

The "bottom-up" approach to Local Economic Development (LED) in small towns: a South African case study of Orania and Philippolis

J.J. Steyn

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Abstract

While global forces are playing a bigger role in the world economy, the real changes tend to occur at local level. Local Economic Development (LED) is regarded by many – including the South African government – as a means to facilitate the bottom-up approach in regional development. In two small towns along the Orange River, Philippolis and Orania, local economic development was implemented in different ways. In Philippolis, it was mostly brought about by government investment, and help from outside was the driving force. Here, money and ideas were offered to a community with a high level of unemployment. Some projects were abandoned or discontinued because of a lack of managerial skills or funds, or merely as a result of certain petty local issues. In Orania, highly-skilled people initiated projects, funded them with their own money and were personally responsible for making these projects work. Lessons from these towns show that economic development cannot originate from the outside alone, but that people with experience and the willingness to shoulder responsibility are needed in order to bring about such development.

'N "BOTTOM-UP"-BENADERING TOT PLAASLIKE EKONOMIESE ONTWIKKELING (PEO) IN KLEINER DORPE: 'N SUID-AFRIKAANSE GEVALLESTUDIE VAN ORANIA EN PHILIPPOLIS

Hoewel die wêreld ekonomie deur globale kragte beïnvloed word is dit verandering om plaaslike viak wat mense se lewens direk raak. Plaaslike Ekonomiese Ontwikkeling word deur baie, ook die Suid-Afrikaanse regering gesien as 'n hulpmiddel om van voetsoolviak af streekontwikkeling te stimuleer. In twee kleiner dorpe langs die Oranjerivier naamlik Philippolis en Orania het plaaslike ekonomiese ontwikkeling verskillende vorme aangeneem. In Philippolis is dit hoofsaaklik deur regeringsinstansies of hulp van buite verkry. Geld en idees van buite is gebruik om werksgeleenthede te skep. Sommige projekte het in duie gestort of is weens 'n gebrek aan bestuursvaardighede of fondse of kleinlike plaaslike politiek beëindig. In Orania het hoogs gekwalifiseerde persone projekte geloods, daarvoor betaal met hul eie geld en was hulself verantwoordelik om dit te maak werk. Lesse wat uit die twee gevallestudies geleer kan word is dat ekonomiese ontwikkeling nie net van buite kom nie maar dat mense met ondervinding, die bereidheid om hul verantwoordelikheid om te neem nodig is om ontwikkeling te laat slaag.

LEANO LA HO GALA NTLAFATSO FATSHE, NTLAFATSONG YA MORUO WA LEHAE (LED), DITOROPONG TSE NYANE: DIKETSABALO MABAPI LE LEANO LENA NAHENG YA AFRIKA BORWA TOROPONG YA ORANIA LE PHILIPPOLIS

Leha Lefatshe le leka ka matla ho fliisa diphetoho moruong wa lona, diphetoho tse kholohadi di bonahala moruong wa lehae (Masepala). Ntlafatso ya moruo wa lehae (LED) e bonwa ke batho ba bangata ho kenyeletswa le puso ya Afrika Borwa, ele mokgwa wa ho thusa leano la ho qala ntlafatso fatshe, ntlafatso ya sedika. Leano lena la ntlafatso ya tsa moruo wa lehae (Masepala), le ile la sebeliswa ditropong tsa Orange River (Philippolis le Orania) ka mekgwa e fapaneng. Tropong ya Philippolis leano lena leile la phetiswa ke mmuso le ka ditluso tse tswang kantle ho naha. Ditjhelete le dikeletso di ile tsa fuwa setjhaba se nang le maemo a hodimo a tlhokeho ya mesebetsi. Diporojeke di ile tsa emiswa le ho tlhokella ka lebaka la ho hlokeha ha tsamaiso e nepahetseng ea ditjhelete le mabaka a mang a se lehae. Ha tropong ea Orania teng, diporojeke diile tsa qalwa ke batho banang le boitsebelo bo boholo ho tsa diporojeke, mme ba diqala ka dichelete tsa bona. Tsamaiso yohle ya diporojeke ene e etswa ke bona. Seo motho a ka ithutang sona ditropong tsena tse pedi, ke hore ntlafatso ya moruo ha etswe kantle feela empa e hloka batho banang le boitsebelo ba bileng ba ikemeseditseng honka boikarabello.

Men ... should do their actual living and working in communities ... small enough to permit genuine self-government and the assumption of personal responsibilities, federated into larger units in such a way that the temptation to abuse great power should not arise. The larger (structurally) a democracy grows, the less becomes the rule of the people and the smaller is the say of individuals and localized groups in dealing with their own destinies

Gandhi

To understand what is happening in small towns as far as Local Economic Development in the Free State is concerned, it is necessary to approach it from a global to a Local perspective to view what influences economic policies and the local situation. Thereafter the situation in Orania and Philippolis will be addressed as the "bottom-up" approach to development is implemented differently in these two towns.

1. GLOBAL INFLUENCES

Three big changes that influenced planning took place in the world during the second half of the twentieth century. The first was the "systems revolution". It started off with the "babyboom" and the postwar economic growth. This, together with the development of spatial interaction models whereby information such as location theory, transportation planning, land use planning and any other data could be fed into made planning an academic discipline. In a short time

the discipline of physical planning changed more in the 10 years from 1960 to 1970, than in the previous 100, possibly even 1000 years. The subject changed from a kind of craft, based on personal knowledge of a rudimentary collection of concepts about the city, into an apparently scientific activity in which vast amounts of precise information were garnered and processed in such a way that the planner could devise very sensitive systems of guidance and control, the effects

¹ Philippolis was chosen because the Free State University is involved in a community service programme in Philippolis and the town is well known to the author. Orania is located just as isolated as Philippolis but is a good example of a self-reliant bottom-up development.

of which could be monitored and if necessary modified" (Hall, 1990:327).

The second was the need for public participation. It was the human reaction to the physical interventions into their environment. The weakening of the social fabric of communities that led to urban unrest, increase in crime and vandalism and general dissatisfaction. Hall (1989:280) describes this period in America:

By the end of the 1960s, all was changed. The civil rights movement had been followed by the free speech movement; the riots had torn through the newly renewed cities, revealing just how little the process had done for the underclass; opposition to Vietnam, and with it the whole Pentagon style of planning, was at its peak. Almost every value that planners had cherished was now stood on its head. Instead of a belief in top-down planning by value-free experts, there was now a deep distrust of professional expertise and a demand for advocacy planning based on grassroots involvement.

The same idea, although with different motivations, was present in Europe, which led to new planning approaches where power is shared by public participation, collaborative planning or any other "bottom-up" approach to planning.

The third was a set of global changes. These changes took place in the 1980s and changed the face of planning (Castells, 1992:73-75) identified as affecting the major intellectual foundations of planning namely:

- The end of communism and the rise of neo-liberal ideology
- The rise of the global economy and the shift from mass production to flexible specialisation and networking
- The technological revolution brought about by information technology
- Cultural and social changes in society brought about by the new role of women in society and the environmental movement
- Spatial changes brought about by the uncontrolled flow of information that influence the lives and future of local societies.

These influences had the affect that in a free market global world serviced by information technology the role of the state had diminished as far as rural development is concerned, it is markets that dictate development and not the state. The influence of Reagen and Thatcher on the acceptance of a neo-liberal world economy is evident even in South Africa. They have an ANC-government that is a coalition of the African National Congress (ANC), the South African Communist Party and the Congress of South African Trade Unions (COSATU). This grouping comes from a socialist background who all endorsed the Freedom Charter, but it was the ANC-government who signed the World Trade agreements like the General Agreement on Tariffs and Trade (GATT) and whose economic policy is following the structural adjustments required by the World Bank and the International Monetary Fund.

Globalisation, just as urbanisation, is a reality that has to be taken into consideration when development in small rural towns are being planned and implemented. Regional and local governments are pressed to increase productivity, competition, redistribution and quality of life for people living their local lives (Muller *et al.*, 2001:195). Hence, people are not global but local.

2. HISTORICAL DEVELOPMENT OF SOUTH AFRICA

In South Africa the Verenigde Oos-Indiese Companie's² (VOC), which was one of the first multi-national companies aimed at profit, not colonialisation, followed a policy of mercantilism whereby they controlled all trade. Between 1652 and 1806 they only founded seven towns in South Africa (Floyd, 1960:20). When the British took over in 1806 they founded 55 new towns in the next 60 years. This drive for colonialism led to the spread of Europeans throughout Southern Africa.

Urbanisation in South Africa took the form of three waves of people settling in towns and cities. The British was first, the Afrikaners second and the Blacks last.

The British was quick to become the first urbanised ethnic group in South Africa. According to Hall (1990:190)

the British segregated themselves in a manner that, "the Europeans would get the best. the Indians the next best, the Africans anything that was left".

After the Anglo-Boer War (1899-1902), the depression (1929) and drought (1932/33) 300 000 mostly impoverished Afrikaners (the so called "armblankes") led the second urbanisation drive of the Afrikaners to the towns and cities (Van Jaarsveld, 1982:120).

Urbanisation of blacks took different paths but it was a slow process in the 19th century, because of their self-sufficiency. At first hut tax was imposed by the British to get black workers to work on farms and in town, but in Natal this did not succeed, thus they brought in the Indians in 1860 (Smit & Booysens, 1981:13). The discovery of diamonds, gold and other minerals led to an influx of Europeans to the new mine towns while black workers had to be recruited, regulated and housed by the mine houses, thus a capitalist intervention into their lives. Their urbanisation was later inhibited by the Afrikaners getting political control in 1948 who followed the policy to develop separate homelands for the different ethnic groups. This led to the formalising of influx control of black people to urban areas (Gelderblom & Kok, 1994:86-91). However, Black urbanisation grew slowly but surely, irrespective of control measures. The abolishment of influx control in 1986 caused a sharp increase of black migration to towns and cities with the resultant growth of informal settlements. Globalisation and new labour laws in South Africa led to higher unemployment since 1994 especially in the agricultural sector. This resulted in a large group of rural people migrating to small towns.

3. REGIONAL DEVELOPMENT

The first regional planning in South Africa was ad hoc governmental interventions during the 1933 depression in order to create jobs and eradicate poverty. Once embarking on a policy of separate development ("apartheid") for the different peoples of South Africa, this policy used the ideas of growth poles and growth points in the National Physical Development Act (Act 88 of 1967). This led to the development of border industries and the so-called homelands, but also to the decentralisation of industries outside metropolitan areas

² Dutch East Indian Company.

(Phalatsé, 2000:150). However, the political unrest, sanctions and the world recession in the 1980s resulted in the abandonment of any type of regional control by the beginning of the 1990s. Any type of development was better than no development at all (Drewis & Bos, 1995).

After 1994 a new policy for regional development called the Spatial Development Initiatives (SDIs) programme was introduced in 1995 (Jourdan, 1998). It targeted regions in the country where the greatest potential for growth exists and to some extent the political advantages of development in certain deprived areas. It uses the idea of growth poles, growth points and development axes, but gives them new names like Industrial Development Zones (IDZ) and Development Corridors (Jourdan, 1998:721)

4. RESTRUCTURING URBAN SOCIETY

Before 1994 local governments were only responsible for the provision of basic municipal services and played a small developmental or redistributive role. The restructuring of the local government was a key priority for the ANC national government.

The Reconstruction and Development Programme (RDP) (ANC, 1994:140) stresses that the implementation of development should be the responsibility of the local government by the active involvement of organisation in civil society. However, it was not always possible for these local governments to implement it due to capacity and financial constraints (Binns & Nel, 2002:922). Four years later the White Paper on Local Government put the obligation on local governments to be responsible for:

- The provision of household infrastructure and services (such as electricity, water and sewerage), with priority given to the delivery and subsidisation of at least a basic level of services to those who currently have little or no access
- The creation of liveable, integrated cities, towns and rural areas, in which the spatial legacy of apartheid separation is addressed

- The achievement of local economic development, in which local government can play an important role in job creation and in boosting the local economy through the provision of business-friendly services, local procurement, investment promotion, support for small businesses and growth sectors
- Community empowerment and redistribution (Binns & Nel, 2002:922).

In an attempt to accomplish this, smaller and poorer local authorities was absorbed within the jurisdiction of larger and more resourced authorities. (Binns & Nel, 2002:923) The demarcation process reduced the number of local municipalities from 843 into six metropolitan councils, 47 district municipalities that are subdivided into 231 local municipalities and fourteen District Management Areas.³

Each local government had to produce an Integrated Development Plan (IDP) which in turn was incorporated into the district municipality's Integrated Development Plan (IDP). The Integrated Development Plan (IDP) provides a mechanism "to ensure a consistent and conducive set of measures to promote visible local economic activities and employment generation" (DPLG, 2001:97) as part of an integrated Local Economic Development (LED) programme.

4.1 Critique on the restructuring process

According to McCarthy (1998:421) the identification and addressing of the causes of poverty and underdevelopment is a prerequisite for an African Renaissance.

What does one identify as (a) the ideology behind certain processes (b) the theory on how the process works or (c) the physical causes of poverty and development itself? Goudappel (1985:180) in his Urbanistics-concept differentiates between three levels of reflection, which might help to understand what is happening in South Africa:

- The ideo-structure dealing with the ideals and values which directs human activities

- The superstructure being theorising and organisational thinking
- The infra-structure is the physical appearance of things and phenomena.

In terms of ideo-structure the main choices⁴ are between socialism and capitalism each with a whole range of meanings. This world view will influence the perception of what is the state, what are its responsibilities and what is development. Rist (1999) shows that the underlying belief in the concept development found in various theories (both socialistic and capitalistic) are a belief that economic growth will create new jobs on a global scale. To try to convert people from one ideology to another one has to change the value system and that is not easily done, thus this argument will not be explored.

At the superstructure level development in capitalistic thinking mostly follows the modernisation paradigm with its different development theories. For socialistic thinking the dependency paradigm with the relevant supporting theories will be used. Maharaj and Ramballi (1998:132) found that since 1994 the central government control over local development planning has been reduced:

One of the reasons for this has been the central state's inability to contribute towards the social support and welfare services which were imperative to address the gross inequalities of apartheid, and the state attempted to transfer some of this obligation onto local government and the private sector (Maharaj & Ramballi, 1998:132).

One of the trends following the Neo-liberal approach was the "decentralisation" and "devolution" of power, but also responsibilities. Atkinson (2003:7) states that although good ideas on themselves they "are actually doing more harm than good because they are crippling rather than empowering local governments". For this model of "developmental local government" to work in practice more funds and sustainable institutional mentoring needs to be provided, but the question begged, "does the national

³ These were for sparsely populated areas.

⁴ Other choices might include a Christian view (Stejn 1997) a Muslim or any other ideological viewpoints.

government have enough capacity to do it?" (Atkinson, 2003:11).

Atkinson (2003:10) comes to the conclusion that as far as the Integrated Development Plans (IDP) are concerned further talk

will be pointless unless government faces up to the fact that many municipalities, as currently structured, funded, and supported (or not) simply cannot become the developmental agencies the local government white paper envisaged.

Furthermore, Klitgaard (1994:491) found that besides capital shortages and class exploitation underdevelopment is bound with ignorance and uncertainty. This could be corrected

by making government freer from corruption, reducing institutionalized discrimination that is born of ignorance and imperfect information, and improving the many markets that impinge upon the poor (Klitgaard, 1994:492).

At the infrastructure level reflection will be focused on what is happening in the real world. Research by the Centre for Development Enterprise found that

At exactly the same time that municipalities were required to amalgamate and were also undergoing radical political change, they were required by the DPLG to create Integrated Development Plans (IDP) that would function as comprehensive guides to their future development agencies (Atkinson, 2003:5).

An elaborate system to support municipalities in drafting their Integrated Development Plans (IDPs) was created by the Department of Provincial and Local Government (DPLG); the Council for Scientific and Industrial Research (CSIR), German Agency for Technical Cooperation (GTZ), the Australia South Africa Local Government Partnership (ASALGP) and Planning and Implementation Management Support System (PIMS) centres.

In many cases local municipalities lack the capacity to produce their Integrated Development Plan (IDP) and had to commission consultants to produce it rather than handling it as an essential local authority-led process⁵

Atkinson (2003:5) concluded that in the Free State:

Many IDPS are less than impressive; they are closer to being wish lists than serious development plans. Numerous infrastructure and job creation projects are listed, but there is little strategic vision, at least partly due to the frantic rush to complete the IDPS by the due date (end March 2002).

With the Integrated Development Plan in place municipalities have theoretical the capacity to link development to their budget and to implement it locally. However, considerable lack of experience was found in the Free State where more than 90 per cent of the elected members and 80 per cent of the municipal managers have never worked in a local government before (ASALGP, 2003:14). Stapelberg (2003:91) shows that all the components of the IDP are obligatory and must be used in conjunction with the Spatial Development Framework (SDF). Municipalities must also be agents for Local Economic Development (LED) by being either coordinator, facilitator, stimulator or entrepreneurial developer.

For the World Bank (2005) local economic development is about local people working together to achieve sustainable economic growth that brings economic benefits and quality of life improvements for all in the community. In South Africa Tomlison (1994:216) found that the most compelling reason for attempting a local development strategy is related to the then current (1994) depression and the extent of unemployment. According to him other means had to be found to transform the situation. In a Local Economic Development document titled LED Financing: National Governmental Programmes at least

⁵ "The use of consultants by local authorities has led to many problems, not least the expense of commissioning them, and the fact that they frequently do not have detailed knowledge of the social, political and economic contexts in which the Integrated Development Plan (IDP) is located. Furthermore, consultants' contracts are often too short to achieve an intimate understanding and develop a sense of empathy with the various actors and processes at work" (Binns & Nel, 2002:929). Atkinson (2003:5) found that one of the reasons for the low quality of these plans was the inappropriately skilled consultants who wrote some of them.

35 new programmes for grants and subsidies are introduced. The aim is that "Local economic Development (LED) is outcome based on local initiative and driven by local stakeholders." (RSA, 2001:1).

The theory in abstract sense of people being helped to help themselves seems sound. The idea is that everybody will contribute and the community will benefit – something like the story of stone soup.⁶ Trouble starts when it has to be implemented in local municipalities that are either bankrupt or nearly bankrupt with limited human resources. This is supported by Atkinson (2003:9) when she finds that:

The DPLG has made large grants available to municipalities to promote LED. Hundreds of entrepreneurial projects have been launched. However, very few municipal staff – if any – have experience of offering entrepreneurial support or of managing alternative private sector or community support for LED initiatives. Many of these projects have encountered severe difficulties, as community members battle on by themselves to keep their micro businesses afloat, and municipalities have to stand by helplessly, lacking the staff, time, and skills to intervene meaningfully.

This is an attempt to give an overview of some of the issues that influence Local Economic Development in South Africa. The next section will focus on what happened at small towns like Orania and Philippolis.

5. ORANIA

A sharp flight of capital out of South Africa took place immediately after Sharpeville (1960) and was aggravated by the political unrest in the Congo and South Africa leaving the British Commonwealth (1961) to become a Republic. To boost the local economy Dr Hendrik Verwoerd decided to launch the Orange River Project⁷ consisting out of the HF Verwoerd and PK le Roux dams (RSA, 1982:52).

⁶ In this story a man seeking shelter asked his stingy host for a pot of boiling water from which, he said, he wants to make some 'stone' soup. He put a stone in the boiling water and told his host how nice the soup would taste. He then begs in succession for onions, potatoes, carrots, other vegetables and some meat and added it to the boiling stone soup. In the end the soup is a great success with the stranger's only contribution, an unappetising stone.

The town of Orania was erected in the 1960s to house the workers building the canals under the P.K. le Roux Dam (now the Van der Kloof)⁸. When this work was completed a small skeleton staff was left, but the economic activities stopped because most of the money was spent in Hopetown (60%) and Petrusville (40%) (Botha, *et al.*, 1977:184). This town with houses, shops, halls, hospital, workshops and a church, with streets, water, electricity, sewerage and sport facilities cost the state R33 000 per month to maintain in 1989 (Gunning, 1991:16).

In 1991 Orania, which is not a proclaimed town, was bought by Orania Bestuursdienste (Edms.) Bpk. – a private company.⁹ This mother company owns, manages and maintains the property as a share holder's company Vluytjieskraal Aandeleblok Bpk. To buy a property (share holding) one has to be selected. As no title deed is available, no money can be obtained from the traditional banking sector (De Klerk, 2004).

In 1992 an adjoining farm was bought to give the town with its small-holdings a larger agricultural base. At the moment nearly 500 ha of irrigation provides numerous agricultural opportunities for small farmers, but also in cooperative farming (Ferreira, 2004).

Kotze (2003:171) found that Orania was one of the few urban areas in the Northern Cape that does not have economic problems. Orania with its nearly 500 permanent inhabitants has a highly trained and skilled labour force with 57 per cent having tertiary qualifications and nine per cent either a doctoral or a medical degree (Kotze, 2003:165).

⁸ When Franklin Roosevelt became President of the United States of America in 1933, during the Depression he started with the New Deal strategy to create jobs and his Tennessee Valley Authority (TVA) with its twelve dams was its greatest achievements (Huxley, 1943).

⁹ Its drawback is that it was built as a temporary town. Most houses were pre-fabricated while the services was of a more permanent nature. The layout was spread across a large area and on both sides of a provincial road with no real urban design in mind, thus not following any centre or focus point. Furthermore, it was not like most small towns established to perform a function for their hinterland and never developed such facilities.

⁹ Orania was bought for 1,7 million and the adjoining farm for R43 000. Large profits were made by the owning company selling the shareholder blocks (Delpont, 1993:25).

In terms of ideo-structure the vision is to recover the Afrikaner freedom in an own, democratic Republic with Christian values. Ideologically it could be classified as Christian Nationalist on a capitalistic base. Furthermore, it is monopolistic as the holder company, Orania Bestuursdienste (Edms.) Bpk., controls everything as far as management and maintenance is concerned.

At the superstructure level the development follows a bottom up approach to development in line with the "new economic" movement where small communities do their own thing and a devolution of responsibility takes place. The economy is people centred and ecologically sustainable (Puren, 2004:2).

The demarcation of local municipalities (with its edge-to-edge approach) incorporated Orania into a larger municipality. The inhabitants opposed the inclusion but no legislative decision has yet been made.¹⁰ It is at the infrastructure level where Orania is most successful because of the determination to succeed and a committed culture of self-help evident in the community (Kotze, 2003:170).

With virtually no government support as far as Local Economic Development projects are concerned all jobs were locally generated and in a sense could be classified under local economic

¹⁰ this is done in terms of section 31 of the Constitution of the Republic of South Africa.

development. For economic purposes the job creation could be divided into basic and non-basic activities.

Basic activities are those which export goods and services to points outside the economic confines of the community, or which market their goods and services to persons who come from outside the community's economic boundaries. Non-basic activities are those which provide for the needs of persons resident within the community's economic limits. They do not export any finished goods or services, but are primarily local in their productive scope and market areas (Glasson, 1985:81).

Table 1 shows the number of businesses and jobs in Orania, but in a certain sense does not capture the reality of the town that started with no jobs and no workers in 1991, now have 49 per cent jobs in basic activities.

Some of the basic services worth mentioning in terms of local Economic Development are:

- An engineering firm started eight years ago doing fitting and turning work. They started off as two working owners and generated their own capital. They grow with eleven staff members at present.
- Kenweb, a firm producing a computerised self guided Afrikaans medium education system serving more than 50 South African Schools and more than 500 home schools

Table 1: Number of non-domestic employers and employees in Orania*

Type	Section	Number of employers	Employees (full time)
1. Basic	1.1 Services	4	25
	1.2 Manufacturing	5	9
	1.3 Tourism	5	7
	1.4 Farming**	2	14
2. Non-basic	2.1 Governance***	2	10
	2.2 Retail	14	23
	2.3 Services	16	24
	2.4 Manufacturing	1	1
Total		49	113

* Only jobs that can be classified as full time were included and are based on a survey done in February 2004.

** Only the larger export farms were taken into consideration.

*** Management and maintenance of town.

in 15 countries. They started in 1994 and now have eight full-time employees.

- A truck and tractor service and repair business serving farmers and other clients all along the Orange River. They started in 1996 with two employees and now have five.
- A Jewellers' Guild was formed by the three jewellers in the town and have three staff members. They promote and sell their products all over the country.
- On the agricultural side, more than 20 000 Pecan nut trees have been planted the past ten years, with a production of over R8 million in 2004. These trees are an assemblage of privately owned orchards that are managed by Plantsaam Bestuursdienste Bpk.¹¹ They also plant more than 10 000 saplings a year in their own nursery, either for own use or for selling. They started ten years ago and now employ twelve people. All agricultural irrigation is computerised which reduces the labour force.
- The owners of Plantsaam Bestuursdienste Bpk. also plant watermelons and sweet melons for Woolworths (South Africa) and Marks and Spencer (England).

On the non-basic side this small town has a large variety of services ranging from an Architect to Skin and Nail Care Salon worth noting:

- A brickyard making bricks for local use with one full-time employee.
- When the last banking service was stopped in Orania in 2001 the Orania Spaar en Krediet Koöperatief Bpk.¹² was started with currently 140 members and about R2,5 million. They give loans to local home owners and businesses and operate legally as a bank member of the Savings and Credit Co-operative League of South Africa Ltd. (SACCOL).

5.1 Lessons from Orania

Orania is far away from markets and with no major road nearby to supply tourists or other consumers. As a whole Orania is in the words of professor Johan van Zyl, economist at the University of Pretoria "South Africa's first working example of a new trend of economics from the bottom up" (Puren, 2004).

Being able to select people who want to settle in the town, but also the high skills and education rate of the town, helped a motivated community to help themselves. All is not plain sailing as a number of businesses have closed down or in the manufacturing side moved to areas located near to the markets. The scarcity of lower order labourers can also be an impediment.

Orania has an active Development Forum and support centres in different locations in South Africa serving the community. One of the largest projects started at Orania was a dairy farm with an initial capital investment of R8 million that went bankrupt. Frans de Klerk (2004) thinks that it started, too big, too soon. To his mind a proportion of the failed projects were due to a lack of management skills and that some projects were not thoroughly investigated.

6. PHILIPPOLIS

Philippolis is the oldest town in the Free State, founded as a missionary station by the London Missionary Society in 1823 for work under the Bushmen or San-people (Venter, 1991:9). Three years later Adam Kok, the Griqua chief of the Xhoi-tribes, settled in the town on invitation of one of the missionaries. The Griqua made no plan for the layout of Philippolis and this resulted in the town seeming unplanned, as streets are different widths with some very narrow streets (Smit, 1987:49). Thereafter the town was settled by Afrikaner-Voortrekkers and later the Sotho, Xhosa and other African-speaking people.

The main road from Cape Town to Johannesburg used to go through Philippolis, but a new highway bypassed the town in the early 1970s. This led to a reduction in local businesses, for example the number of filling stations dropped from five to one. On the other hand it stopped a lot of new developments coming to the town

and today Philippolis is one of the best preserved old towns in the Free State. This architectural beauty and town sense is a major tourist attraction as Philippolis is nearly halfway between Johannesburg and the Cape – the old road is seven kilometres shorter than the present N1.

The farming community, mostly extensive stock farmers, declined from 126 farmers in 1955 to 33 in 2002. Economy of scale and the effect of rising costs and lower prices for products are the main reasons. Farmhands who lost their jobs moved to the town where, together with the natural increase of the population growth rate of 19 per cent per year for the past decade (and with 50 per cent of the population under 19 years) (Africon, 2000) it ultimately created an urban problem. Economic and political factors are responsible for the fact that only 30 per cent of the population in two of the townships pay for their services.

With an urban population¹³ of nearly 6 000 in Philippolis; the population composition in terms of race has drastically changed the past century. In 1911 there were 65 per cent (750) whites, 24 per cent (271) blacks and 11 per cent (121) coloureds (RSA, 1976). This changed to a respective composition of 17 per cent white, 51 per cent black and 32 per cent coloured (Du Plessis, 2002:2). Together with this, Philippolis was seen as a poverty pocket in 1988 due to the fact that 51 per cent of the working sector (age 21-60) is unemployed with an average income per person in the non-white townships being R120 per month (Du Plessis, 2002:2).

The ideo-structure development in Philippolis is based on a socio-democratic view where the state is taking responsibility for the economic well-being and upliftment from poverty of its subjects. This might end up in a sort of dependency trip where social welfare is the only escape.

In order to solve the problem on the super-structure level the government

¹¹ Literally meaning Plant-Together Management Services CC.

¹² Orania Savings and Credit Cooperative Ltd.

¹³ No reliable statistics on the population of Philippolis are available as statistics of only the magisterial district or the ward is available after 1990 but this also includes farms and the town of Gariëpdam. Du Plessis (2002) used the number of households to calculate the population composition.

demarcated new boundaries for bigger councils and incorporated Philippolis into the bigger Kopanong Municipality together with eight other towns. The idea was to shrink the administrative costs, but the towns are generally between 60 and 80 kilometres apart and this increased the service costs. However, the Transitional Municipality of Philippolis was solvent when incorporation into the Kopanong Municipality took place in 2000. In December 2003 the debt liability of the municipality was nearly R44 million with total creditors of R20 million. The chance of getting the outstanding debt is nearly zero, as a large proportion of the population does not pay for any services rendered. This is a structural issue involving most of South Africa's rural areas (Belastingbetalers, 2004).

On the Infrastructure side the economic base of Philippolis has declined the past decade and the current number of employers and jobs (other than domestic) is shown in Table 2. Note that 43 per cent of all workers are employed by the government. The private sector in Philippolis due to its architectural heritage of the town has successfully done a lot to preserve and renovate buildings as well as initiatives to promote tourism. The number of people working in the tourism sector gives an indication of this.

The central government made money available for drafting a third plan for all municipalities, vide. the Local Economic Development plans and initially different consultants ranging from sociologists, engineers and town and regional planners drafted these local economic development plans and implemented them. Philippolis got all this as from 2000, but no real jobs. From the Local Development Objectives (LDOs) came a few projects with a lot of initial capital, but little sustainability.

The first phase of LED projects included the tannery/craft centre that was the biggest but others include:

Table 2: Number of non-domestic employers and employees in Philippolis*

Type	Section	Number of employers	Employees (full time)
1. Basic	1.1 Services	0	0
	1.2 Manufacturing	0	0
	1.3 Tourism	13	18
	1.4 Farming**	1	14
2. Non-basic	2.1 Governance***	9	109
	2.2 Retail	21	48
	2.3 Services	8	42
	2.4 Manufacturing	1	4
Total		53	235

* Only jobs that can be classified as full time were included and are based on a survey done in February 2004.

** Or related.

*** This includes all types of governmental services.

- Tannery/Craft centre by Meerland with Local Economic Development Funds and had problems in 2003¹⁴ more funds were found and the project is continuing under a new name.
 - Chicken project by Department of Welfare (no information available) – bankrupt.
 - Spinach project by German funds (GTZSA) (no information available) – bankrupt.
 - Vegetable garden project (no information available) – bankrupt.
 - Dairy project by Department of Agriculture with funds from European Union – four men working (no more data available) – on-going project, but declining due to lack of funds to buy food.
- A second phase of LED projects was initiated largely by dr. R. du Plessis of the Department of Social Welfare, University of the Free State (UFS) and the Mangaung University of the Free State Community Partnership Programme (MUCPP). Most of these projects are either job creation or skills development. These projects include:
- a) Projects related to capacity building in the local community**
- Human Development and Empowerment and Capacity Building – By MUCPP started 1999, continuing.
 - Basic administration and human skills development – by MUCPP started 2000, continuing.
 - Adventure, Therapy, Problem Solving and Leadership skills – by MUCPP started 2001, continuing.
 - Development for Farmworkers Project – By MUCPP started 2001, continuing.
- b) Projects related to job creation**
- Garden Project – By MUCPP and Telkom with R20 000 but was terminated for reasons unsure.
 - Rusk Project – By MUCPP started 1999, but due to stoves breaking down, project terminated. (Jobs for nine women – would have received a sponsorship from the USA Embassy but it was apparently withdrawn, because the coloureds' surnames sounded too white.)
 - Eagle Press – By MUCPP started 2000, continuing (Initially jobs for fourteen people, but in 2004 only two were employed).
 - Washing Project – By MUCPP started 2001, worked with Hostel's washing machines, but stopped, because clients moved away (jobs for two women).
 - Coffin Factory – By MUCPP and Private Initiative started 1999, continuing but production is not good because of management and tribal

¹⁴ No environmental impact study was done and after getting the money the tannery, due to public protest, could not be established. The more than R1 million injected into the project produced eleven leather couches, three steel tables and thirty-two steel chairs. At one stage it owed more than R200 000 on outstanding accounts (Meerland Development, 2001).

problems, as local undertaker belongs to another clan (two people working).

- Needlework Project – By Department of Social Welfare. No information available, project continuing.
- c) Proposed new projects**
- Chicken and Egg Project – By UFS Department of Animal and Wildlife Sciences, to be started in 2004. Twenty women will each get two cages with chickens and food.
 - Luncheon Club Project – By MUCPP and UF Department of Social Welfare, already started and in initial phase. Will focus on improving life for the elderly.
- d) International project**
- An international group, Tiger Moon Sanctuary, bought 30 000 ha land near Philippolis to rear the South Chinese Tiger and to rehabilitate them into the wild. More than R4,7 million was spent, and at this stage is in full progress.

6.1 Lessons from Philippolis

In Philippolis it is not always possible to identify the reasons for state projects going bankrupt, due to unavailability of information. For the first phase of LED projects a lot of politics and corruption are speculated about, but little can be proved. The effect of these project failures is a mistrust of the locals who think people coming with project proposals are only in it for the money; as in some cases the consultants reaped more benefit than the locals.

In projects where the University of the Free State is involved, Dr. Du Plessis (2004) found that lack of management skills, funds and petty local issues can easily stop any project. Most of these projects are ongoing, as the University manages it; but most will fail if this support is taken away. The private sector projects are mostly around tourism and are doing well.

7. ORANIA VERSUS PHILIPPOLIS

Two different paradigms work in these two towns. In Orania self help within a Christian-Nationalist Worldview is the driving force; while in Philippolis is in most cases depending on government or other institutions like the University of the Free State as the initiators to start projects.

Orania has the advantage that a private company manages the unproclaimed town and is in total control. Philippolis lost its autonomy and has little influence on what is happening in the Kopanong Municipality. The latter having a bad cash flow, and might even be technically bankrupt, leaving little hope that the local government will play any role in Local Economic Development.

In Orania highly skilled people initiate projects. They do it with their own money and are responsible to make it work. In Philippolis on the other hand, most of the participants in projects from outside are in need of a job and will most probably participate in any venture. Management skills are clearly needed because without good financial planning the capital for continuous purchasing of essential material might terminate a project.

More research on the reasons why some Local Economic Development projects work and others not, might be of value. This is only a micro-cosmos of what is happening in South Africa, but hopefully it will have an influence on future legislation and control of projects. A poor country cannot waste money to this extent. Pumping millions of Rands into Local Economic Projects without the necessary management support is a waste of good intentions: a good Local Economic Development programme alone is not enough.

The sustainability of projects is not something found in a business plan, but comes with experience and the willingness to shoulder responsibility. Projects must start small and grow with the people involved. Economic development cannot come from the outside alone.

What is the meaning of democracy, freedom, human dignity, standard of living, self-realisation, fulfilment? Is it a matter of goods, or people? Of course it is a matter of people. (...) If economic thinking cannot grasp this it is useless (Schumacher, 1974:62).

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