction) do not seem to apply in the Midlands Karoo region. In the first place the local economies of scale will not support an extended construction sector. SMME opportunities being increased around the extension of electricity do not hold. While it has been estimated that every nine electricity extensions would create one SMME opportunity one need look no further than Steytlerville to see that the local market cannot support any more small businesses. There has been a 20% increase in the consumption of local electricity in Steytlerville between 1992-96. This has been due to the full connection of all local communities to electricity, yet SMMEs in the town have actually been on a downward spiral. This pattern holds for all the areas in the Midlands/Karoo where there has been a substantial increase in the local electricity connections. It would seem that arguments for infrastructure programmes (such as housing or electricity) creating economic opportunities are premised on the assumption that there is already a substantial and stable local economy. Extended access to infrastructure might promote the freeing of household labour for other activities. However, without access to any productive resources or local economies of sufficient scale to sustain larger markets the options are extremely limited.

While infrastructure projects may promote job creation at the local level the current nature of infrastructure programmes and how they are being conducted does not lead to stable employment or skills dissemination:

- CMIP and other infrastructure projects are often highly specialised and generally require technically skilled engineers who often cannot be sourced locally. In addition they often employ their own skilled and semi-skilled workers
- Work which is done locally is generally menial, unskilled labour which does not require training. Thus even linking training to these low skilled jobs does not ensure a meaningful process of skills dissemination. In some cases however there is some skills flow to local communities. Labour is generally of short duration (depending on the infrastructure project) and therefore the income also dries up once the project dries up, leaving few other opportunities for employing even the few skills that are transferred.
- The opportunities generated by infrastructure programmes are all of a relatively short duration and leave very little in terms of long term employment creation. In many cases the occupants of RDP houses are within the low-income sectors of the local community and are thus at greatest risk in terms of the sustainable consumption of extended service provision.

5. Overview of Local Economic Development (LED) Role Players

All potential LED role players in the region are either plagued by lack of co-ordination (National, Provincial and Local Government); lacking in institutional capacity (Civil Society, Local Government and emerging farming and business sector); antagonistic to redistribution (Formal Business and the farming sector) or have practically no effective presence in the region (DFIs). The overall implications for the stimulation of LED in the Midlands/Karoo are consequently extremely constrained if left to market forces alone. Clearly focussed and targeted interventions will be necessary to ensure that the regional economy is more responsive to the needs for redistribution as well as facilitating sorely needed investments in wealth creation.

5.1 National, Provincial, Local and District Government

This study reveals instances where national and provincial government department's intervention strategies in the same areas are contradictory, inadequately co-ordinated and where little local communication takes place around the initiatives of particular departments. A case in point is the Baviaanskloof area. The DLA and DEAEAT are engaged in essentially opposing LED processes in the area - land reform around agriculture and promotion of tourism. Co-ordination is lacking not only between departments but also within departments. Integrated development will require the promotion of institutional arrangements whereby these processes become streamlined. The identification of the District Council as a regional site for information collation, development co-ordination and strategic planning will go a long way towards realising such a goal. This will be facilitated by its development mandate through which the DC can then demand greater levels of accountability by other government departments and agencies, in addition to streamlining and focussing targeted interventions.

5.1.1 National Government Role-players.

The most significant national government departments operating in the region include the departments of Land Affairs, Public Works and Labour. But even here these departments cannot be held up as facilitating local LED strategies of any significance. Generally their regional programmes seem to be fairly isolated and uncoordinated within the region. There is clearly a need for regional co-ordination and targeting limited resource investments within the region by government departments. Departments like Public Works also do not seem to have effective monitoring and evaluation systems in place, something which would be crucial if only for assessing the impact and potential of public works programmes within the region. Where local reports of Public Works projects were received the picture that emerged was of fairly ineffectual intervention often contributing little more than a few short term, low paying and unskilled jobs.

National government departments should be sensitive to the interests of developmental local government. In particular this means that programmes of national government should be subjected to provincial, regional and local government co-ordination. If national government programmes (particularly where they have implications for regional development) are to operate autonomous of local and regional structures without being subject to any co-

ordinating jurisdiction then the notion of developmental local government or regional development is hollow.

5.1.2 Provincial Government Role-players

The provincial Departments of HLG and DEAEAT are important role players in regional development planning. The DoHLG is responsible for local IDP/LDO planning processes. The DEAEAT on the other hand has allocated funds for LED strategy development within each local area. Their role thus far in terms of these processes has been fairly removed, setting up IDP/LDO processes facilitating some funding and then withdrawing. In most instances their participation is restricted to the level of helping to set up local IDP/LDO committees and helping them identify consultants who are then responsible for collecting information, collating the information and drawing up the documents.

This is resulting in particularly Port Elizabeth based consultants being contracted to facilitate the IDP/LDO requirements. They make a few visits to the areas concerned, draw up documents, which are paid for by the Port Elizabeth based DoHLG via the TLCs. Generally the technical requirements of the IDP/LDO process are fulfilled but little strategic value remained. A number of local role players (particularly civil society interests) were of the view that local communities should be driving the IDP/LDO process. The consultants in their view were driving the planning processes with the result that no local strategic capacity was being built at local level.

It is also possible to question consultants' understanding of the notion of LED, particularly in the case of Graaf Reinet. The fact that Graaf Reinet is nearing the completion of an LED plan is ample evidence to illustrate the point. Local communities in Graaf Reinet are highly divided and in terms of their participation in planning processes, particularly IDP/LDO processes, they are demonstrably apathetic. This conclusion is based amongst other things on a scrutiny of the attendance register of planning committee meetings for the IDP/LDO where in some instances convenors of sub-committees were sent reminders of their duty to attend and convene. Given that Graaf Reinet is amongst the least organised civil society groupings in the region, the question arises how it is that it is one of two areas in the whole Western District Council area finalising an LED strategy? Clearly the process has almost entirely been driven by outside consultants. One cannot but wonder whether the money spent on consultants would not have been better spent on investing in local capacity building.

Indeed, other problems exist around these planning processes. In many instances the regional, rural stake-holders represented by TRCs have not been included in the IDP/LDO discussions at all. In addition the composition of the Western District Council IDP/LDO sub-regional committee included no representatives outside of TRC and TLC members. The separation between LED strategies and IDP/LDO plans between the departments of DoHLG and DEAEAT was also not something that was readily understood within the region particularly since it would make more sense for LED planning to be linked very closely with the IDP/LDO process.

The Department of Agriculture and Land Affairs in the Western Region is primarily concerned with agricultural support services in the Western region of the Eastern Cape. According to the Western Region regional director in the Department of Agriculture, the

department is focussing on its rapid impact programme geared primarily to promoting emerging farmers. The programme focuses on agricultural infrastructure such as small irrigation schemes, community gardens, poultry, pig projects, fencing and the like. While the programme seems thus far to have made inroads only in Somerset East it could conceivably play an important role in poverty alleviating strategies and promoting small-scale urban agriculture in the study area. This would undoubtedly be more effective in conjunction with programmes to improve the water accessibility in many areas.

Although the Department of Agriculture is involved in land reform process within the Western region there are currently very few land reform projects within the study area. Those, which do exist, are mainly around the Sommerset East, Cradock and Cookhouse areas.

The provincial Department of Agriculture needs to look into the feasibility and practicality of establishing an institutional support system for a co-operative movement. There are a number of areas where the promotion and development of co-operatives around cluster initiatives may be an effective vehicle for promoting emerging businesses and farmers. Perhaps the Departments of Agriculture and Economic Affairs need to jointly look into the promotion of co-operatives.

The department of Welfare currently has a poverty alleviation programme running in the Karoo region. There are sub-regional offices at Aberdeen, Graaf-Reinet and Willowmore. Community development officers seem to have established good relations with the local communities. Willowmore, in particular seems to have benefited greatly from the local development officer who is also an important role player in the local development forum. The department has also recently brought in a number of small business service providers to co-ordinate regional poverty alleviation projects, the success of this initiative cannot as yet be determined. What is of concern though is that such regional programmes are not currently focussed within a regional development framework. The department's program may well be more effective if it is integrated into a regional small business development strategy (co-ordinated by the District Council).

5.1.3 Local Government

The extension of responsibility to local government in terms of a developmental mandate will be difficult to fulfill within the Karoo region. This is primarily due to the fact that the region currently suffers from limited resources to fulfill this responsibility. The crisis of local government is however not only one of a shortage of financial resources - there is a particularly severe crisis of institutional, organisational and human resource capacity. It is thus that the District Councils operating within the region are likely to be called upon to play a key co-ordinating and facilitating role.

An examination of local government budget(s) in the study areas suggests that budgets have not changed much in the last five years with income and expenditure patterns remaining fairly constant. All local governments are experiencing financial crisis, those who have inherited debts are worse off, generally spending a sizable amount of their current budgets on servicing debts.

Fiscal conservatism means that increasingly budgets will be cut and will make less money available for infrastructure or capital projects. Local governments' capital budgets and spending has been reduced to virtually zero. Apart from Middelburg, Somerset East and Graaf-Reinet other TLCs do not have capital budgets. Capital projects are generally only undertaken through outside programmes of other government agencies such as the municipal infrastructure programmes, provincial housing board and through budget allocations from the Western District Council.

Current sources of income - trading services

TLCs where they do balance their books do so in terms of their ability to make a profit out of service provision. Thus, much of local government's energy is consumed with ensuring that the main service sectors run at a profit. The current sustainability of local TLCs is to a large degree based on the management of the profit rate from service provision.

While rates and taxes are an important source of income for local government, the provision of services is still by far the most significant contributor to local income. The provision of electricity, water, sanitation and sewerage are the largest contributors to local government income.

As, increasingly TLCs will move toward tight monitoring and maximising income from services, and as they become more and more preoccupied with cost effectiveness they will increasingly be in danger of losing sight of the real meaning of developmental local government.

Table 25: TLC Income from Services Sources as % of Total Income

		Electricity	Rates	Water	Sewerage & sanitation	Total
Cradock	1996/97	34.7	10.2	17.3	15.3	77.5
	1997/98	31.3	9.5	14.6	13.3	68.7
Steytlerville	1996/97	29.3	8.9	12.5	20.9	71.6
	1997/98	36.1	8.2	17.7	23.5	85.5
Middelburg	1996/97	43.0	8.2	10.4	12.4	74.1
	1997/98	38.9	8.8	10.6	14.3	72.6
	1998/99	36.8	8.0	11.1	18.3	74.3
Pearston	1996/97	21.8	21.8	8.1	13.9	65.6
	1997/98	21.8	19.7	8.1	13.7	63.4
Graaf Reinet	1996/97	44.7	15.2	7.6	6.4	73.8
	1997/98	45.9	16.3	7.9	6.7	76.8
	1998/99	45.1	16.9	8.6	6.6	77.3
Somerset East	1998/99	54.2	6.5	8.5	14.3	83.4
Aberdeen	1996/97	25.4	14.2	31.9	8.3	79.8
Willowmore	1996/97	42.2	5.6	13.4	6.1	67.3
	1997/98	40.9	6.3	11.9	9.2	68.3
	1998/99	41.5	8.3	15.3	10.8	76.0

Source: calculated from TLC budgets

The extremely high levels of reliance on returning profits from service provision, as evidenced in the Midlands/Karoo, is further borne out by comparison with the different proportions reflected in national averages.

Table 26: Local Govt Revenue Sources in South Africa during 1996/97 Financial Year

Rates on Property (property tax) and Related Income	61,24%
Trading Profits from Sewage, Refuse Removal, Water and Electricity	15,08%
Interest	7,86%
Inter Governmental Transfers	11,78%
Other Income	4,05%

Source: Katz Commission Report

Whereas TLCs in the study area range from 50% to 70% reliance on trading profits from sewage, refuse, water and electricity provision (rough average of 12% rates deducted), the national averages show almost the reverse. Instead, national averages indicate that rates on property are midway between 50% to 70%. Trading profits nationally, on the other hand at 15,08% are closer to TLC collections in the study area for rates (rough average of 12%).

The reversal of trends between the Karoo and South Africa as a whole, therefore clearly indicate the trap into which TLCs in the study area have fallen. Unable to accumulate rates revenue from property owners (almost a comparatively passive collection exercise), their need to expend so much energy on profitable provision of services simply will never allow them to break the mould and focus on development, if current practices continue.

LED Policy making and development planning

There is currently an absence of policy making at local government level, particularly around promoting LED and poverty alleviation. In no instance did the TLC have a specific policy on SMMEs, poverty alleviation, LED, or cross subsidisation. While there was no evidence of any policy or strategy around cross-subsidisation (redistribution) to ensure the affordability and accessibility of services, a measure of cross-subsidisation was taking place. Cross-subsidisation often occurs due to the lack of enforcement of credit control in the lower income areas. By not coercing payment through cutting services those areas where services were being cut were in effect subsidising the other areas.

This has however largely come to an end in all areas with uniform tariff structures applying in most areas. TLCs such as Middelburg have addressed the issue of a payment for services charges some while ago through the formulation of their local debtors policy. Other local governments only addressed this with the decisions of MINMEC in 1997 and were thus ultimately forced to introduce some form of creditors' policy

Local government is confronted by a major dilemma. On the one hand there is the urgency of addressing historical inequality and underdevelopment through the extension of services and infrastructure. On the other hand there is the necessity of doing so in a manner which ensures that the extension of services is sustainable (that people can pay for them). The RDP, Bill of

Rights and the Constitution all guarantee and promise a minimum level of services and infrastructure. Yet with current levels of resources and transfers from national government such minimum service levels cannot be sustained.

On the whole there is very little formal networking between TLCs themselves. There is no sign of any regional formalised relationship between any TLCs suggesting that they are moving towards regional initiatives. The only regional forum where development issues to any extent have been raised is in the sub regional mayors' forum.

Local government within the region is clearly not in a position to effectively devise or implement local LED strategies. The option which offers the most promise and hope though is the creation of an LED structure within the District Council and promoting the council as the site of a regional LED initiative. Local Councils could then feed off the regional plan in devising their own specific strategies. Such an approach would also promote an integrated regional economy and promote focussed and targeted LED interventions.

Participation/planning forum fatigue

In a sense it is understandable that there seems to be widespread apathy and loss of faith in development forums. There have been enormous expectations accompanying the recent political changes in South Africa. Many of these are perceived, in terms of government's ability to deliver social welfare, the cutting of electricity in schools etc. These perceptions are particularly widespread in the Karoo areas where state grants and pensions are important inflows into the local economies.

There have since 1990, been a number of initiatives, which have resulted in structures and required community participation. Most of these in the Karoo have delivered very little. The first wave was that of the development forums. These were created, without exception, in all the areas surveyed. The era of the development forum was spawned by the RDP. In the Karoo many of these development fora have all but disappeared.

The new planning processes that have descended on local communities are the IDP/LDO. When asked to describe the IDP/LDO process in their areas most people described where they were in reference to the 'correct procedures' as laid down by the province. In all cases the process of participation surrounding the IDP/LDO process was described as less than satisfactory with the view of one TLC representative describing the IDP/LDO process as "at best disinterested attendance" summing up what seems to be the norm within the region. Nowhere was the process seen as a stimulus to local strategic thinking around local development. Rather the IDP/LDO is seen as a legislatively prescribed chore which people are not keen to waste their time participating in because it is dull and technical. In most instances the TLC representatives and the consultants end up driving the process.

The municipal infrastructure programme has had an evident impact on the local communities in the region in terms of extending existing levels of basic infrastructure, particularly around water and sanitation. This has also been accompanied by short-term employment opportunities for the local unemployed. However, there are some unintended consequences of the infrastructure programmes, which need to be addressed to ensure their efficacy in future. In the first place there is very little evidence of local SMME development as a result of these

infrastructure projects, no long-term employment opportunities have been created and the infrastructure itself does not seem to have the multiplier effect that it should have. Women have not benefited much, if at all, from the short-term employment opportunities. In some instances (such as Jansenville) the extension of water borne sewerage is putting strain on the existing water supply system to the extent that water supply needs to be extended in order to meet demand of the new system. If no solutions are found to this, then the water borne sewerage system will be without water.

The limited training that has accompanied the infrastructure programmes is, to some extent understandable in that the short-term labour requirements of many of these projects do not require much training. The value added side of civil engineering projects comes in the design and technical supervision of projects which requires technical expertise which cannot be sourced locally because they often do not exist and require training far beyond the time frame of the average small infrastructure projects.

The experience of the RDP housing project in Middelburg is informative. Of about R27 million spent on the housing project it is estimated that a mere R500 000 of that amount stayed in the local economy. Both the local building suppliers as well as the local brick makers lost out on the opportunity. The RDP project undoubtedly would not have created longer-term jobs. However the spin-offs of the project would have been greater local capacity in terms of managing construction projects, skills development, as well as small business capacity development particularly within the emerging contractors sector.

Rural Local Government

The nature of rural local government in the Karoo areas surveyed must be seen within the context of its location almost solely within the commercial farming sector. This factor flavours the whole arena of rural local government in the areas surveyed. In the first place it is inevitably 'white commercial farmers' who control the TRCs. That the TRCs are a structure organised around the commercial, 'white' farming areas is further borne out by the fact that the chairman of local farmers associations is inevitably also the chairperson of the TRC.

In most instances the TRCs have representatives from the farm workers who make up the bulk of the local populations. However, they do not seem to have any impact on rural local government. In fact this seems to be more a tokenism than actual meaningful participation. It is difficult to imagine that farm workers, whose livelihoods often depend on submission to harsh, paternalistic and unitarist labour regimes would openly challenge their employers within the TRCs.

The role of TRCs in terms of LED and in terms of rural local government is limited and ineffectual. TRCs currently face a number of constraints within the Midlands/Karoo region due to the fact that they are not legislatively allowed to raise money and have very limited budgets. These limited budgets can in addition not be spent on private farmlands, which constitutes the greater area of the TRC areas. As a consequence some TRCs such as Pearston have allocated their budgets to the urban TLC.

The system of TRC as was practiced prior to the demarcation process was clearly not a sustainable option for local government within the region. Through the demarcation process

the rural farmlands will now become part of the district and in effect provide the basis for increased participation by this sector in LED initiatives.

Assessment

Local government within the region is severely constrained in terms of its ability to take up its developmental mandate:

- Lacks capacity to kick-start local economic development:
- Lacks strategic capacity
- Insufficient local resources
- Preoccupied with cost effectiveness of service delivery
- Crises management
- Weak Civil society

5.1.4 District Councils

The Western District Council is likely to be the most important role player in facilitating and co-ordinating any LED process within the region. Building capacity at this government level is likely to be the major prerequisite for kick starting a regional LED initiative. In fulfilling its role as LED champion or facilitator the Western District Council is faced by the following issues:

- A significant loss of funds due to the demarcation of PE as a Metropole
- The need to restructure the DC due to financial constraints as well as meeting its development role
- The need to explore and harness other sources of funding to fulfill its developmental role within the region
- The need for a complex array of skills and resources to develop and meet its developmental role within the region
- The RSETT proposals which identify DCs as potential service providers for provincial government departments which have limited regional capacity.
- Crisis ridden local government within the region

One of the headaches in regional development planning has been the functional overlaps between various government departments both national and provincial as well as overlaps in the boundaries between District Councils and regional provincial government departmental boundaries. This has also contributed to the problem of program and project co-ordination between all spheres of government. The implementation of the recommendations of the RSETT (Regional Structure Evaluation Task Team, 1998) should go a long way in streamlining these overlaps and ensuring that spatial planning between all spheres of government share uniform boundaries. This process was delayed until the municipal boundaries of the demarcation process were finalised and is currently being implemented. Uniform boundaries will most likely improve the quality of planning data considerably as well as facilitating increased co-ordination between all spheres of government in their activities on the ground within the Eastern Cape.

Another important recommendation in the RSETT report, in line with the guidelines contained in the White Paper on Local Government, is that with the finalisation of the demarcation process and the streamlining of provincial government departments regional operations and offices District Council (with capacity) will increasingly be seen as sites for service delivery and co-ordination for provincial government departments. Provincial government departments would thus be disestablished in these instances and their functions integrated into the District Councils. Assuming such roles would clearly have to involve a significant devolution of decision making to District Councils as well as allocation of resources to ensure that they can fulfill their roles. While the Western District Council has already for example become the implementing agent for the DWAF (Department of Water Affairs), the scale of responsibility in assuming the role of service provider for other provincial government departments is likely to increase dramatically and would require well-resourced District Councils. These issues should thus be important considerations in the restructuring of the district Council. Relocating the District Council is likely to be another decision which will have significant implications for LED. Locating the Council in Graaf-Reinet or another site in the Karoo would in itself be an important LED strategy.

The RSETT recommendations, which are in the process of being implemented, suggest that:

- District Councils increasingly be called upon to assume a co-ordinating role particularly in the area of service delivery. This implies that current regional (and sub-regional) government departments will be phased out where the district council is in a position to play a co-ordinating role.
- There be co-ordination of regional service delivery departments where possible
- Provincial planning units be established
- Co-ordination between local government and sectoral departments take place at district level
- In the medium to long term a greater assumption of powers by the District Councils and decentralisation of provincial, regional and sub-regional departmental co-ordination to the District Councils
- Where District Councils have capacity regional department offices be closed down
- District councils become sites for co-ordinating development clusters at regional level also for those departments that still remain after the process of rationalisation has taken place. These clusters would be district-based forums for interdepartmental co-ordination of specific development clusters. The DC would chair the committee co-ordinating the development cluster within the district.

With the exception of Middelburg and Cradock (which fall under the Stormberg District Council) all the areas in this survey benefit from the redistribution function of the District Councils. Many people from Cradock and Middelburg were sensitive to the need for the uneven distribution of resources by the Stormberg District Council, concentrating resources in the former 'homeland' areas. However, they felt somewhat done down in view of the fact that they saw their own areas as still underdeveloped while revenues collected from their areas were redistributed to even more needy areas in the region. A similar situation exists with the Western District Council. In this case however, the District Council ensures that the wealth generated by the economic powerhouse within the province and the region is redistributed to the poorer areas.

5.2 Civil Society

5.2.1 NGO's/CBO's

There are very few local NGOs operating in the region. While a number of regionally active NGOs do exist they are based mainly in Port Elizabeth. The most important NGOs that operate in the area seem to be the Eastern Cape Land Committee (ECLC) and the Eastern Cape Development and Funding forum (ECDAFF) neither of which are based in the region.

The ECLC is mostly involved in rural and land issues, particularly land reform and as a consequence is involved in dealing with farm workers. This often puts the ECLC at loggerheads with local commercial farmers. Even the more 'enlightened/liberal' farmers have problems with the way the ECLC operates and this is entrenched in the perception that they are stirring up farm labourers rather than contributing anything positive.

The East Cape land Committee (ECLC) receives funds from international donors. With some of the core funders pulling out the ECLC has been examining alternative ways of ensuring its sustainability such as tendering for government projects. But, as the Director of the ECLC in Port Elizabeth points out, many of the projects that they will be tendering for are once off projects whereas they see ongoing follow up programmes as essential.

The consequence of the current lack of funding is that the ECLC in order to ensure sustainability will increasingly have to become cost-recovery/effective oriented. In this process it is likely that sustainability will ultimately take precedence over the particular direction which the ECLC would prefer to take or, the sector it would prefer to treat as principal client.

The East Cape Development and Funding Forum (ECDAFF) is an NGO funded by Diakonia and the TNDT (Transitional National Development Trust). ECDAFF works in Graaf-Reinet, Jansenville, Steytlerville, Klipplaat, Pearston and Aberdeen around local government capacity building and SMME development. While the impact of the forum is unclear, none of the TLCs who were interviewed mentioned the forum as having made any significant impact on local government capacity building. The funding crisis is likely to constrain even further the currently very limited impact ECDAFF is having on the Midlands/Karoo region. In addition, according to the director, efforts at establishing links with local communities have been partially frustrated by the lack of continuity in local community structures: "...you meet someone in a particular area and then the next time there is someone else". ECDAFF is not alone in reporting this phenomenon.

5.2.3 Trade Unions

The only sectors within the region that are organised to any significant extent are government employees, through the teaching unions and the local government and health workers through NEHAWU and SAMWU. In general it seems fair to say that the unions lack capacity to

effectively engage their local employers and also do not seem to offer much as far as strategic development plans are concerned.

There are some instances where unions have pushed for more participation in local development processes (such as Middleburg) but this has not come to much. The public sector unions in the region clearly do have a role to play in terms of local development. However, it seems that they too could benefit from capacity building programmes around LED and developmental local government.

2.2.3 SANCO

South African National Civics Organisation (SANCO) as a force in civil society in the Midlands/Karoo is virtually non-existent. Where SANCO does exist, it exists largely in name only. It has become a convenient tool for individuals to promote their own interests or as a junior and subservient partner to political structures. In no instance was there any sign of any vibrancy within SANCO.

Those civil society structures that did show some measure of militancy were inevitably rallied around services, particularly the suspension of services. This was evident in Graaf-Reinet, Middelburg, Aberdeen and to some extent in Cradock. Here local civics (ratepayers associations), by mobilising around services in apartheid defined residential locations, were often inadvertently promoting these divisions or at least perceived in colour categories.

5.2.4 Development Forums

There was a mushrooming of development forums in the early to mid 1990's. All of the areas surveyed reported the existence of development forums. However, in most instances these forums collapsed after the local government elections. A similar fate seems to have befallen the Regional Economic Development Forum that lost the driving individuals behind the process to the Eastern Cape Government. At the same time the function of the forum was institutionalised provincially through the formation of Ecsecc (Eastern Cape Socio-Economic Consultative Council).

A number of RDP and development forums housed loosely within civil society were thus left somewhat in the cold it seems after the emergence of a legitimate political system which gave the regional and national forums an institutional home. With local government elections a number of key role players in local politics and civil society stood and were elected into local government often creating leadership vacuums in civil society.

While key individuals were lost to local government this is not the total extent of the crisis for local forums and civil society structures. In many ways these structures lost identity with the changing political fortunes. In some cases they seem to have become points for the emergence of a local elite and the opportunism of individuals.

5.2.5 Advice Offices

Advice Offices in Jansenville, Sommerset East, Steytlerville and Graaf Reinet, have to some extent replaced development forums and vital NGO/CBO development implementation agencies. An advice office existed in Aberdeen but fell apart in the mid-1990s when funding ran out.

The advice offices, too, have become victims of changes in the channelling of donor funds through government departments. Essentially, advice offices have played (and some still do) an important role as a community resource offering advice from filling in pension applications to resolving disputes. In the Midlands/Karoo region the advice offices often play the role of trade union, particularly for farm workers who enjoy no local support or representation. The advice offices in Steytlerville, Jansenville and Sommerset East reported representing workers in unfair labour practice cases. In Sommerset East, the local tyre factory does not on its own warrant the existence of a local branch of NUMSA. However, most of the local workers are members of NUMSA and according to the Sommerset East Advice Office whenever workers from the factory need to be represented they approach the advice office who act as the go-between, between the workers and the union.

5.3 Business role players

Existing local business role players and their relationships with public sector initiatives around local economic development (LED) are obviously crucial to an understanding of the potential for any sustained investment strategy to indeed kick start local dynamics. In the study area little co-operation occurs between interest groups and within discretely defined communities of interest, limited capacity exists to impact on poverty alleviation.

The Business Chambers/Sakekamers are fairly stereotypical of small rural, Afrikaaner platteland communities. Across towns for example, various Sakekamers retain an inward focus with little formal networking between themselves. In their isolated locales, likewise, they seem to prefer an insularity that does not easily translate into joint ventures. Instead, sectors concentrate on promoting their interests. Farmers club together or Bed and Breakfast establishments club together or Retailers prefer to discuss common issues in their discrete line of enterprise etc.

5.3.1 Small Business Service Providers

The two most important service providers in the region include GRASHEPROPHIDISA (Graaf-Reinet Self-help Project for the Physically Disabled) and the Cradock small business service centre. In addition the Khanya resource centre in Sommerset East is also trying to establish itself as a small business service centre.

While Ntsika was created with the express intention of facilitating the emergence of small business service institutions particularly LBSCs (Local Business Service Centres) it has thus far had little impact in the region as far as small business development goes.

GRASHEPROPHIDISA closed down in early 1999 due to a lack of funds. It was essentially a small craft project for disabled people involved in leatherwork, crafts, carpentry, knitting and sewing. It is an example of an essentially community project and advice centre which tried to establish itself as an LBSC in the wake of the funding crisis which hit NGOs in the post election period. Achieving accreditation by Ntsika was, for many financially floundering NGOs, a form of legitimisation and access to funding. GRASHEPROPHIDISA had not up until its demise achieved accreditation. And despite indications from Ntsika and COMSEC that they were interested in establishing a regional/satellite there had been nothing forthcoming.

In Cradock the LBSC emerged out of a different context to that of other LBSCs in the rest of the Eastern Cape. It was initially the product of a local business forum that brought together local groupings such as the chamber of commerce as well as local community organisations. Its origin was from a more truly broadly based representative structure. It brought together business organisations from all communities in Cradock. This included the Sakekamer, Black Business Caucus and the Hawkers Association. The establishment of an LBSC became the first major project of the Forum. The Business forum, the Cradock TLC, SANCO and political organisations with the assistance of the regional DEAEAT established the LBSC, which was registered as a section 21 company in October 1997. The LBSC is however constrained in its activities by a lack of funding and local controversy over what its role should be.

Khanya Resource Centre is trying to get sewing, gardening, piggery and poultry projects off the ground. However it does not as yet appear to have had much success. The Khanya centre is currently a highly under resourced and under capacitated operation. Even if funding was acquired it does not seem as though the centre itself has sufficient capacity to maintain a business support programme. It is a prime example of a local initiative that could benefit from investment in capacity building.

Far from local SMMEs having a supportive network of small business service providers, local previously disadvantaged entrepreneurs face a fragmented sector in survivalist mode itself. LED processes requiring regional perspectives from localised LBSCs locked into the small Midlands/Karoo local economies are extremely unlikely to develop under these circumstances. An SMME support infrastructure is clearly something that needs to be given thought in terms of a regional framework, thus ensuring resource conservation, maximising interventions and focussing interventions regionally.

5.3.2 Organised Business (Chambers of Commerce etc)

Existing chambers of business (Sakekamers) exist in most towns excepting Pearston, Jansenville and Graaf-Reinet. They do not show any sign of any strategic initiative around LED. The chambers which do exist seem to be preoccupied with ensuring the survival of their business interests which are exclusively those of white established businesses. They do not seem to be significant role players in Local Economic Development. Local chambers do not have any vision or capacity to make any significant contributions in terms of LED. They also do not have the capital to become significant partners in investing in LED.

It seems clear that most Sakekamers are intent on maintaining their current organisational structures. Unless they are prepared to reconstitute themselves as broader based business movements as opposed to narrow vehicles for established (white) business interests they are likely to remain marginal to any 'progressive' LED strategy. While they would be important role players in any local economic development strategy the success of any local LED strategy targeting poverty alleviation is unlikely to be swayed either way by their participation or non-participation.

There is not one example of a partnership between local government and the private sector within the region. The only potential partnership initiatives were at Middelburg and Cradock where enquiries had been made about subcontracting the TLC local postal services. The profit motive might inevitably be the sole recourse to encouraging Midlands/Karoo Chambers of Business to enter partnerships with emergent sector interests. When the Sakekamer and the LBSC in Cradock for example, pool their collective wisdom, joint proposals for LED promotion would be much stronger than currently obtains.

5.3.3 Farmers Associations

Of all the local business role players, the role of the Farmers Association has not only the greatest impact but also represents by far the largest economic power base in the Karoo. The farmers are the dominant economic group in the study area, precisely because they own the singularly most productive resource in the study area. Land, whether for agricultural or tourist income generation, is almost totally in the hands of a white elite. The extent to which the land owning class and commercial agriculture is prepared to engage in LED interventions geared towards the local poor is not all that difficult to gauge. Distrust has characterised relations historically. Lip service is paid to the need for transformation among some 'enlightened' farmers who attend planning forums. White farmers have lobbied vigorously against acquisition of land by Emerging Farmers in the Baviaanskloof area, for example. As is the case with the established business sector and their organisational representatives - the sakekammers - their interests are entrenched within the regional economy and unless their interests can to some extent be promoted their full participation in a progressive LED agenda is unlikely to occur. Some thought should thus perhaps be given to identifying ways in which partnerships could for example be forged with emerging farmers around land reform which could increase the size of economic farming units while ensuring the participation of emerging farmers. Such arrangements would require substantial support to ensure that emerging farmers' interests are secured in addition to longer-term training and advice etc.

5.3.4 Emerging Farmer's Associations

A number of Emerging Farmers Associations exist in the region. All of them emerged in the post election period. They all suffer exactly the same constraints around capacity, access to land and institutional support.

The potential for the development of an emerging farmer sector in the region (short term) is consequently severely limited. This is also due to the current size of economically viable farming units as well as the restricted scope of farming limited to small stock farming. In areas where there is greater water security there is greater potential for small holder

agriculture. This is evident in the more eastern parts of the region particularly where water security and irrigation potential exists through water from the Orange/Fish River(s) scheme. This area has also been identified for the cultivation of sugar beet. The sugar beet initiative possibly offers the greatest potential for developing emerging farmers.

Small farmer emergence has been around two central issues. Generally they have emerged in response to opportunities associated with the current land reform programme of the Department of Land Affairs. They ultimately represent groupings intent on gaining access to land through the pooling of subsidies. In other instances the Emerging Farmers Associations have emerged as an interest group within the TLC's around the issue of commonage reform.

These associations have very little organisational capacity, networking, leadership and resource capacity. As such they are open to being used by local more established farmers and business people. This was the case in a number of areas where it seems that some of the leadership positions within the Emerging Farmers Association were being held by people that could not be called emerging, in the truest sense of the concept. In addition, they often had additional local business interests. Their greater reliance on revenue derived in urban centres from running taxis or spaza shops, for example, thus suggests that their farming interests are secondary.

Local Emerging Farmers Associations are not members of any other organisation. There is currently no regional association representing their interests. Local isolated farmers would clearly benefit from participation in a regional structure with more clout to promote their interests. In addition a co-operative movement within the region may provide an alternative and perhaps more effective way of promoting the interests of local emergent farmers. Through such forms of organisation for example partnerships could be entered into with established farmers and if coupled with land reform around extending existing farming units could provide a basis for initiatives where there is a co-incidence of interests between established farmers and emerging farmers organised in a co-operative around a larger (and thus more viable) farming unit.

5.4 Development Finance Institutions (DFIs)

The role of Development Finance Institutions is critical in an under-capitalised and resource poor region like the Midlands/Karoo. The function of DFIs is, after all, the financing of projects in areas where the market is not able to release funds. It would thus be expected of DFIs, particularly the regional ECDA, to invest (or ensure investment) in regions such as the Midlands/Karoo where the more low risk high profit investors are less likely to. However, with the increasing importance given to cost-effectiveness it is likely that DFIs will increasingly steer further away from areas such as the Midlands/Karoo. This is precisely where their investment is most needed.

5.4.1 Land Bank

The bank's new mandate does not seem to have had much of an impact in the Midlands/Karoo region, with the majority of farming loans still going to the established, white commercial farming sector. According to the branch manager in Port Elizabeth who covers the Karoo area,

there are no emerging farming interests in this region. "The area...is not an area where emerging farmers are traditionally interested in farming. Limited finance has consequently been extended in the area to emerging farmers" (Interview).

The only area where the Land Bank has been involved in the emerging sector is through the step-up scheme. This micro loan scheme starts with an amount of R250. Loan amounts can gradually increase, as clients become more credit-worthy. The monthly interest is 2% and the ceiling amount is R5 000. According to the branch manager when a client reaches this amount (s)he will in effect have borrowed R18 000.

The scheme is currently in operation only in the Graaf-Reinet and Jansenville areas of this study due to the fact that participation is premised on having a bank account. The scheme administered by Start Up in Cape Town, banks with the First National Bank (FNB). There are no FNB branches in local areas other than Graaf Reinet and Jansenville.

The step up scheme is directed at emerging farmers and micro-businesses in the agricultural sector and started in June 1998. However there is no way of knowing what the money is used for. "We do not ask questions - it is not cost effective to follow up on R250". According to the branch manager the scheme is successful as the repayment rate in the Port Elizabeth office (which includes the Karoo areas) is 87.3%.

The totally insignificant contribution that such minute amounts of loan capital could possibly make to stimulate local economic development should be obvious. That the bank's geographic penetration into the broader range of local economies in the study area is so limited, likewise, render the entire scheme thoroughly ineffectual as a vehicle for promoting either local small farmers or LED.

5.4.2 Eastern Cape Development Agency (ECDA)

The ECDA (now merged with CIMEC) had an office in Graaf-Reinet that served the Karoo sub-region. This office has closed down as part of a rationalisation process. The ECDA was involved in giving loans to small businesses in the Karoo area. The extent of support and capacity building this extension of credit achieved is impossible to determine.

It is safe to conclude then, that Development Finance Institutions have largely ignored the study area. Certainly no major investment drive was discovered by this research. Even the DBSA has had a very limited involvement in the Midlands/Karoo region.

5.5 Assessment

The two most significant contributors to civil society's participation in LED processes in the study area then, (ECLC and ECDAFF), are plagued by financial difficulties, logistical incapacity within the Midlands/Karoo and a more general trend towards treating government as client. The very community organisations that more need their potential institutional support are demonstrably fragmented. Their geographic disbursement is over large distances, while their numbers are few. The ECLC in particular should be encouraged in its work within the region, particularly since it services the most vulnerable and exploited workers. The

ECLC would clearly be an important participant if not a key agent in any initiative, which promoted a co-operative movement within the region and is a resource that the region cannot afford to lose. Other types of civil society protagonists, like the unions and SANCO, are even less equipped to substantially influence LED processes and programmes. If outsourcing and privatisation become options in the process of local government restructuring, and they surely will, then unions are very likely to become centrally involved. To anticipate these and other factors which will have significant impacts on the working lives of the local working classes greater participation from the unions within the region will be required, particularly in contributing to the process of developing alternative development strategies.

The study area will not be able to rely too heavily on vital organs of civil society, well armed to engage in development planning or to exploit opportunities intended to boost SMME openings or new job creation. Instead, this sector will in most probability need to be treated as recipient rather than an active vehicle for change in the Karoo. Training and capacity building will be required, simply for the role players to garner the optimum benefit from any LED investments which might be secured in future, through larger public/ private partnerships occurring beyond their immediate comprehension or control. Where civil society is fragmented and its organisational infrastructure weak, alternative vehicles for promoting vibrancy in civil society need to be explored. Here the option of promoting a regional co-operative movement might well contribute significantly to both harnessing economic potential as well as providing sites for civil society capacity building.

Small Business Service Providers are thoroughly ineffectual in the region. They are not surviving themselves, let alone generating opportunity or capacity building training of any significance to local SMMEs. Organised business has its own survival foremost, likewise. Competition for dwindling markets suggests it will not transform itself into a sector either willing or able to assist emerging interests through joint ventures and/or common fund raising strategies. Certainly regarding tourism development, the vast bulk of tourist infrastructure remains in the hands of the private sector. The prospects for LED are particularly discouraging.

Parallel arguments apply in farming. As the historical economic base of the Midlands/Karoo area, agriculture, seems more a site for tension between commercial and emerging farmer interests, than a common ground for mutually rewarding proposals for financial and other institutional supports. The repercussions for LED are again bleak. The potentially greatest building blocks for LED strategies that target the poor are consequently almost totally inaccessible to them. DFI's ultimately have also not played any significant role within the region.

6. Emerging Development Options

The identification of new development options and sectors with potential will increasingly be at the top of the development agenda in the region. A number of development alternatives for the region have been identified for some time now and a number of alternative development processes are emerging around these alternatives. These include the following:

- Tourism
- Sugar Beet
- Mohair/Wool/Leather

6.1 Tourism

"Each of the towns in the region has their own unique character and particular tourism potential, which if linked to one another by means of an appropriate regional strategy could provide a comprehensive and varied tourism offering, particularly with regard to historical/cultural, outdoor-recreation and farm oriented tourism activities (IDRP, 1990)."

The potential for eco-tourism in the region has been evident for some time. The development planning committee of the RDA in the late 1980's for example saw eco-tourism as a sector of potential in the region. The sub-regional planning committee for the regional IDP/LDO has also identified tourism as a sector with potential. Currently there are a number of tourist initiatives in the region that could provide the basis for a regional tourist industry. Included in these initiatives are the following:

- The establishment of private reserves through the buying up of farms
- The extension and development of provincial and national game reserves (the Karoo nature reserve, the Baviaanskloof nature reserve and the Mountain Zebra Park)
- The increasing trend towards game farming and hunting complementing small stock farming.
- The growth in the hospitality industry around small businesses such as guest houses.

Eco-tourism in the region is currently controlled and driven by the private sector. The White Paper on the Development and Promotion of Tourism (1996) also suggests that the tourist industry should be private sector driven. Allowing the market to run totally unconstrained will in practice however raise a number of potential pitfalls. Already there have been attempts to establish a wetland in the Karoo and introduce game foreign to the local environment. The challenge for LED around eco-tourism and development of a regional eco-tourism strategy is to ensure that development of the sector as a whole takes place in a co-ordinated and integrated manner and that it is accompanied by the full participation of all local role players.

Eco-tourism offers the potential of community involvement in tourism around the Karoo Nature reserve, the proposed Baviaanskloof Park, the Mountain Zebra Park and even the proposed Addo Park. However, while it would be less difficult to ensure local community

participation around these reserves due to their public ownership this constitutes only a small part of the whole tourist potential. Most of the tourist infrastructure will be privately owned tourist facilities. Leveraging local participation in this context might prove more difficult. In addition if the privatisation of provincial reserves takes place the leverage of local communities will be significantly constrained unless accompanied by agreements ensuring partnerships with local communities.

Tourism is not only a very vulnerable sector but also a highly competitive one. This is reflected for example in the overwhelming concern for marketing within current tourist initiatives in South Africa. A major reason for the failure of the Eastern Cape in generating a vibrant tourist industry has been identified as being due to the lack of a packaged tourist product and skewed marketing by the South African Tourist Board towards Cape Town, Johannesburg and Durban. Excepting for the "Karoo Heartlands Route", identified by the Western region tourism Board there has thus far been very little emphasis on the way tourism is marketed in the Midlands/Karoo specifically.

The White Paper on Tourism promotion identifies the role of local and provincial government in tourism development in terms of facilitating the participation of local communities in the tourism industry. However there are no guidelines on how this is to take place in practice. Many rural local governments are crisis ridden and lack capacity. They are thus not in a position currently to ensure the participation of local communities in tourist development or to develop effective strategies to ensure participation. A regional tourist strategy as a part of a regional LED initiative will have to carefully explore ways of promoting community participation in tourism within the region.

The participation of particular areas within the region in a regional tourist economy would also require some attention as not all areas have the same tourist potential. The area with greatest potential would seem to be Graaf Reinet with a variety of local tourist attractions, both natural, socio-cultural and historical. The Valley of Desolation, the Karoo Nature Reserve (KNR) as well as the increasing number of private game reserves in the area would seem to collectively provide the greatest regional attraction for tourists. Tourism is said to be the second largest industry in the town after government employment. Graaff-Reinet is the fourth oldest town in South Africa and boasts the largest number of historical buildings in the country.

Areas like Steytlerville, Jansenville, Aberdeen, Pearston and Middelburg would seem to have far less to offer as an independent tourist attraction. The Western Region Tourism Board agrees but points out that the tourist potential for these smaller towns lies in traffic that will be moving through these areas on its way to other tourist destinations.

By converting the region into a tourist attraction of the magnitude that would attract the numbers of tourists that would be able to sustain a regional tourist economy, the existing farming sector might be scaled down significantly, resulting in the shedding of a substantial number of jobs. In addition to the lost jobs and livelihoods of the families dependent on the meagre farm workers' wages, a significant amount of capital would also be lost in terms of the value generated by the farms and spent in the local towns. There is currently no conclusive evidence to suggest that game farming and tourism would have a greater socio-economic impact on the region than small stock farming. These issues should perhaps be

explored in terms of a more focussed study which examines the comparative value which the potentially competing land uses of tourism and agriculture would generate.

There is another tendency towards private sector buying and converting lands into game farms or private reserves with different interests: eco-tourism, healing farms and hunting farms. The long term benefits and consequences of converting the land use away from farming to tourism or hunting have not yet been fully established. There are however strong indications that (at least) in the short term unemployment is resulting from incorporating farms into private reserves, game farms or conservancies. Furthermore, the recent private sector acquisition of Santa Sana, for example, has had some potentially negative consequences for the sustainability of the natural environment. The attempted creation of a wetland has involved the destruction of naturally occurring landscape.

Examples of how existing potential in the region is not being harnessed effectively are evident and call for co-ordinated strategic planning in developing a regional tourism plan. It is estimated that there are between 50 000 - 70 000 visitors to the Valley of Desolation annually. Charging a nominal entrance fee into the valley would be economically advantageous, given the volume of the tourist trade. It could create employment and secure funds contributing to the sustainability of the Karoo Nature Reserve as a whole. Yet currently red tape and bureaucracy seem to have imposed significant constraints on the ability of local reserve management to implement projects.

That some Karoo areas could support the Big Five and capitalise on its lack of the malaria scare, suggest that it does have a competitive edge over other likely tourist destinations in the country. Attention to co-ordinated, regional package marketing (including the farm idyll experience, hunting and a rich heritage of historico-cultural sites) is thus needed to exploit this one area of intrinsic potential.

6.2 Sugar Beet

While the idea of growing sugar beet in the Eastern Cape is not a new one, it was only recently possible for the initiative to come to fruition. This seems to have been partly due to the twinning agreement between the Eastern Cape government and the state of Lower Saxony in Germany. The project seems to have considerable potential for the revival of the currently subdued farming sector. In addition, it seems to offer a potential foothold for the development of an emerging farmers sector. The developmental challenge however lies in the extent to which participatory processes accompany the implementation of the project. These challenges are basically ensuring that opportunities are not missed and that an institutional framework is in place which will facilitate emerging farmers' participation. The sugar-beet project will in all likelihood create sustainability around the cultivation of beet and their processing into sugar particularly in terms of the proposed monitoring, extension and training programme. Institutionalising the support service will essentially be controlled by the sugar beet Company. The Department of Agriculture as well as other role players have an important role to play in ensuring that emerging farmers are in a position to participate, and also that farming capacity encouraged by the sugar beet farming becomes the basis for a more diversified and independent farming sector.

The sugar beet project is essentially a joint venture between a local farmer co-operative the Eastern Cape Agricultural Co-operative (ECAC) and one of the largest German sugar companies - Nord Deutsch Zucker. This project has clearly beneficial implications for stimulating LED generally, but in terms of poverty alleviation and job creation, its effects are less likely to be dramatic. Those areas within the Karoo which will potentially be able to take advantage of the sugar beet initiative would include those areas which have significant irrigable land such as Cradock, Cookhouse and Somerset East.

At the heart of the sugar beet initiative is substantial investment in a capital intensive production process which will generate an insignificant amount of jobs in the local economy. The draw card of the project however is the spin-off (trickle down) that will accrue to the local economies where the sugar beet is to be farmed and manufactured. What seems particularly promising is the impact that sugar beet could have on the local agricultural sector - both commercial and emergent farmers.

The research and 'facts' presented by the ECAC (Eastern Cape Agricultural Co-operative) are compelling and paint a picture of a blooming local economy all made possible by a factory. That it is not intended to employ significant numbers of labourers is underplayed. Not only is the factory itself capital intensive but the harvesting process is likewise taken over by the machine, in this case by sophisticated harvesters that dig up the sugar beet. Absolute control over the labour process (planting, harvesting, monitoring and transport of the beet) is in the hands of the factory itself.

The sugar beets do not apparently need much care other than periodic weeding and irrigation, that will apparently also be regulated by extension officers who will measure the water content of the soil and instruct farmers when to irrigate. All farming decisions are seemingly removed from the farmer, who seems only involved in the project in order for the factory to gain access to farming land. Farmers who have irrigation rights along the Fish River irrigation scheme have been identified as the core producers of the sugar beet for the factory.

The envisaged extension service will be divided into two programmes, one for the established white farmers and the other for emergent farmers. The role of emergent farmers is likely to be somewhat ambiguous though, since the resource the sugar beet company most covets, is land under irrigation. Therefore, unless accompanied by a program of land reform this resource would pose more of a barrier to entry for small farmers than opportunity.

Essentially, therefore, sugar beet if managed properly with due regard for the forward and backward linkages that have potential to really create SMME and emerging farmer opportunity, could well represent a positive feature within the study area. There are for example SMME opportunities in the backward linkages on the supply side of agricultural inputs such as seed, fertiliser and farming implements. Forward linkages in terms of marketing produce also could unlock opportunity. Failure to unlock potential would be tragic given the otherwise constrained environment for promoting previously disadvantaged small business/farmer organisations in the East Cape Karoo hinterland. Given that existing ownership of or access to irrigable land will be an important entry point for farmers the potential for land reform around land along the Fish river needs to be examined. Problems of sustainability, training and support plaguing other land reform projects would be taken over by the company driving the process. However support needs to be provided in extending the range of farming activities.

6.3 Mohair/Wool/Leather

Wool washing and Mohair beneficiation were mentioned in every area, without exception, as ways of promoting LED. The arguments in each area were much the same. The Karoo is the biggest local/regional producer of Mohair and a significant producer of wool. However, value adding, in terms of the wool industry takes place in Port Elizabeth. Not even the washing of wool is done locally. Midlands/Karoo locals could therefore start washing wool in the area as a way in which to keep some of the economic opportunity and spin-offs in the region.

In terms of Mohair the argument is that about 95% of Mohair which is exported is exported unprocessed. The study area is therefore exporting raw materials and other countries/protagonists that add the value are reaping the benefits. It should be possible, therefore, to increase the local value-adding component and create employment.

These are also the main arguments behind the Wool and Mohair Beneficiation Programme co-ordinated by Ecsecc on behalf of the office of the Premier. The Division of Textile Technology of the CSIR is the implementing agency. Essentially the objectives of the programme are to, "build and strengthen the growth and development of value-adding industries through the provision of technical and business support to both existing and new manufacturing enterprises" (Ecsecc, 1998).

Currently there seems to be a fledgling structure in place through which the Mohair/wool process can get off the ground. Kagiso Trust is funding the capacity building role (facilitation) around wool and Mohair beneficiation in Graaf Reinet. The idea is that the programme is established there and then has ripple effect into other areas. The CSIR is the technology/training partner in the whole process. The project was launched in March 1998 and the CSIR is waiting to give technical support. In Graaf Reinet there are a number of unemployed people with skills who can get involved in the mohair programme. Currently, an ad hoc committee is the point of contact in Graaf Reinet and is made up of representatives from CBOs and NGOs. Conceivably Khula and Ntsika could be brought on board.

Thus although the enterprise has attracted interest among some significant funding and support partners, who are sensitive to local SMME development, the mohair project's actual contribution to LED is still awaited. The Mohair program as well as wool washing urgently need to be examined in terms of a regional feasibility study. Thereafter through co-ordination by a regional LED structure (and conceivably part of a regional LED strategy) appropriate sites within the region need to be identified and concrete projects need to be packaged and implemented.

The related development of rural tanneries and wool washing facilities is currently constrained by the lack of water required for such beneficiation processes. In the more remote and less developed areas of the study region, Klipplaat seems to be more secure as far as water is concerned and has in addition, railway infrastructure that is standing empty and not being used. If Steytlerville and Jansenville do not have sufficient water security required to support the requirements of a tannery there is no reason why the three towns of Jansenville, Klipplaat and Steytlerville cannot form a cluster around wool washing and leather tanning and manufacturing.

LIRI Technologies, based in Grahamstown, has established links within the study area in Graaf Reinet and Steytlerville. The process in Steytlerville is currently being held up due to a lack of funding for a feasibility study that would be conducted by them. According to a local representative from child welfare, an application has been made to the Department of Welfare's Poverty Alleviation Programme and the Western District Council, neither of whom have as yet made any decisions on the matter.

LIRI is involved in a number of initiatives in the Eastern Cape and beyond, around work associated with leather. They concentrate on tanneries and working leather into finished articles. The projects are based almost entirely on goat's skins. At this stage there is no intention to compete with national hide and skin traders. Rather, they are looking at rural tanneries (vegetable tanning).

There is currently a seeming lack of clarity on the role of the regional beneficiation programme and the cluster initiative. This needs to be resolved through collaboration between all role players. The feasibility of establishing long term and viable wool washing and mohair beneficiation projects needs to be looked into. The same principles obviously apply to leather curing and tanning. The strategic location of such operations is vital.

6.4 Assessment of Emerging Development Options

Among the emerging development options then, tourism would seem to hold out most potential for regional economic development, but is constrained in terms of the lengthy lead in phase necessitated by broader package marketing. Its financial benefits are most likely to accrue to the private sector, except in public nature reserves unless a regionally focussed strategy is implemented which ensures that newcomers gain access to the opportunities associated with tourism. Sugar beet is a secure option inasmuch as it has institutional backing from abroad. This relatively more business like approach to sugar beet production tends to exclude the principal target group for local economic development, the poor without irrigated land. It is also only an option for the more eastern areas of the Karoo. Finally, mohair, wool and leather secondary processing enterprises have drawn the attention of developmental agencies sympathetic to the poorest constituencies. They still have to overcome difficulties in securing funding and instituting appropriate capacity building and support in order to effectively enter the local economic development arena, however.

7. Towards a regional LED strategy

7.1 Towards a definition of Local Economic Development (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 or white papers which do not make some mention of LED or at least itemise 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 local resources (socio-economic and natural). 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 identifies six approaches to LED based on the experiences of municipalities around the world. These approaches can be summarised as follows (see DCD, 1998):

- **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) 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.

- **Urban efficiency**

This approach, according to the DCD is based on the strategy of addressing the local costs of living and doing business through strong government planning.

- **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 sustaining economic development.

- **Community-based**

LED strategies, which are 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.

- **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 ultimate objective is to balance low risk and highly profitable development processes by encouraging intervention in areas that may not be rewarding. (DCD, 1998).

Although the approach adopted in this report favours the latter approach it is suggested that what is most crucial to the realisation of LED is local strategic capacity which will include lobbying for, accessing and harnessing resources. This strategic capability would include the local capacity to make informed choices about development strategies in a way that ensures local participation in and benefit from such choices. These choices could include any one or combination of the different types of LED listed above.

What is clear is that local economic development should be facilitated at a number of levels. Devolving responsibility and looking to local government to pull itself out of often-impossible straightjackets of uneven development without simultaneously facilitating the development of local capacity is to aid its sinking into further crisis. At the same time the imposition of a development strategy from above is likely to have equally negative consequences excluding large sectors of the population and facilitating an elite driven and owned development process.

7.2 Towards a regional LED strategy

The Midlands Karoo region faces two crucial challenges in developing regional and local economic development strategies. The first revolves around questions of redistribution. Existing access, control and benefit from productive resources are highly skewed and held in the hands of a minority who through historical intervention by the apartheid state now maintain a strangle hold on the local economy in terms of all economic processes (agricultural production, provision of agricultural inputs, small town businesses, wholesalers etc). To ensure that any regional LED strategy is responsive to the needs of all local communities, strategies which ensure greater levels of redistribution of the current economic product of the region need to be promoted. This would include increasing access to productive resources, opportunities and promoting stronger civil society protagonists such as organisations who represent emerging farmers, farmworkers unions, co-operatives etc. Secondly, and in line with the previous point, in the face of the withdrawal of the apartheid state interventionist strategies promoting essentially white farmers and with increased market liberalisation particularly through increased international competition the region suffers from a crisis of wealth generation. Here development strategies will be called upon which look at regional (and provincial) solutions to promoting a local economy, which meets the needs of the regional population. The predominantly farming economy is unstable, at the mercy of international prices of primary commodities (wool, Mohair). Promoting such a regional

economy must be a broader initiative than merely local economic development strategies of various local councils or business role players. A regional strategy is required which transcends existing pressures for competition between local economies. The implementation of such strategies should ensure that criteria of redistribution and extended access are built in in order to prevent the reproduction of existing privilege, access to and benefit from local productive resources.

The key to any successful LED process within the Midlands Karoo region is to identify an organisational and institutional site which will be mandated with the task of driving a regional LED initiative. Such a structure will have to particularly in the short term make up for the lack of strategic capacity within the region and play the role of co-ordinator, strategic planner, lobbying and leveraging agent (policy and resources), monitoring and evaluation, packager of projects, project manager in some cases, network and partnership facilitator among others. Yet it must at the same time be accountable to the region. Such a structure would be most appropriately housed within the Western District Council. A regional LED strategy is essentially intended to focus the LED strategies within the region, to ensure that interventions are integrated, to minimise competition between local authorities and to provide a basis from which local authorities can develop local strategies that will promote a regional economy and to guide strategic interventions within the region.

There are a number of good reasons for establishing a regional LED structure located in the District Council. Some of the more significant would include the following:

- Legitimacy and accountability to the region should be paramount in any LED structure to ensure that it can fulfill its mandate as well as mobilise and co-ordinate development interventions which address the needs of particularly the poor and marginalised within the region.
- Little local capacity (in civil society, local government and private sector) exists around strategic planning, let alone packaging projects, lobbying resources and implementation.
- Resource poverty and a fragile environment call for a regionally co-ordinated strategy
- Where market and state have failed, novel and focussed interventions are needed to ensure that those resources which can be harnessed for the region promote a sustainable regional economy which meets local needs
- Provincial government departmental restructuring based on the RSETT (regional structures evaluation task team) and other national and provincial policies (such as the White Paper on Local Government) identify an important role for District councils in playing a co-ordinating role as well as assuming in some instances the role of service provider for departments who have limited capacity.
- Promote information and other linkages between currently isolated local areas within the region
- Facilitating policy formation at local levels where strategic capacity is limited and ensure policies which promote regional economic development
- Promoting business linkages within the region
- Where tendencies within a regional economy are potentially contradictory such as promoting land use around eco-tourism vs farming, co-ordinated regional development strategies should encourage and actively promote that sector which most addresses the needs of local communities

- Economy of scale in regional planning, by co-ordinating feasibility and other research regionally wastage of resources which would surely be duplicated by most local areas is prevented

7.2.1 Constraints on a regional LED Strategy

This study identifies a number of constraints and obstacles to regional development. These include

- Fragile natural environment with limited resources (particularly water)
- Farming sector in decline
- Potential LED roleplayers are weak and either lack co-ordination (National, Provincial and Local Government); are without institutional capacity (Civil Society, Local Government); antagonistic to redistribution (Formal Business and farming sector) or have practically no effective presence (DFIs)
- District Council capacity in light of demarcation and loss of revenue from PE

7.2.2 Towards a proposal for a regional LED Process

Noting the constraints identified above, the diagram on the following page maps out a proposed process for a regional LED strategy.

Towards a Regional LED strategy in the Midlands/Karoo	
PROCESS	ROLEPLAYERS
Creation of Regional LED structure - LED unit in District Council	Ecsecc District Council Provincial gov DEAEAT, DoHLG Local Councils NGO's/CBO's
Creation of clear local LED structures in local areas (ie within newly demarcated councils) linked to LED unit	Ecsecc LED unit Local Councils Civil society Private sector
Feasibility studies <ul style="list-style-type: none"> • Wool Mohair/leather • Tourism • Sugar beet • Co-operatives • SMMEs • Water security • Agriculture • Land reform Poverty Audit	LED Unit Ecsecc DEAEAT, DoHLG CIMEC/ECDC
Regional LED strategy <ul style="list-style-type: none"> • Sectoral focus • Institutional support • Policies (eg procurement) • Training • Infrastructure development • Project identification 	Ecsecc LED unit Local Councils Regional civil society Regional farming Regional business
Project Packaging <ul style="list-style-type: none"> • Investment • Support • Partnerships • Business Plans 	LED unit Ecsecc CIMEC Tourism boards
Implementation, monitoring and evaluation	LED unit Local councils Ecsecc

Creation of Regional LED structure - LED unit in District Council	Ecsecc District Council Provincial gov DEAEAT, DoHLG Local Councils NGO's/CBO's
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In the past the WDC has played an important redistribution function in channeling levies collected from the PE/Uitenhage area to the hinterland mainly through infrastructure investments. The WDC will have to continue to play such a role despite severe budgetary reductions due to the demarcation process and the formation of the Nelson Mandela Metropole. As an agent of LED the DC will also have to play this role internally in the promotion of affirmative tendering processes at regional and local level and promoting the entry of newcomers to local economies which are currently dominated by white business and farming interests.

The Western District Council currently has a regional IDP/LDO planning structure in place through which the DC is formulating an IDP for the region. The District Council should give some thought to establishing an LED unit within the council which will drive the co-ordination, planning, facilitation and monitoring and evaluation of LED processes within the region. Although many positive ideas and suggestions seem to have emerged from the planning exercises undertaken by the DC they are limited in terms of establishing a development strategy and plan for the region. In the first instance the participation on the planning committees was limited to local councilors from TRC's and TLC's without broader local participation from civil society and the private sector. In addition it seems that the IDP/LDO processes operated at district and local levels without sufficient links between the two. Given the realities of the region it is suggested that an LED unit within the DC would assume the role of harnessing strategic resources from within and outside the region to begin developing a regional LED strategy which would guide local LED strategies.

Ecsecc is clearly strategically placed to play a key role in facilitating the process of setting up and structuring a LED unit/structure within the District Council. Ecsecc should play a key strategic role in facilitating and supporting the process through which under the DC a regional development strategy is formulated.

While the DC cannot be expected to play the role of service provider its role is crucial as facilitator, co-ordinator, planner and monitor and evaluator of service delivery. This would also include an important role of facilitating implementation through lobbying other agencies in terms of financial access as well as policy.

Creation of clear local LED structures linked to LED unit	Ecsecc LED unit Local Councils Civil society Private sector
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The primary challenge for the region is thus first and foremost the promotion of a regional institutional framework for development planning and strategy development. This should also

be accompanied by identifying and resourcing such structures to effectively implement regional development plans. Effecting such a strategy clearly needs to start with streamlining existing fragmented and ineffectual development fori which exist in all areas and creating links with the LED unit. Although the WDC IDP planning committees might be seen as a potential LED structure on their own the committees are not sufficiently representative of all interests within the region and it is questionable whether they could on their own develop the kind of strategy which would be required to develop the region. By linking local development fori to a regional LED unit which is mandated to take LED processes further than the planning stage local LED structures will hopefully become more vibrant and effective. Regional co-ordination will facilitate lifting local LED structures out of often personalised power struggles and ensure that LED does not become the vehicle for local elites to feather their nests.

<p>Feasibility studies</p> <ul style="list-style-type: none"> • Wool Mohair/leather • Tourism • Sugar beet • Co-operatives • SMMEs • Water security • Agriculture • Land reform <p>Poverty Audit</p>	<p>LED Unit</p> <p>Ecsecc DEAEAT, DoHLG CIMEC/ECDC ECLC</p>
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This phase of the process would not necessarily imply conducting feasibility studies within all areas identified. Rather the LED unit would have to bring together data and information which already exists and then identify strategic areas where information is lacking.

Tourism

The tourist sector has recently been identified as a priority growth sector nationally, provincially and within the region. Yet this needs to be tempered by a sober look at the real tourist potential within the region. Not all areas have the same potential to be able to attract the level of tourists to warrant investment in local tourist development. Areas of marginal potential within the region may be able to take advantage of the spin-off of being on the routes that tourists pass through to get to their destination and in the process could be lured into the local economy. In this context the call from residents in Aberdeen for example to close the bypass and force traffic to drive through the town of Aberdeen is a small measure yet an LED strategy that could contribute significantly to the local economy. Value accruing from tourism is generally not generated directly by the tourist attraction itself but the service and hospitality sector which is built around. It therefore follows that the service, hospitality, craft and transport sector should be sites for targeted intervention around promoting newcomers into the tourism economy. Simultaneously the region must be packaged as a drawcard for tourists.

Tourist development and planning also needs to become more innovative and explore different ways of promoting the region as a tourist attraction. For example, small tour operators and service providers would benefit from marketing the regions history not only internationally but also to internal tourist markets and potential markets. Robert Sobukwe's

house, along with other artifacts of colonial and apartheid history could form the basis for marketing the region in terms of its socio-political history. Using the potential for outdoor and sporting activities could also become an important source of visitors to the region. The conditions for such specialised sporting activities as paragliding are very favorable particularly in the valley of desolation. Lobbying sporting bodies to hold their national competitions within the region and then offering them package deals could contribute significantly to promoting a local tourist economy. It is here that the co-ordination of the DC would prove important as the agency to co-ordinate regional lobbying of tourist organisations and marketing the region as a whole.

With the privatisation of provincial parks, which would include the Karoo Nature reserve in Graaf-Reinet and the Baviaanskloof Park near Willowmore opportunities present themselves for promoting partnerships between local communities and the private sector.

Graaf Reinet is currently exporting a significant amount of game meat. The potential of this industry linked in with the hunting, game farming and tourist sector also needs to be explored.

Poverty alleviation

Any local economic development strategy, if it is to address the needs of local people, must be structured at a number of levels and address the different needs of local communities. Thus simply promoting a local economy based on eco-tourism and agriculture without simultaneously promoting strategies which ensure access to basic levels of service provision, housing and poverty alleviation strategies would not necessarily address the developmental needs of the local economy of the Midlands Karoo. It is thus that a regional development strategy needs to be complemented with very localised poverty alleviation strategies. In order to inform such strategies poverty audits should be conducted within all local areas.

Infrastructure development

Developing infrastructure and service must be coupled with strategies to ensure access, this has not happened as access has been accompanied by cost effective strategies effectively limiting the access of the poor. Policies and strategies for ensuring basic levels of services, cross subsidisation and differential tariff structures need to be explored

The western region has benefited significantly from the redistribution of resources through the District Council resulting in relatively higher levels of investments in infrastructure in the region than in poorer areas of the Province. Yet infrastructure development and the extension of services such as water and electricity has not generated the desired multipliers within the region. While there are nevertheless significant backlogs in terms of infrastructure and services promoting public works programmes around infrastructure is unlikely to provide the kind of solution required by the region despite offering temporary relief for a few. Infrastructure projects need to be focussed around specific targeted interventions identified by a regional LED strategy and thus form part of specific development strategies. Infrastructure projects need to be more carefully structured and managed to ensure that local spin offs such as training and SMME development occur. Despite the WDC procurement strategy many in the region expressed dissatisfaction with the extent to which contractors

from outside the region won contracts. Whether their concerns reflect weaknesses in the tender policy and practice or whether the procedures for tendering are not sufficiently understood and met within the region needs to be explored. Tender advice is an important support service that needs to be available to small business interests in the region. A registry of accredited local subcontractors within the region needs to be compiled and continually updated to ensure that the benefits of regional contracts are accrued locally.

Housing projects within the region need to be examined very critically with a view to ensuring that more of the investments around housing remain in the area. There are a number of areas for example where local brick manufacturing is taking place. It is not unreasonable to expect that all houses built in the region could be constructed from bricks manufactured in the region. Where there are currently logjams and problems with quality in the manufacturing of bricks targeted training and support needs to be provided to ensure that the inputs are as far as possible regional. A co-operative around brickmaking could for example be explored as a way of organising brickmakers in the region and ensuring that they access contracts for the regional supply of bricks.

A large scale bulk water infrastructure program through which water security could be increased within the region and thus stimulate manufacturing and agriculture in the region could be explored and form part of a water security strategy for the region.

SMME support

One of the strategic dilemmas facing the region is where and how to structure SMME support. Current economies of scale would militate against promoting SMME support infrastructure in each local area. Where LBSCs or service providers exist in the region they are concentrated in the relatively more stable local economies. The challenge however is to provide SMME support to the region in such a way that services can be accessed by all areas. An idea that has already merged is that of a regional mobile service centre. Clearly, accessing resources to promote such a regional service provider would be more feasible than promoting service providers in each area. Such a mobile unit could act as a regional mobile tender advice centre and small business training and service provider. Linked to all local council offices via information technology such a provider could be available permanently, either online or in the particular area it finds itself in.

A regional LED strategy which would include SMME support would also facilitate co-ordination and streamlining of existing SMME support initiatives. Existing service providers, the department of welfare's poverty alleviation program, the regional SMME desk, NTSIKA etc. could all feed into a regionally co-ordinated program ensuring maximum potential harnessed.

Promoting a Regional Co-operative movement

The possibility of establishing a co-operative movement within the region could be explored as a strategy to support poverty alleviation strategies, the development of small businesses and emerging farmers and entrepreneurs, to break the current monopoly hold on the wholesale sector within the region and thus reduce costs for inputs into a number of economic activities while at the same time reducing leakages out of the regional economy. A co-operative movement is likely to enhance the following:

- Urban agriculture and other poverty alleviation strategies (including provision of inputs for emerging farmers and urban agriculture initiatives)
- Small builders contractors
- Small scale tourism operators
- Craft work
- Micro and survivalist retailers
- Small manufacturers and service SMME's
- Building regional organizational linkages between emerging businesses and farmers.
- If larger scale land reform takes place around irrigable land along the fish river a co-operative would be ideal for promoting and organisational vehicle for the farmers as well as providing lower cost
- Ensuring that local value remains within the local economy

A regional co-operative supporting local spaza shops, small retailers etc would go a long way to ensuring that less value seeps out of the local economies or is creamed off by monopoly wholesalers within the region. A regional co-operative would perform a number of important roles in promoting LED within the region. Co-operatives would also play an important role in strengthening organisational capacity within civil society, promoting 'co-operative' identities in a currently fractured civil society, providing sites for training and other interventions as well as providing a springboard for larger scale entrepreneurs. Emerging farmers, if organised in co-operatives could provide the basis from negotiating partnerships with established farmers particularly if coupled with land reform which would increase the size of the economic farming unit to be farmed collectively by established farmers and emerging farmer co-operatives.

The exact structure form and strategy for promoting a regional co-operative movement would require significantly more investigation within the region. It is clear that currently little organisational capacity within civil society exists that could provide an entry point. Promoting a co-operative movement would in fact contribute to promoting such capacity within civil society.

Proposed feasibility studies

A number of feasibility studies could be conducted in order to move towards identifying elements of a viable LED strategy for the region. Amongst others the following would seem to be important:

- The comparative viability between eco-tourism, farming and agribusiness as viable sectors within the region. These need to be explored in terms of long term sustainability, the extent to which they are able to create significant linkages and employment potential. Most importantly this needs to be coupled with an examination of the potential for promoting newcomers in terms of SMME development, an emerging farming sector as well as potential for community participation in tourism and land reform for example. Agri-business needs to be explored for the potential of promoting agriculture and manufacturing. Existing examples include the potential for expanding venison exports, sugar beet and sugar manufacturing along the Fish river, argaves and tequila distilling in Graaf-Reinet.

- A regional water security study which examines the potential for increased bulk water access to the region, enhancing the management of existing resources, increasing irrigation potential and water availability for manufacturing.
- The potential for wool washing, mohair beneficiation , tanning and leatherwork. While significant work on this seems already to have been done it needs to be examined in terms of the regional potential and viability. A technical feasibility study will be necessary. Every area in the Karoo without exception has identified wool washing as an area of potential, yet no concrete study has looked at the feasibility of locating wool washing in the region. Such a study should identify areas of potential in terms of wool washing and linking in with current wool washing in PE where all washing currently takes place.
- The potential for setting up tanneries using technologies which are not heavily reliant on water and the manufacturing and craft sectors this could provide linkages with needs to be explored.
- A poverty audit of the region to inform concrete regional and local poverty alleviation strategies. This should inform a regional poverty alleviation strategy as part of the regional LED strategy. The potential for urban agriculture as part of poverty alleviation strategy coupled with commonage reform and water security.
- Promoting an emerging farming sector participating in the sugar beet project through Land reform along the Fish river and co-operative development.

Regional LED strategy	LED unit
<ul style="list-style-type: none"> • Sectoral focus ➤ Tourism plan ➤ Co-operative promotion strategy ➤ Manufacturing strategy (including wool/mohair and leather) ➤ SMME strategy • Institutional support • Policies (eg procurement) • Training/capacity building • Infrastructure development ➤ Water security • Project identification 	<ul style="list-style-type: none"> Ecsecc Local Councils Regional civil society Regional farming Regional business

The regional IDP process, co-ordinated by the DC identified 65 development strategies grouped into twelve themes, these include:

- Infrastructure
- Finance/Funding

- Economic Development
- Social Development
- Training/empowerment/Development
- Land Use Management
- Environmental issues
- Holistic planning
- Co-ordination/inter governmental relations
- Management
- Community Participation
- Housing (WDC, 2000)

While all of these are crucial elements of a regional development strategy it is suggested here that they need to be guided by a regional framework/strategy for the region. This would include identifying linkages into existing sectors such as agriculture (through for example exploring the possibility of wool washing, mohair beneficiation, leather tanning etc) and promoting emerging sectors such as tourism. By developing a regional development (LED) strategy, the individual components of such a strategy which include those listed above would be focussed on particular sectors, particular areas and particular target groups.

One of the greatest challenges facing the region is not only being able to leverage resources from outside but also promoting local capacity to receive and sustainably use these investments locally. It is thus of crucial importance to promote civil society capacity building around training and developing organisational infrastructure. Co-operatives, regional associations, small business service providers and the like will be important vehicles for promoting partnerships in the region.

Procurement policies at local government level need to be developed to ensure that tenders remain within the region and promote local SMMEs. Emerging business interests should be promoted through partnerships in procurement etc

Strengthening the bargaining power¹ of farmworkers and extending opportunities through worker equity schemes, co-operatives, land reform and so on would conceivable form part of a regional LED strategy.

Currently government departments (both national and provincial) operate relatively autonomously in the region. Their regional interventions need to be co-ordinated through a regional LED strategy developed at the regional level. Thus for example there are currently a number of SMME initiatives in the region through the departments of welfare, economic affairs and through Ntsika and local LBSC's. Through co-ordination by a regional LED strategy on SMME development the efforts of the various departments could be harnessed into a focussed program with each department tailoring its interventions in line with regional development strategies. Thus the isolated training investments by the department of labour could be likewise focussed around targeted interventions. If a regional co-operative movement gets off the ground then support from a number of departments who currently operate within the region in a relatively uncoordinated way could be concentrated and focussed on developing such an initiative.

An information system within the region that links the DC with all local councils ensures continual information flows within the region and between the region and DC

Project Packaging <ul style="list-style-type: none"> • Investment • Support • Partnerships • Business Plans 	LED unit Ecsecc CIMEC Tourism boards
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Informed by a regional LED strategy and backed up by feasibility studies specific projects need to be identified, packaged and then facilitated. This role would be driven and co-ordinated by the LED.

Implementation, monitoring and evaluation	LED unit Local councils Ecsecc
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This proposal is thus concluded with a core recommendation:

Ecsecc and the District Council generate momentum to begin the process of setting up an LED unit within the District Council in order to establish an LED structure and regional development mandate. It is imperative that regional role-players are part of the process from its inception. A good starting point would be for Ecsecc and the District Council to hold a regional development summit.

Appendices

Appendix1: *Regional SMME Survey*

1.5.1. Introduction

The small business sector within the areas surveyed is generally dominated by a small group of white business people. Through their strategic location within the CBD (often owning the CBD), they inevitably control the local small business sector. There is very little evidence of any emerging businesses making any inroads into the 'established business sector'. There are a number of chambers of commerce (Sakekamers) in the region namely in Cradock, Middelburg, Sommerset East and Willowmore that are inevitably local forums for established businesses representing the small white business sector. As such they are often perceived as gatekeepers of opportunity within the local SMME sector.

1.5.2. SMMEs Potential for LED

Very few businesses in the Karoo are actively involved in the process of creating value. In most cases their economic base is the grants and pensions, or wages from government employees, local government or a few productive local manufacturers. It is ironic that SMME operators are waiting for or looking to economic development as a source for their business expansions. This questions the role of existing SMMEs in the Midlands/Karoo region in terms of LED. With the exception of one or two larger manufacturing enterprises there were very few small businesses that are potential role players in promoting LED. The sad truth is that most of the existing small businesses that operate in the region would be beneficiaries of LED rather than core contributors to LED. Most of the small businesses are survivalist or micro enterprises and thus possess very little capital for investment. Ironically the most important service required for SMME development is the creation of SMME opportunities- the need to create markets.

The following issues are some of the most important facing SMMEs in the study:

- Restricted/limited and saturated markets
- Typical 'township' small businesses (survivalist enterprises) are generally faced by supply problems
- Lack of regulation - street traders competing with formal businesses
- Lack of support from local residents (people do not buy locally)
- Monopoly control by few wholesalers
- Lack of simple and well structured SMME support system - one stop shop.
- Lack of a small business lobby that could for example address the lack of affirmative procurement policy adoption at local government level. This is a problem at the national, provincial, regional and local level.
- SMME sector is generally uninspired. The owner of a guest house in Steytlerville for example expressed frustration at having to "continually stay ahead of the other businesses, always bring something new because it is not long and others are doing exactly the same thing that you are doing" (Interview).

1.5.3. Survey Data

Sector	No	%
Manufacturing	10	22.7
Retail and motor trade and repair services	7	15.9
Wholesale trade, commercial agents and allied services	4	9.1

Catering accommodation and other trade	6	13.6
Transport, Storage and communications	5	11.4
Finance and business services	1	2.3
Community social and personal services	10	22.7
Agriculture	1	2.3

The sample for the survey was determined independently for each sample site. The following factors guided the sampling process:

- Contribution to the local economy
- Representivity of local economic sectors
- Geographical representation within the locale (township, CBD and other business nodes were identified).

1.5.4. Demography of respondents

Most respondents were male (31 respondents or 67.4%) with a third being female (15 respondents or 32.6%). Very few youth are involved in small businesses, with only 2 respondents (4.3%) indicating that they were under 25 years of age. There were however a significant number of older people who were involved in small businesses. Twenty-six respondents (55.3%) were older than 45 years old, with nineteen (40.4%) of the respondents aged between 25-44 years old. This is perhaps a reflection of the generally aged population of the survey sites. Most respondents spoke Afrikaans as their home language (26 respondents or 55.3%) followed by Xhosa (14 respondents or 29.8%) and English (7 respondents or 14.9%). Of all the businesses sampled nineteen (42.2%) were established before 1990. Of the remaining twenty-six (or 58.7%) small businesses 18 (or 40%) had been established after 1994.

1.5.5. Employment

Most small businesses employ family members with 31 respondents (66%) indicating that family members were employed by the business. Of those who employed family members in their business twenty (64.5%) employed two or less family members.

A total of 35 respondents (74.5%) employed people other than family members. Of these 48.6% hired 5 or less employees. Very few small businesses employed more than ten people (13 or 31.4%), only four employing more than 20 people and only one more than 50. The majority of businesses in the survey are micro with a few medium enterprises. This reflects the pattern for the Karoo as a whole.

1.5.6. Organised Business

Very few small business operators belong to any form of business association or chamber of commerce with 13 respondents (28.5%) indicating that they were members of business organisations.

A fair number of small business operators were aware of small business service organisations, with 18 (or 46.3%) suggesting that they knew of small business service providers. Most of the service providers identified were from Port Elizabeth or the larger towns where small business service providers exist. Although people were aware of service providers they were not making use of their services (as they are often inaccessible). However, when asked whether they would make use of the service of a small business service provider if one were established the overwhelming majority of small business people indicated that they would (41 respondents or 95.3%). By far the largest number of small business people suggested that they would make use of training for themselves and their employees (88.1%) followed by financial (61.5%) and technical services (60.5%) (see table below).

Table 18: If an LBSC was established what type of services would you make use of?

	No	%
Financial	24	61.5
Technical	23	60.5
Training	37	88.1

Training is an important issue for local small business people. Forty respondents (90.9%) thought that training was very important, while only one respondent suggested that training was not important for the development of small businesses. When asked whether they would make use of training facilities if an LBSC was established thirty-seven respondents (90.2%) said that they would. The table below indicates that general business skills would be most popular when it came to training courses (16 respondents or 48.5%) followed by technical training (7 respondents or 21.%) and financial skills (6 respondents or 18.2%).

Table 19: What type of training would you make use of if available?

	No	%
Financial	6	18.2
Costing	1	3.0
Build customer base	1	3.0
General business skills	16	48.5
Technical skills	7	21.2
Public Relations	2	6.1

Almost all, small business operators indicated that they would be prepared to pay a fee for the services which they would receive from a LBSC (97.4%). When asked about their perceptions of business in general, respondents suggested that local small business people were in greatest need of basic business/management skills (19 or 55.9%), followed by financial services (7 or 20.6%). Significantly, training did not score very high when respondents were asked to identify the needs of other businesses. This contrast in perceptions between ones own business and that of others perhaps reflects the lack of interaction between small business people in the area surveyed.

Table 20: What are the most important services which small businesses in your area require?

	No	%
Basic business/management	19	55.9
Administrative and business planning	2	5.9
Financial	7	20.6
Human resources	1	2.9
Technical training	3	8.8
Marketing	1	2.9
SMME opportunities	1	2.9

The majority of respondents indicated that they would like to see an LBSC established in the local TLC area (36 respondents or 83.7%) while very few (7 respondents or 14.9%) thought a regional LBSC in the Karoo would be more suitable.

1.5.7. Clients and Markets

Almost 90% of small business people indicated that they served local markets. A number of businesses complement their local business focus with export markets with nine respondents (19.6%) suggesting that this was the case.

Table 21: Where are your Markets?*

	No	%
In my town	40	87.0
In the district	17	37.0
In Eastern Cape	11	23.9
South Africa(outside Eastern Cape)	11	23.9
Outside SA	9	19.6

* Note because of multiple responses the totals will be larger than 100%

The clients of most small businesses in the Karoo are individuals. Thirty-three respondents (73.8%) suggested that individuals constituted more than 50% of their customers. Just under half of small businesses had customers from the farming community (20 respondents or 42.6%).

However, the volume of turnover derived from the farming community was relatively low suggesting that small businesses are not dependent for their livelihoods on local farming. Of those businesses which indicated that they had customers from the farming community 50% (ten respondents) derived 15% and less of their turnover from the farming community, while very few suggested that the farming community constituted more than 30% of their business (3 respondents or 15%). Twenty-two respondents (66.8%) had other small businesses as their customers. They however constituted a relatively minor part of business with 17 respondents (77.3%) indicating that other small businesses made up less than 50% of their customers.

Only a few small businesses identified government as clients. 13 respondents (or 27.7%) indicated that government was a customer of theirs. Even fewer small business people (11 respondents or 23.4%) identified big businesses as forming part of their customers.

The main customer base is, thus, the private individual with some farmers and other small businesses constituting significant customers.

Most small businesses did not have any problems with building up a customer base with 43 respondents (91.5%) suggesting that this was the case. However almost one quarter of respondents (23.3% or 10 respondents) admitted that they needed help in order to build up a customer base. Very few of the businesses interviewed seem to be in a monopoly situation with 39 respondents (84.8%) identifying local businesses which competed with them.

While the general economic mood of the region surveyed is one of despair, the small business sector does not seem to be too hard hit with only two respondents (5%) suggesting that competing businesses were decreasing. Seventeen business people (42.5%) indicated that competing businesses were increasing, while twenty one respondents (52.5%) suggested that their local economies were stagnant with the number of competing businesses staying the same.

	Increasing		Decreasing		Staying same	
	No	%	No	%	No	%
Number of competing businesses	17	42.5	2	5	21	52.5
Turnover	21	48.8	9	20.9	13	30.2

The constraints to SMME success elicited a wide range of responses. For the purposes of this report, the range has been condensed into the following table. The truth of the matter is, however, that far more obstacles exist, than even local small business people are readily aware of.

The entire context of LED outlined in this section of the document, reveals in discussion topic after discussion topic, that the factors marshalled in opposition to the potential for SMME development are enormous, varied and complex.

	No	%
Unemployment/weak economy	8	20
Informal sector	2	5
Lack customer base	2	5
Running out of stock	4	10
Business fluctuates	2	5
Finance	7	17.5
Competition	4	10
Lack contracts	1	2.5
Low labour productivity	2	5
People do not pay accounts	3	7.5
High interest rates	2	5
Lack marketing capacity	1	2.5
Theft	1	2.5
Land access	1	2.5

1.5.8. Enabling Environment

The majority of small business operators did not know of any legislation which had a negative impact on their businesses (33 respondents or 75%). Respondents were asked what various spheres of government could do to assist them in their small business ventures. The table below gives an idea of the range of responses and frequencies of various responses to various spheres.

	TLCs		Provincial		National	
	No	%	No	%	No	%
Help access finance	8	21.1	-	-	-	-
Support SMMEs locally	8	21.1	14	40	8	24.2
Market business/town	6	15.8	2	5.7	1	3
Create jobs	4	10.5	4	11.4	4	12.1
Regulate/restrict informal sector	3	7.9	2	5.7	4	12.1
Nothing	3	7.9	5	14.3	5	15.2
Business hive/provide business land	2	5.3	-	-	-	-
Lower site tariffs	1	2.6	-	-	-	-
Help SMME with tenders	1	2.6	1	2.9	-	-
Lower rates and taxes	1	2.6	1	2.9	1	3
Upgrade infrastructure	1	2.6	-	-	-	-
Business centres (NB)	-	-	1	2.9	-	-
Training	-	-	3	8.6	5	15.2
Provide basic infrastructure	-	-	2	5.7	1	3
Crime prevention	-	-	-	-	2	6.1
Keep current lending laws intact	-	-	-	-	1	3
Ensure pensions are paid	-	-	-	-	1	3

National government	10	26.3
TLC	9	23.7

Small business people themselves	9	23.7
All levels of government	6	15.8
Provincial government	2	5.3
LBSC	2	5.3

1.5.9. Access To Finance

The majority of small business people in the Karoo do not think that small businesses have sufficient access to capital with 24 respondents (or 77.4%) indicating that they thought this was the case. The current problem of financial access to capital by small businesses is borne out by the survey. Very few small businesses (7 or 17%) fall within the micro loan category. Almost half of all businesses started up with capital between R1 000-R5 0000, the intermediary lending sector which is currently too risky for most of the main stream finance institutions. This is the sector where financial support to small businesses is likely to have the greatest impact.

Table 26: How much capital required to start the business?

	No	%
0-1 thousand	7	17.1
1-5 thousand	5	12.2
5-10 thousand	3	7.3
10- 50 thousand	12	29.3
50-100 thousand	2	4.9
More than 100 thousand	12	29.3

That current small business finance institutions are not playing a major role in small business finance is reflected in the table below. The SBDC and the ECDA together funded 10% (4 businesses) of small businesses sampled.

Table 27: Where did you access the funds to start your business?

	No	%
ECDA	3	7.7
Family	5	12.8
Bank loan	11	28.2
Previous business	4	10.3
Savings	10	25.6
SBDC	1	2.6
Retirement package	1	2.6
Donors	2	5.1
Private investors	2	5.1

1.5.10. Local Relationships

A large number of respondents interacted with large businesses. Thirty-three respondents (or 73.3%) indicated that they interacted with big businesses. However, in most of these cases small businesses bought services or goods from the bigger businesses (25 respondents or 75.8%). This would suggest that rather than creating opportunities for smaller businesses the larger businesses are using the smaller businesses as markets. In fact, when asked whether larger companies supported local smaller businesses by far the majority suggested that this was not the case (34 respondents or 81%). Small businesses did though have a number of suggestions as to how larger

business could support small businesses (see table below). The significant number of small business people requesting that larger businesses reduce their prices reflects the current reality where a number of medium sized distributors monopolise supply and therefore prices.

	No	%
Partnerships	6	21.4
Sourcing from local SMME's	6	21.4
Lower prices	11	39.3
Donate money to SMMEs	2	7.1
Advertising	1	3.6
Share skills advice	1	3.6
Give credit	1	3.6

In general, small business people in the Karoo do not see their TLC supporting the interests of small businesses. The view of 24 respondents (60%) was that the local TLCs did not support the interests of small businesses. This reflects the general trend within the region where TLCs have not formulated any kind of local small business support policies and have not as yet adopted SMME directed procurement policies locally.

	No	%
Buy from/ outsource to small business	5	38.5
Funding premises	1	7.7
Loans	1	7.7
Regulate/restrict informal sector	2	15.4
Access finance	1	7.7
Keep town clean and	1	7.7
Create jobs	1	7.7
Lower rates/taxes for SMMEs	1	7.7

Less than half of the respondents identified ways in which the local TLC could support the interests of small businesses. Those who did, focussed mainly on the TLCs buying more/outourcing from local small businesses.

1.5.11. Household incomes

Small businesses, where they occur, are the most important source of household livelihoods. Almost three-quarters of respondents (73%) indicated that their businesses were the main source of their household incomes. The importance of small businesses for securing household (and family) livelihoods is reflected in the employment patterns where 31 respondents (66%) indicated that family members were employed by their businesses.

	No	%
This business	30	73.2
Salary elsewhere	7	17.1
Income other members	1	2.4
This business and salary	1	2.4
This business and income from other members of household	1	2.4
Salary elsewhere and other household members	1	2.4

	No	%
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Less R500	5	14.3
500-999	3	8.6
1000-2500	15	42.9
2500-4999	6	17.1
5000-9999	1	2.9
More than 10000	5	14.3

1.5.12. Local Economy

SMME operators who participated in the survey were asked which economic sectors they thought had no economic potential and which they thought had the greatest economic potential. It is significant that there are a fair number of SMME operators who think tourism has no potential and a fair number who do think that tourism has potential.

It should be recognised from the nature of responses recorded below, that SMME protagonists do not always evidence sophisticated understanding of the very notion of LED itself. That such a significant proportion of respondents relegated tourism to the dump heap of LED, reflects more on local small business perceptions of access to opportunity, than on the potential of tourism itself.

	No	%
Tourism	13	27.7
Finance	10	21.3
Informal sector	10	21.3
Services	9	19.1
Craft manufacture	9	19.1
Manufacturing	7	14.9
Construction	6	12.8
Retail/Wholesale	4	8.5
Agriculture	3	6.4
Government	3	6.4
Transport	2	4.3
Small business	1	2.1

Respondents were asked to identify which three sectors they thought had the greatest potential within their region. The table below suggests that most respondents chose tourism as the sector that they thought had the greatest potential. However agriculture was identified overall as the sector with the greatest economic potential.

	First	Second	Third	Combined
Manufacturing	18.6	9.5	7.3	11.9
Construction	4.7	19.0	12.2	11.9
Retail/wholesale	7.0	9.5	4.9	7.1
Tourism	23.3	11.9	9.8	15.1
Services	2.3	4.8	4.9	4.0
Craft manufacture	2.3	4.8	7.3	4.8
Transport	-	4.8	19.5	7.9

Agriculture	20.9	19.0	12.2	17.5
Government	16.3	2.4	7.3	8.7
Finance	4.7	9.5	2.4	5.6
SMMEs		2.4	12.2	4.8
Informal sector	-	2.4	-	-

1.5.13 Assessment

Only 1% of the sample population relies entirely on SMME opportunity for household income. Thus engagement in SMME activity would appear to be just one avenue among multiple livelihood strategies. Those that do, acknowledge that, their client base resort to government grants and pensions to sustain their purchasing power. To small businesses, the alternatives available are predominantly located in spheres outside their field of accessibility or entrepreneurial expertise.

SMMEs surveyed are more likely than not, to employ immediate family members. Their potential to contribute to job creation wider than this is most probably going to be in the area of manual labour. Issues of low remuneration and fragile job security result.

The implications for LED strategies should not discount the clear tendency in the research area for small business to extract the maximum mileage out of an already very restricted asset base. That so few interviewees even recognise the potential for importing a market, as tourism would, indicates the extent of impoverishment.

That so little SMME activity is dedicated to manufacturing or processing of raw materials, likewise contributes to the sectors relatively marginal status, even when compared to the small and micro nature of established white business concerns.

Whereas in other areas of the province and indeed the country, policy encourages the establishment of co-operatives, in the Midlands/Karoo sample of this research effort, little evidence was discovered of any significant potential for going to scale.

The one type of new SMME-intervention, micro-lending, identified among more general observation of the locations visited, is open to unscrupulous business practices. The 'skopper' phenomenon is indeed alarming.

Challenges for the SMME sector in the region, therefore, include the following:

- Extending currently narrow focus (diversity) of SMMEs
- SMME support - financial and non financial support (regional/local support infrastructure)
- Promotion of market accessibility external to the region
- Promoting value creating as opposed to value distributing SMMEs
- Promoting regional SMME interest groups (chambers etc)
- Dealing with 'skoppers' (informal credit which skims value from welfare incomes)
- Local/provincial etc procurement policies sourcing
- Locally Community based businesses (around eco-tourism needs to be explored)