MECHANISMS AIMED AT SOCIO-ECONOMIC DEVELOPMENT AT THE LOCAL LEVEL IN NORTH AMERICA AND BRITAIN[1]

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The role of local governments in economic and social development is not well defined in South Africa. This article examines the promotion of economic and social development by local governments and other local organizations in North America and Britain.

There it is general practice for local governments to be involved in promoting economic development, usually as facilitator, negotiator and coordinator. Private-public corporations are often utilised for this purpose. Activities vary from neighbourhood revitalization to harbour and airport construction. Regional planning organizations coordinate activities and monitor social and economic indicators.

The degree of success of local government efforts at development is not clear. These efforts often fail to help the really poor and may even displace them. For this reason it is accepted that local governments also have a responsibility towards social development.

In Suid-Afrika is die rol wat plaaslike besture in sosiale en ekonomiese ontwikkeling speel onduidelik. Hierdie artikel ondersoek plaaslike besture se rol in die verband in Noord Amerika en Brittanje.

Dáár word dit algemeen aanvaar dat plaaslike besture leiding moet neem in ekonomiese ontwikkeling as fasiliteerder, onderhandelaar en koördineerder. Privaat-publieke korporasies word dikwels ingespan om ekonomiese ontwikkeling te bevorder. Hulle aktiwiteite wissel van buurt hernuwing tot die bou van hawens en lughawens. Organisasies vir streekbeplanning koördineer aktiwiteite en monitor sosiale en ekonomiese indikatore.

Daar is meningsverskil oor die graad van sukses van plaaslike besture se pogings tot ontwikkeling. Dit bevoordeel dikwels net die ryker mense, en mag selfs armer gemeenskappe ontwortel. Daarom word dit aanvaar dat plaaslike besture 'n spesiale verantwoordelikheid vir sosiale ontwikkeling het.

1 INTRODUCTION

The role of local governments in South Africa is not clearly defined in the various municipal ordinances which regulate the management of municipalities and they give no indication as to the responsibility of a local government towards the social or the economic welfare of the community. Yet many local governments do undertake projects, geared towards economic development, and most decisions of local councils influence the welfare of the community.

In contrast, the promotion of economic development by local governments and other local organizations is a generally accepted practice in the USA, Canada and Britain. Much is being done in this field, systems are well documented and much research is being undertaken to verify the degree of success of present schemes (Blakely 1989; Howland 1990; Kane & Sand 1988; Rubin and Wilder 1989; Sheldon & Elling 1989). Bergman (1986:1) asserts that *'it is now widely accepted that economic development has taken its place among the principal policy activities carried out at state and urban levels.'* Mier, Moe & Sherr (1986) point out the interdependence of municipal reform, progressive strategic planning and economic development with reference to the implementation of development policy in Chicago.

In Canada the Federal Government supports local economic development on a massive scale - in the 1988-89 financial year $118 million was budgeted for this purpose[3].

As there is much talk of devolution of power and greater responsibility for local governments, a study of the North American and British experiences should produce valuable information for possible application in South Africa. Naturally the differences in the economies and types of government between these Western countries and South Africa must always be borne in mind.

2 SOCIAL vs ECONOMIC DEVELOPMENT

An important question to be answered is whether local governments should be concerned only with the rendering of services and whether they should also indulge in economic development? Also of importance is the way in which economic development is pursued, that is, purely economic or development biased towards the upliftment of economically disadvantaged groups.

Several authors indicate that official efforts at local economic development, if they are 'successful', measured by a purely economic yardstick, often boost the incomes of the 'not so poor', and may even displace the poor, rather than improve their welfare (Newman, Lyon & Philp 1986:34; Robinson 1989, Schmidt 1988).

This type of development, which favours the rich, is often justified by the argument that *'a rising tide floats all ships'* (Beauregard et al. 1983), and/or the expectation of the 'trickle down' effect (Blakely 1989:59). However, experience indicates that the rich benefit proportionately more than the poor. The question therefore is, how can the poor be helped to be more competitive?

Boothroyd (1989) states that North America community economic development (CED) theorists and practitioners tend to overlook the relationship between economic development and social development, particularly the importance of the latter to the former.

There are of course many exceptions to this statement. In North America and Britain local economic development over the last two decades has mainly been aimed at countering deteriorating conditions in inner urban areas, and that this development actually entailed much more than purely 'economic development', say as defined by an increase in mean per capita income, or number of jobs created, or capital invested. It is generally accepted that improvement in welfare, measured by standard of education, health and welfare facilities, and housing, are as important as an increase in income and/or number of jobs created.

Development therefore does not only mean an increase in per capita income or in the gross national product. It is essential that poor and under-privileged people benefit from development, in fact, for lasting improvement they should benefit proportionately more than the well-to-do.

As the poor are usually badly housed and served by inadequate educational and health services, they are handicapped in the race for economic improvement. It is therefore futile to look only at the role of local governments in local economic development without also looking at their role in social and educational development.

3 INFLUENCE OF NATIONAL ECONOMIC TRENDS

Perspectives differ on the extent to which micro-economies can successfully counteract negative regional, national or international economic trends. Cunningham and Kotler (in Newman et al 1986:11) argue that, in the US context, there are cities which will not surmount their growing poverty and social pathology without a new kind of city-initiated economic development: one in which local governments become the primary initiators, organizers and risk-takers. According to these authors, city governments may lack sufficient power, capital and other resources for large-scale development, but they are the governmental units with the incentive to do the job; moreover, they are the major unifying instruments of power which are at the disposal of community forces.

4 JOB CREATION vs HOUSING

It is much debated as to what should come first, job creation or housing, and to housing can be added social, educational and health facilities.

Blakely (1989:59) places a high premium on the creation of job opportunities. He says that 'local development has one primary goal, which is to increase the number and variety of job opportunities available to local people'. In this respect he quotes the Corporation of Enterprise Development:

> 'Previous economic development theories and program efforts have relied too heavily on a belief that the benefits of economic growth and expansion will "trickle down" to improve conditions of the poor. They have separated macro-economic policies and maintenance programs into two separate and distinct camps, and they have focused almost exclusively on trying to remedy perceived "defects" in the poor - inadequate education or skills, weak community supports, lack of motivation - and ignored the very real, potent barriers in the structure of opportunities the poor confront on the "demand" side of the labor market equation.'

From this it seems as if Blakely regards job creation as of more importance than social development. One must remember that he writes about a country where substantial social benefits for the poor and unemployed exist. Neamtan (1989) stresses the importance of adult education and retraining in the Pointe Saint-Charles Community economic development in Montreal, Canada. She stresses the fact that in this declining suburb, many of the inhabitants are ill equipped and under-educated to compete in the labour market[4]. New jobs often require higher skills: this may in many cases result in local inhabitants not benefitting from the newly created jobs as they may be displaced by skilled workers from elsewhere.

In contrast to North America the pool of skilled labour is small in South Africa, and a large percentage of people are poorly educated and live under very unsatisfactory conditions. Social development will thus be of more importance here.

5 COMMUNITY ECONOMIC DEVELOPMENT (CED)

As used in the literature, the concept 'community' can refer to a small area such as a suburb or neighbourhood, or it can refer to a larger area such as a town or rural area. Concerted efforts by a community, be it by its own initiative, or the initiative of a higher body, is usually referred to as community economic development.

The objective for community economic development, as described by Boothroyd (1989), is also applicable to a local government: *'Whether CED is practiced in hinterland resource towns, urban ghettos, obsolescent manufacturing cities, or aboriginal reserves, the objective is the same: to take some measure of control of the local economy back from the markets and the state.'*

Boothroyd describes three approaches to community economic development. The 'planned growth approach' accentuates growth at all costs, through the community becoming a more effective competitor for investment and marketing in the larger economy. Other possible community goals, such as stability, sustainability, equity and quality of working life, are seen as irrelevant to CED.

In the 'structural change approach' growth is not an assumed goal - of more importance are stability and independence.

A community can be stable and independent, but exploitive. In the 'communalization approach' the aim is to improve production and distribution functions in such a way that the economy is more just. The elimination of marginalization and exploitation of women, minorities, immigrants and disabled people are priorities.

All three these approaches may be present in a single town. The business community may prefer fast economic growth, the upper income groups may prefer stability, whereas the lower income groups, and especially any section of the population disadvantaged by the political or economic system, would want to see development bringing greater equity.

6 NORTH AMERICAN OBSERVATIONS

6.1 Municipal level

Almost every American city with more than 70 000 inhabitants has a special department or section for the sole purpose of promoting economic development (Robinson 1989; Kane & Sand 1988:1). The goals, format and size of these organizations vary greatly. In one area there may be several layers of organizations of this kind, from neighbourhood level, to local government level, sub-regional (one or more cities and the county), and regional level (a river system or group of cities) and even state level.

Blakely (1989:57) states that there is increasing recognition that, whatever national economic strategies are pursued to stimulate the economy, no community can depend on these measures alone. Often the combination of national economic interest and the motivations of multinational firms do not coincide with the needs or interests of local communities, workers or disadvantaged segments of the community. According to Blakely communities must put themselves in a position to market their resources intelligently and to gain competitive advantages by creating new firms and maintaining their existing economic bases. All local government actions have an impact upon private decisions. Even local governments restricting their activities to the traditional housekeeping services, have affected economic development in their communities, if only through their passivity (Blakely 1989:59).

Most economic development efforts are undertaken at the municipal level - often with state or federal funds. There is considerable debate as to whether a development organization at municipal level should be an 'in house' department, or whether it should function outside the constraints of public control (Knack 1983). The Department of Planning and Economic Development of St Paul is an example of an 'in house' development organization (Bellus 1983) and the Philadelphia Industrial Development Corporation is an example of an organization created jointly by the municipal government and the Chamber of Commerce to function independently (Adell 1983)[5]. In the case of organizations initiated by city councils, the mayor or city council usually appoints the directors, who may include local city councillors, or be drawn solely from the business community.

The scope of such organizations can vary greatly, from marketing the CBD (Wilmington Partnership 1987) to undertaking all major redevelopments (Portland Development Commission (PDC) 1989). Cities are usually also active in urban renewal, not only of housing areas, but also of other zones and historic areas. A characteristic of most organizations is that they try to cooperate with the business community, *inter alia* through joint ventures.

A good example of a public-private corporation active in local development is the 'Wilmington Partnership', in Wilmington, Delaware (population 71 000). The nine-member board, consisting of councillors and business people, is appointed by the Mayor. The Board directs a network of development organizations, which includes the following:

* Department of Real Estate and Housing which *inter alia* designs and finances residential and commercial development projects and housing rehabilitation projects.
* Wilmington City Housing Corporation provides low interest loans to developers and to first time home buyers.
* Wilmington Home Ownership Corporation purchases, rehabilitates and sells vacant substandard houses to make them affordable for below average income households.
* Wilmington Economic Development Corporation controls a small business development corporation, and Downtown Wilmington Improvement Committee, which promotes the CBD, and encourages general activity in the CBD by *inter alia* organizing exhibitions and fairs.
* Wilmington UDAG Corporation finances major economic developments.

The Portland Development Commission (PDC 1989) is an example of a development organization with specific development functions and undertakes development projects on its own or in conjunction with private developers.

The goals of such organizations may include one or more of the following:

* To reduce unemployment;
* To increase quality job opportunities;
* To increase per capita income;
* To lower commercial and industrial vacancy rates;
* To increase the regional retail market share (of the area);
* To retain or increase the retail market share in the downtown area;
* To increase business and industrial development and expansion;
* To participate in regional and state economic planning efforts, because development at the local level is tied to the success of both region and state.

To achieve these aims the actual actions may include some or more of the following:

* Site and infrastructural development for industrial parks;
* Marketing of industrial areas, and recruitment of new firms;
* Capital improvements such as parking facilities;
* Business assistance through the provision of services to businesses, especially in the CBD (that may include marketing and information services to attract new business, and help to retain existing businesses);
* Creation of small business development corporations, mainly for financing of small businesses, but also for training and information services;
* Encouragement of local buying by creating information services that bring local suppliers and buyers together;
* Streamlining of building permit processes;
* Streamlining business licensing and regulatory procedures;
* Housing and urban renewal;
* Funding for home rehabilitation loans;
* Downtown development through creation of 'downtown commissions', parking programmes, cre-

ation of downtown retail management programmes (reduction of retail vacancy rate and promotion of a more effective tenant mix), urban renewal, conservation of historic buildings and urban precincts.

Economic development organizations are very closely watched, to ensure that they do not compete with the private sector. That is, they act as promoters and facilitators rather than as businesses. However, larger cities often participate actively in projects such as the development of convention centres, wholly or partially financed by the city council. Such developments are usually initiated and controlled by the development corporations described above.

The role of non-profit development organizations is much debated in the USA. The rationale for their existence is that they are free of the fetters that bind governmental organizations. On the other hand they do often work with public money and some people feel that they should be more answerable to the public.

6.2 Neighbourhood and community level[6]

Much was done in the early eighties in the field of community economic development (CED) (Newman *et al* 1986; Neamtan 1989; Teitz 1989). The origin of voluntary and spontaneous groups propagating community or neighbourhood development is mostly related to socio-economic problems in such communities. Declining residential and mixed use areas are generally singled out for such community activity.

In some cases community organizations were started through the initiative of local authorities, but in most cases the inhabitants themselves took the initiative. From the literature it appears that local initiative is essential if an organization is to be of any value. That is, 'bottom up' action is necessary. The purpose of local action usually is to rehabilitate an area and to improve social conditions, without gentrification setting in.

According to L M Gardener (Simmonds & Joli-Coeur 1989) *'community economic development strategies begin by locating where money is leaking out of a poor community - through rent payments to absentee landlords, clothing and food purchases in stores owned by nonresidents, health care services that do not employ residents - and attempt to stop the leaks by building community-controlled institutions.'* This underlines the notion that the solution to the problems of such areas lies within the area. Often community development action relies on external funding to create new jobs and new social and educational facilities.

There are diverging viewpoints as to the viability of development organizations at neighbourhood or community level. On the one hand there is strong support in the literature for neighbourhood economic development in the USA and Canada (Newman *et al* 1986; Neamtan 1989). Mayer (1988:14) holds that 'neighbourhood development organizations *made considerable progress in carrying out the development projects they proposed.'*

On the other hand Teitz (1989) maintains that *'neighbourhoods are deeply vulnerable to economic forces outside the control of their residents.'* He suggests that *'poor neighbourhoods should form coalitions in order to mobilize political and financial resources in order to improve their residents' chances of employment'*, that is, the employability of residents should be improved through education and training, and by improving access to employment areas.

Newman, Lyon & Philp (1986) say that opponents of community economic development argue that spatial targeting creates economic inefficiencies and suboptimal use of scarce resources. In relation to urban areas, moreover, it is argued that some residential and non-residential sectors are redundant; that deterioration and even abandonment of some neighbourhoods may be necessary corollaries to rebuilding others; and that 'shrinkage' is inevitable. If this argument is true, and it sometimes is, it underlines the dangers inherent in the artificial propping up of non-viable areas by the central government, and it offers an even more cogent reason for communities to try to improve their own lot, or, at least to try to decrease the negative effects of decline.

There is also a debate, following on the issue of optimal use of space, on whether community development should be people-oriented or place-oriented. A decade or so ago it was practice to physically upgrade declining areas, which usually meant that the inhabitants were displaced. This type of place-oriented development, which was very much in vogue in the sixties and seventies, inspired by Le Corbusier, is now not acceptable any more, in any case not for government sponsored development. People-orientation is now regarded as of much more importance.

However, there are many cases where the inhabitants of a neighbourhood are threatened by normal economic forces, such as a land use change, or by social factors such as an increase in crime and drug abuse. In such cases it is hardly feasible to tell the community that it is redundant. It may be more expedient for the authorities to let normal economic forces do their 'dirty work' for them, or, the authorities may really not know how to solve the problems of the community. In all these cases it seems logical that the community should get together to see what they can do to improve their situation. For this very reason community groups in the fast growing informal neighbourhoods of South African cities are becoming very important actors in planning and development decision-making structures.

Newman *et al* (1986) have made a thorough study of community economic development. According to them community economic development is both a movement and a process designed to marshall human, physical and financial resources to:

* Integrate economic and social development at the community level;
* Improve the community's environment, quality of services, and capacity to address its own socio-economic problems;
* Stimulate self-sustaining, socially responsible economic growth;
* Direct change and capture investment returns for the benefit of the community;
* Engage in bottom-up planning and decision-making;
* Promote community self-determination, control over basic economic decisions such as employment, investment and location;
* Encourage collective self-reliance;

* Develop organizations that are responsive and accountable to the community.

Community economic development is perceived to be most relevant to marginal or distressed communities (Newman *et al* 1986:26). Mayer (1984:16-20) made a thorough study of neighbourhood organizations and community development and determined a series of factors which influence the success of such organizations. Some of his findings are:

* Action should be headed by a skilled executive director familiar with community development;
* A strong and dedicated project team;
* Enjoy support from community and good relations with local government;
* Have access to competent technical assistance;
* Have reasonable funding;
* Project outputs must be affordable to low-income residents;

The most deleterious impacts are rising interest rates and a declining national economy, conflicts with City Hall and inadequate bookkeeping. He found that housing and community development projects were more successful than commercial and economic development work. Community groups should be careful not to select large and complex projects, but rather projects that fit their particular circumstances and overall areas of expertise (Mayer 1984:19).

6.3 Community economic development in Canada

According to the Economic Council of Canada (1990), an official government organization, Canadian communities have been more successful at economic development through local action, than have centrally directed top down programmes. The Canadian government strongly supports what they call 'the community economic-development' approach.

6.3.1 Rural areas

Community economic development in the rural areas of Canada has a long history. There are basically two types of organizations, co-operatives and rural development organizations.

The cooperative movement started in the 1920s with marketing as well as adult education and community development as its main aims. The Antigonish cooperative movement is the best known. Most of the members are farmers and fishermen. The total membership of co-operatives is nine million, with assets exceeding $45 billion (Newman *et al* 1986:27).

There are a number of rural development organizations following different models. It seems as if their main thrust is to promote economic development through economic stimulation. Newman *et al* (1986:28) quote the findings of a study group on the motives of the community movement in the rural areas of Canada as:

> 'Communities want a much greater say in the economic decisions which affect their lives and access to resources to build their future ... They want to leave behind their dependency on unilateral decisions made in distant corporate boardrooms ... Community and worker owned co-operatives and development corporations are more responsive to community needs, are job-intensive and give people greater say in their economic future...'

6.3.2 Urban areas

There seems to be strong community feeling in the French-speaking cities of Canada, that is in the province of Quebec. As a large percentage of the population belongs to the Roman Catholic Church, the inhabitants of parishes were unified with common community problems and goals. Community groups developed from these parishes.

At least three well known community groups are active in socio-economic development in Montreal, i.e. Pointe Saint-Charles, Community Economic Development Centre of Grand Plateau (CDEC-GP) and Hochelaga-Maisonneuve (PAR-HM)(Simmonds & Joli-Coeur 1989).

Montreal, as the largest city in Quebec, is a typical industrial harbour city, and has experienced, as with other world cities, the same changes since the Second World War, that is, the character of shipping and industries has changed, leaving many areas, and people, ill equipped to deal with modern trends. This inevitably leads to the decline of the harbour area and other industrial areas, and results in unemployment for many people living in such areas. In the late seventies it became fashionable to redevelop such areas mainly for upper income group housing and tourism. These redevelopments not only left the poorer inhabitants homeless, but also left them still unemployed, as they were not qualified for the newly created jobs in the redeveloped areas.

Programme Economiqe de Pointe Saint-Charles (PEP) is a typical example of an active neigbourhood organization. It was created in 1984 to deal with a particular situation in the Point Saint-Charles industrial harbour area of Montreal (Neamtan 1989). Formerly a traditional working class area, it had become characterized by land speculation, deterioration of buildings and infrastructure, some gentrification and a lack of jobs for local residents (Simmonds & Joli-Coeur 1989). PEP is controlled by a board of 14 directors, representing inter alia business, community groups and residents. It is funded by the Province of Quebec Development Organization, and from membership fees and donations.

The overall goal of PEP is to *'rebuild motivation, confidence and determination within the community'*. This is achieved by re-education of the residents through adult literacy programmes; information sessions for setting up small business; redevelopment of older industrial buildings for small business, light industry and incubator centres and campaigning and legal action to prevent gentrification. Nancy Neamtan, Director of PEP, commented that one of the main problems is the low level of skills and education of the inhabitants and therefore their inability to compete for employment. In some families unemployment has been a way of life spanning several decades.

6.4 Structured neigbourhood groups: Atlanta Georgia

Whereas most of the community development organizations mentioned in the literature are informal organizations, or public-private partnerships, at least one US city has introduced official community group representation. Atlanta introduced neighbourhood planning units to improve community participation, and thereby the quality of input

into the planning and development system (Claassen 1987:31).

The city is divided into 24 'neighbourhoods', with about 40 000 inhabitants each, called 'neighborhood planning units' (NPUs). Each unit writes its own constitution, and is represented by people elected from the neighbourhood. Neighbourhood planning units actively participate in planning and development decisions and contribute towards the annually prepared development plan. According to reports these units make a substantial and responsible contribution to the development process. A special officer in the mayor's office acts as a link between the city bureaucracy and the NPUs: this ensures that NPUs have free and quick access to data.

In the case of Atlanta, neighbourhood planning units are, however, not development organizations, but rather pressure groups, whose aims are to ensure that all parts of the city get a fair deal from City Hall.

6.5 Development and strategic planning

In some of the more progressive local governments in the USA and to a lesser extent in Britain, a system of 'development planning', also called comprehensive planning, has been introduced. In short this means that the local government annually determines long and short term aims and objectives, and decides on the means and methods through which these are to be achieved. In preparing the budget, the amounts that will go to each project, and thus each area of the city, are determined and measured against the degree to which the project helps to achieve the aims and objectives of the community.

In Atlanta Georgia this development planning follows an annual cycle, with several types of and occasions for public participation. The system is time-consuming and involves extra costs, but it ensures that a substantial proportion of the population is aware of the municipal programmes, where their tax money is spent, and of what the aims and objectives of their local government are. Systems of a similar nature are followed by the cities of Beaumont, Texas, and the Metropolitan Government of Nashville and Davidson County, Tennessee (Claassen 1987:9 & 26).

Strategic planning is a new way of mobilizing public input into the management of a town, and in addressing its development problems. It was taken over from the business world. In short it consists of committees and subcommittees set up by, but functioning outside of, the official local government structure. It identifies problem areas (geographically and functionally), formulate solutions, and refers the solutions to the local government and other organizations for implementation. San Antonio, Texas, introduced such a system in the early eighties, but it was unclear what effect the system had on the development of the city (Claassen 1987:16)

6.6 Regional and sub-regional level

Many US cities are located in metropolitan areas and it is generally accepted that the wealth of one city will depend on the wealth of the region as a whole. Local governments therefore cooperate with regional and sub-regional economic development organizations, in metropolitan and rural areas. Such organizations vary, from data collecting and monitoring, to coordinating metropolitan planning, to large development organizations.

Best known are the 'councils of government' (COGs). These voluntary metropolitan planning organizations were originally instituted to coordinate physical planning, they now also encourage economic development. One of their functions is to monitor the socio-economic situation in a metropolitan area. Key statistics, such as population shifts, unemployment, jobs created and building starts, are published annually and even quarterly. Municipalities rely mostly on this data to monitor progress in their areas.

The Cascades West Economic Development District (CWEDD 1989) in Oregon is an example of two COGs working together. The mission of CWEDD *'is to create new jobs ... and to enhance the livability of our communities.'* The CWEDD covers four counties with Eugene, Springfield, Corvallis and Albany being the largest cities. The area of 22 300 km² has a population of 470 000. Each county has its own economic development organization and CWEDD acts mostly as a coordinator. What is of interest is the annual strategic plan which gives the socio-economic status of the region, the achievements of the past year, and the objectives for the following year. By this means the county and city governments, as well as the population of the region are constantly kept up to date on developments.

An example of a development organization which also undertakes large development schemes and operates regional services is the Port of Portland, Oregon. This body is responsible for the harbour and airport of Portland. It has also developed large industrial areas on land which it reclaimed with sand dredged from the river. The Port of Portland functions under a state act and the Governor appoints the directors.

6.7 State level

The states are playing an increasing role in urban and regional planning and in economic development in the USA. This is because of the declining role of the US Federal Government in these fields. Mostly, as far as economic development is concerned, a state government leaves action to local governments and concerns itself with the setting of policy and financial assistance. However, there are cases where the state governments actually created regional development organizations, such as the Port of Portland discussed in 6.6 above.

6.8 Federal level

Since the Kennedy era many different funds have been created to encourage development, especially in declining areas; for example the UDAG programme (Urban Development Action Grant) which provided low interest rate loans to cities for the redevelopment of declining areas (Howland 1990). These funds were administered through local governments. Many cities made use of these funds to help finance downtown redevelopment, industrial and housing schemes.

The UDAG programme had by 1989 funded nearly 3 000 projects, at a cost of $4,67 billion (Howland 1990). Most of the UDAG funds have been allocated as low interest loans to private businesses. The funding was applied for by, and channelled through, local governments. Metropolitan planning organizations, known as Councils of Government, verified the merits of applicants.

However, under President Reagan these schemes have been severely curtailed or even scrapped. Municipalities were left much more on their own or dependent on state funds to finance development schemes. This is one reason for the increasing role of local governments in local economic development.

Federally created development organizations, such as the Tennessee Valley Authority, formerly also undertook local economic development. As recently as 1985 TVA was still involved in advising small local governments as to how to improve their economic climate. At that stage the TVA was also involved in upgrading economically depressed areas, mainly of minority groups (Claassen 1987:27).

6.9 Enterprise zones (EZ)[7]

The term 'enterprise zone' was first used by Peter Hall in 1977[8]. After a visit to the Far East he suggested that selected British cities should be declared 'freeports', or enterprise zones, in order to create a Hong Kong-style prosperity within the stagnant urban economy of the time (Beauregard 1983).

The term was picked up by the incoming British Conservative government and in 1980 the Chancellor of the Exchequer, Sir Geoffrey Howe, launched enabling legislation. By March 1981 ten enterprise zones had been designated. An enterprise zone is designated for a period of ten years. During this time, the need to obtain planning permission is waived and building regulations are streamlined. There is complete exemption from development land tax and local property tax. The national government reimburses local governments for revenue losses. Commercial and industrial operators in these zones may write off 100% of capital expenditures for tax purposes (Beauregard 1983).

In the USA 'enterprise zone' refers to an area which receives incentives and other encouragement such as tax rebates, infrastructure development and marketing assistance, to attract development and to encourage existing enterprises to expand or, in the worst case, just not to move away. The concept of enterprise zones was officially introduced in the USA in 1982, first by the Federal Government, and later by state and local governments. The purpose of enterprise zones, in principle, is to rehabilitate declining areas. It is general practice that an enterprise zone will have a management body which will actively market the area and provide other services.

Initially some 25 such zones were to be introduced by the Federal Government. One condition in the selection of a zone was that it must have a population of at least 4 000. Apparently the Federal Government earmarked no money for subsidies. Inducement was in the form of various tax-incentives, which were to cost the taxpayers $1 800 million over the first three years. Simultaneously with the Federal effort in creating enterprise zones, many states enacted state-level enterprise zone legislation (Beauregard 1983).

Today there are more than one thousand enterprise zones throughout the USA, instituted mainly by local and state governments, although the Federal government actively encourages the principle. However, the Federal government does not include any monetary incentives, except tax rebates, to attract or encourage development, because it argues that there is no point in encouragingng development to move from one part of the country to another.

Beauregard (1983) predicted, even before the first enterprise zones were introduced, that the system would have more negative than positive effects. Enterprise zones, according to Beauregard, would not help inner cities, where the most pressing economic problems are, as the systems and incentives created do not address the problems of the inner city, *such as 'decaying infrastructure, high crime rates, and low skilled labor.'* He also predicted that such a zone would have little effect on stimulating new business enterprises and that it would do little to entice businesses to relocate in the inner cities.

On the negative side he predicted that, if these zones were successful, they would leave depressed inner-city areas which had not been designated as enterprise zones, even further behind. *'Enterprise zones may improve environments for profit-making but not for living.'*

Beauregard's predictions were largely substantiated by later research. According to Sheldon and Elling (1989), who investigated 47 enterprise zones, these zones did experience low to moderate growth in the number of jobs created and retained. However, *'few local* (enterprise) *zone programs were very successful in stimulating business start-ups or attracting firms to relocate to the zone'*.

Sheldon and Elling found that those zones which were most successful were the well managed zones where services such as staffing, technical assistance and help in locating sites and facilities were offered. They found that the incentives often favoured by government officials, such as public-private partnerships and infrastructure improvement, had little effect on rates of investment.

One comment often made in the literature is that enterprise zones move job opportunities from one place to another, but that they do not really create new jobs.

There are also substantial differences of opinion as to the cost of job creation through enterprise zones, although not much verifiable data has been published. The author found that persons involved with enterprise zones, such as project managers, had a very favourable opinion of the success of the zone and the cost of job creation. Independent researchers are, however, more sceptical as to the degree of success achieved. Howland (1990) found that low interest loans were a cost effective way of job creation at $1 960 to $4 220 per job created, provided that firms who do not need assistance are screened out. In contrast jobs created through outright grants, cost $19 000 per job.

7 BRITAIN

In Britain economic development is often initiated by the Government because of its socialistic inclination. The 'new town' development corporations, created to design, build and market new towns were first introduced in 1948. In all, approximately thirty six new towns were built, each with its own development corporation. Over and above town planning and architectural aspects, each new town corporation had to attract industries to provide employment for its total working population. This was done so successfully

that the new towns were blamed for the deterioration of the inner areas of London and other metropolitan cities. An interesting problem that arose was that the new town development corporations were reluctant to disband even after the new towns were completed, even though there remained little apparent justification for their existence.

The principle of government sponsored development corporations was extended for the reconstruction of inner harbour areas that had become obsolete after the Second World War and consequently had become degenerated. The London Docks Development Corporation is perhaps the best known example.

In 1968 a new planning system was introduced in the United Kingdom. This provided for development plans which consisted of structure plans and local plans. Especially the structure plans, which were drawn up at county scale, served as policy documents for development. These documents covered all aspects of development. Aspects such as job creation and redevelopment of industrial areas were given prominence because of the many problems in this regard.

It was also a characteristic of the early eighties that many town planning departments changed their names to 'development departments'. This was because the main problem was no longer physical expansion of towns, but coping with unemployment, deteriorating industrial areas and growing ghettos. Economic development is a constant subject of discussion in town planning circles and at conferences (Ray 1990).

Much energy and effort is poured into development efforts, but it is not easy to measure the degree of success. However, in at least a few places success is visible. Consett, near Newcastle, is such a case. Devastated by the closure of a large steel mill, the area was revived by efforts of the local government, central government loans, and the Northern Development Corporation. *'Intensive campaigns to woo new industries have highlighted propagation of industrial parks, land acquisition for new industries, and large scale investment in infrastructure'* (Banta 1990).

Local governments are very much aware of the socio-economic needs of their citizens: this can no doubt be attributed to the highly democratic form of local government. The Borough of Southwark, London, is a good example of a local government that puts the needs of the present population above general economic improvement. When a Labour council took over in about 1983, it ordered the Town Planning Department to do a thorough survey of the desires of the population. The mostly low income population indicated clearly that they did not want to be displaced to make place for office development. The Council promptly changed the local plan to indicate that housing would stay intact[9]. This caused the price of land in that area to drop considerably because land prices had already risen in anticipation of redevelopment to more profitable land uses.

In the case of Wakefield, West Yorkshire, which is a local authority that took considerable initiative in local economic development, the important principles that were applied were those of *'cross-subsidisation between commercial and social schemes and the development of joint programmes of training, inward investment and promotion'* (Ray 1990).

Failures also occur. The City Council of Sheffield spent R750 million on sport stadiums and a convention centre for the World Student Games, hoping to attract so much world attention that tourism, advertising and TV rights would pay off most of the cost. In practice less than half the cost was recovered, leaving the city, and its taxpayers, with a massive debt (Johnson 1991).

In general it can be said that local governments in Britain, in spite of strong central control, are very much development oriented, and most larger municipalities are engaged in efforts to attract industry, alleviate unemployment and redevelop dilapidated areas. The pervasive socialistic attitude of Britons, which developed since the turn of the century, makes the involvement of local government in economic development acceptable.

8 CONCLUSION

It is clear that local governments are increasingly promoting economic development. It is also clear that there is no set pattern for the role of local government in social and economic development.

In Britain state support for job creation is targeted towards declining regions, that is, the remnants of the social engineering of the fifties and sixties is still evident. In contrast, in the USA federal support is targeted towards declining areas in cities anywhere in the country.

General wisdom at the moment seems to indicate that the best a government, local or otherwise, can do, is to create a good climate for business, and at the same time, to help the poor to be able to compete.

Some of the most important lessons learnt from this study are:

* It can not be assumed that economic development will benefit the poor. It often benefits the rich more than the poor, and the poor are sometimes displaced by economic improvement and redevelopment.
* Special efforts at retraining and the provision of other social services are required.
* Communities can not escape from national economic trends.
* Although there are examples of successful development projects at the community level, several authors have cast doubt on the ability of community organizations to successfully undertake such projects. Initiative should, however, come from within the community.
* It seems as if public-private corporations are the best type of organization for launching development projects.
* Local governments should strive to create the right climate for development rather than undertaking development projects themselves. There are many examples of failed projects.
* The state should not spend money on 'job-generation' projects if in so doing they are merely moving jobs from one place to another.
* Inter-regional cooperation is essential as communities in a region are interdependent.
* Local governments should be on their guard as to not create a top

heavy bureaucracy around 'economic development'.

The overriding impression is that in spite of the high degree of activity in this field, there is no sure formula for success. In the end, bar externalities, it seems that there is no replacement for business acumen as the essential ingredient for success. Perhaps the approach of local governments should be to look after social development, create the right climate for business, remove unnecessary restrictions and bureaucratic obstructions, and leave speculative economic ventures to private enterprise.

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5 Development organizations can of course also be created independently by the business community, in fact, this should be the norm.

6 'Community' and 'neighbourhood' are not synonymous. A neighbourhood can only refer to a part of a big town or city, whereas community can also reffer to the total population of a small town, or even of a rural area. However, for the purposes of this article the terms will be used for both cases, mainly because the communities dealt with here are mostly urban communties.

7 Enterprise zones, in nature but not intent. bear some resemblance to decentralization and deconcentration areas in South Africa.

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9 Whether this policy was sustainable in the long run is questionable, as Southwark lies naturally in the direction of office and commercial expansion of London.

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