

**A MANAGEMENT PLAN FOR LOCALLY GENERATED ECONOMIC
DEVELOPMENT IN SOUTH AFRICA**

By

VERNA JOAN NEL

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ABSTRACT

Local authorities in South Africa need to compile and implement local economic development plans. These plans are not only required by law as a component of integrated development plans, but also emanate from the pressing needs of many communities for development, job creation, and greater welfare and prosperity.

A review of the historical and theoretical background reveals changing approaches and different theories to defend the actions taken. A critique of typical strategies and processes reveals that no one strategy or process can be universally applied, but that these should be adapted to the community's unique circumstances. Shortcomings and appropriate applications are indicated.

The management plan presents a process to enable local authorities in partnership with the community to compile a plan for locally generated and directed development. This plan can, but need not, be a component of an integrated development plan and is thus compatible with integrated development planning and the formulation of local development objectives.

The plan draws on a number of planning methodologies including urban planning, city marketing, strategic planning and neuro-linguistic programming approaches. Techniques from these and community development methodologies are included to guide the community through the process of creating a vision, analysis, goal setting, plan and strategy formulation, implementation and review. This management plan is designed as a generic process that can be applied to a variety of circumstances. The flexible nature of the process permits innovation and adaptations to local needs and other fields of planning. It also provides scope for further research on theories, methodologies and techniques.

KEY WORDS

Local economic development, endogenous development, management plan, local authority, integrated development plan, strategic planning, development strategy, community directed development, urban planning, planning methodology

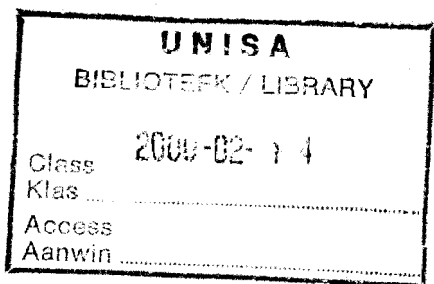
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1 INTRODUCTION

South Africa has experienced momentous changes this past decade. One of the most far-reaching of these has been the transition to an inclusive democratic political structure with a new constitution to entrench that democracy with its bill of rights. These political and legal changes must now become a reality through equally fundamental changes in the economic and social structure of South African society. Legislation can create a backdrop for such change, but it will take the concerted efforts of all South Africans to realise the 'New South Africa'. Economic development is essential to maintain the new democratic order, and to provide opportunities and greater prosperity.

With the transition to a democratic government has come re-entry into the international arena. While this has been beneficial in many respects, it has also posed a massive challenge to the South African economy. No longer isolated by boycotts and protected from competition by trade restrictions, South African enterprises must compete for trade and investment on an equal footing. They must force their way into highly competitive foreign markets while simultaneously dealing with foreign competitors in the local market who offer less expensive or higher quality products. In response, local businesses are looking to improve quality and productivity while reducing costs. To achieve these objectives, attention must be paid to the social and living conditions of labour: improving levels of education, addressing existing poor housing conditions, and reducing excessive travel times.

Local government, too, is facing challenges. Expectations for delivery of services and housing are high, but delivery cannot keep pace with demand. The fiscal base of many local authorities is under pressure due to rental and services payment boycotts coupled with declining local economies. In order to meet their responsibilities, local authorities must look for innovative means of increasing their income, strengthening their tax base, and improving the welfare of their residents. In doing this, they must largely fend for themselves, as central and provincial governments do not have the resources to meet all the needs. Under these circumstances local economic development (LED) is more than a catch phrase - it is an imperative.

1.1 THE NEED FOR LOCAL ECONOMIC DEVELOPMENT INITIATIVES

This section will briefly examine the need for local economic development within the South African context. Firstly extraneous pressures, such as global restructuring and the United Nations' (UN) calls for local economic development, will be discussed. This will be followed by a short section examining some of the South African legislation requiring economic planning.

1.1.1 Global restructuring

South Africa's re-entry into the global arena necessitates an understanding of the effects of global economic restructuring. Among these effects, partly associated with the rise of new technologies, is de-industrialisation, with a concomitant rise in service employment, the adoption of flexible specialisation, and a spatial division of labour.

Rising oil prices and declining growth rates ushered in global economic restructuring from the 1980s onwards (Malecki 1991:2, Stöhr 1990:21). There have also been major changes in the world's monetary system, with deregulation permitting greater mobility of capital, leading to fierce competition between nations, globalisation of markets, and changes in the composition of trade between nations (Sapsford 1994:16, Moulaert & Demazière 1996:7, OECD 1987:12). The rise of the 'Eastern Tigers' or the Newly Industrialising Countries (NICs) of the Pacific Rim have also impacted on global trade (Malecki 1991:4).

One outcome of this has been a decline in manufacturing employment as 'old' industries dwindled (Moulaert & Demazière 1996:8). Skilled employment (often blue-collar) in these sectors is only partly compensated by the rise of low-skilled and low-paid jobs in the service sectors (Hall 1987:6, OECD 1987:10). The impact in older industrial regions is significant, and South Africa is no exception. Areas such as the East Rand (eg. Alberton, Brakpan, Benoni and Boksburg) have been severely affected because of their strong orientation towards industrial employment, particularly in heavy industries associated with gold mining. Some favoured regions that were not previously industrialised developed with spatial clusters of high technology industries (Moulaert & Demazière 1996:8). However, in these regions, labour was often substituted by capital (OECD 1987:7,13).

Many industries producing standardised products on an assembly line basis (Fordist production) began producing smaller, custom-made batches, ie. flexible specialisation

1.1.3 Legislation requiring local economic development

The national government has recognised the need for economic planning as part of the entire developmental process in the country. It is in fact, one of the main functions of a developmental local government in terms of the White Paper on Local Government (South Africa 1998:18).

The White Paper on Reconstruction and Development Programme (RDP)(South Africa, 1994:42) and the policy document of the governing party, the African National Congress (ANC, 1994:5) call on communities to initiate their own reconstruction and development programmes. Economic development is a key element of the RDP. "Given the community focus of LED it has very strong RDP overtones. LED therefore is clearly a very important mechanism through which the RDP can be implemented at the local level" (Nel 1995a:3).

The Urban Development Strategy of the Government (South Africa 1995) again notes the importance of local economic development (Sections 2.1, 2.2, 5.3 and 6.4).

The Development Facilitation Act, (Act No 67 of 1995) (DFA), has legislated the need for development planning. All local authorities are required to prepare land development objectives (LDOs). These LDOs are essentially five-year plans addressing a variety of issues: spatial, economic, engineering services, transportation, environmental, human resources, financial and institutional, all of which must be coupled to local budgets (Landré & Nel 1998:32). The LDOs must state the objectives pertaining to growth (what is to be achieved), the standards proposed for services and housing, and the quantum to be achieved, as well as where, how, the time frame, and the source of funding (resources). All local authority budgets will eventually be compiled in terms of LDOs.

The need for economic development, as part of an integrated development framework, is also recognised in the Local Government Transition Act, Second Amendment Act, (Act No 97 of 1996). In the second schedule of this act, local authorities are required to prepare integrated development plans (IDPs) which integrate local land-use, infrastructure and transport planning with the promotion of local economic development. The focus of local government is moving from providing services to facilitating development.

Planners and officials in local government are now required by law to prepare local plans for economic development as part of an integrated plan. For many this is a new field, as town planning in South Africa been traditionally focused more on spatial and

transportation issues than on economic issues. Furthermore, most economic development has been the spontaneous outcome of market forces, requiring control and direction, rather than active encouragement. Promotional efforts that have been undertaken have, by and large, been the responsibility of the Town Secretariat, Marketing and Public Relations divisions (Nel 1994:64). Officials have limited experience and capacity to undertake planning for local economic development. They require guidelines to assist them in formulating the above-mentioned plans. This study is intended to address that need.

1.2 PROBLEM FORMULATION AND RESEARCH GOALS

This study aims to set out a process to guide planners in preparing economic plans both to meet the requirements of the DFA and Local Government Transition Act and to develop their local economies. As places and communities differ in location, constitution, attributes and resources, it is impossible to provide a single recipe or blueprint for success. Each place demands a unique approach to its individual opportunities and problems. The intention, therefore, is to provide a practical guide that any community can adapt to its situation. The focus will be on questions that should be asked, procedures that can be followed, and steps that can be taken, rather than a formula for success. Attention will be given to both the technical process as well as community participation and partnerships with private sector organisations.

1.3 RESEARCH METHOD AND DATA SOURCES

The development research method has been adopted for this study. Development research entails an evaluation of the existing approaches, the development of a product (in this case an appropriate process), and evaluation of that product (Van Helden 1993:6). The initial evaluation or analysis phase comprises a literature study with three components: the theories underlying economic development approaches, typical policy measures, and planning processes. As the primary purpose of this study is to provide a management plan that will provide theoretical background and a practical process, little emphasis has been placed on case studies. The lessons learned from case studies have been condensed and evaluated in chapter three. The references cited in that chapter can be consulted for details of the cases.

Development of the process is based largely on practical experience, informal interviews, and conversations with practitioners. Reference is, however, made to the literature where

relevant. The nature of the product - a process - implies a long-term application in a variety of circumstances for a complete evaluation. The process can be judged useful only when it is tested and found effective and useful by local economic development practitioners. To remain applicable in the rapidly changing local government environment (which includes the physical, social, economic, legal and institutional dimensions), the process must be comprehensive enough to include all pertinent aspects, while remaining sufficiently flexible to be applied to a range of situations. These criteria should be used to evaluate the process developed in the latter part of the study.

1.4 DEFINITIONS

Many of the terms and concepts used in this study are frequently used in a range of circumstances and may have different meanings for different people depending on the context or their perspective. The following section will briefly discuss some of these terms.

1.4.1 Management plan

Among the Concise Oxford Dictionary definitions of 'to manage' are "control, succeed in one's aim, make proper use of". Other definitions of management include concepts of organising (people and resources) to get things done in an ordered manner (Vegter 1980:3). Malizia (1985:9) refers to management as directing. Thus a management plan can be regarded as a plan to organise or direct an ordered or systematic process to use existing resources and uncover new resources to succeed or achieve certain economic and developmental aims.

There should be equal emphasis on the process and on 'getting things done', ie. implementing the plan. "The aims of development are not regarded as points of arrival only but as essential components of the process itself" (Van Zyl 1995:10).

1.4.2 Economic development

Van Zyl (1995:1) identifies three broad interpretations of development. The first focuses on growth within a free market system, where the concepts of employment and income growth are paramount. The second is a state-centred socialist approach, while the third is a people-centred approach. The latter concentrates on how development *ought* to take

place rather than the process through which development occurs (Van Zyl 1995:2). The people-centred approach involves people in the development process: it is not done for them, but with or by them. Development is about communities becoming more self-reliant and improving their standard of living.

"Economic development is concerned with the best use of the community's limited economic resources in a long-term process aimed at preserving the good and improving the less good in community life" (Bendavid-Val 1980:1). In the words of Cinnéide & Keane: "local economic development is about creating local wealth through mobilising and effectively utilising local resources and potentials" (1990:476). This need not be defined purely in monetary terms in raising the real purchasing power of the community. Self-sufficiency in the provision of food may be the first step towards an improved quality of life for some communities (Van Zyl 1990:10,11). For others, it may be a broader choice of job opportunities, housing or social amenities that leads to improved quality of life.

The difference between 'economic development' and 'economic growth' is that the latter implies more of the same, while development implies change - something different - fundamental or structural changes in the way the community perceives itself and functions economically (Cinnéide & Keane 1990:477). Development in this sense implies diversification and identification of new opportunities.

Economic development in this study refers to a process of improving the quality of life, and the level of well-being or prosperity of a local community. Increased employment opportunities, more firms and enterprises, a wider range of jobs and economic opportunities, a broader economic and fiscal base, increased household incomes and economic 'empowerment' are all facets of economic development (Malecki 1991:23, Malizia, 1985:8, Cinnéide & Keane 1990:476, Nel 1995a:3, Bingham & Meir 1993:vii). Social development, including improved housing conditions, education and medical facilities, are simultaneously necessary for, and the product of economic development. For local authorities, both the wider definition of development and a stronger, more stable fiscal base are important.

1.4.3 Locally generated

Locally generated implies that the process is initiated and managed or controlled by the community (or local authority) for the benefit of that community, and is not imposed by a higher authority. It does not, however, exclude assistance or aid from external agencies or

government departments. In contrast to top-down approaches, where a community's prime role is to make itself as attractive to outside investment as possible, local economic development implies that local actors can make a lasting difference (Cinnéide & Keane 1990:476, Crabtree 1990:177, van Zyl 1995:2). Stöhr (1990:6 7) notes that reliance on external agencies tends to limit local entrepreneurial activity and innovation, while Bendavid-Val (1980:5) points out that local participation is essential not just for ethical reasons, but for practical reasons since it enables the community to identify the trade-offs necessary for sustainable development.

This study thus sets out a systematic plan to enable a community to take charge of a process to identify and use local resources to improve the quality of life of the community, increase the number of local jobs and firms, and broaden the local tax base.

1.5 SCOPE, APPROACH AND PRINCIPLES

Although the process elucidated in Section 3 is generic, ie applicable to all places, it has been designed with South African circumstances, and the legislation pertaining to Gauteng Province in mind. This province has led the way in implementing the DFA and LDOs, and is currently drawing up a new planning bill for preparing integrated development plans and land-use management to stimulate economic development in its area of jurisdiction.

This study acknowledges the political nature of local economic development in that it deals with public and community resources, and the participation of residents in decisions regarding their distribution. However, the emphasis lies in the practical application of a process to guide communities in the planning and implementation of an economic development plan. The ethical or normative aspects of previous or current government policies, and attitudes of various political groupings will not be discussed.

The study and process have been written for a free-market economy, where economic activities are governed largely by market forces. However, as a generic process is proposed, the guide in chapter five should generally be applicable to other political and economic systems.

The process is largely directed at town planning professionals in a local authority, as it is generally these officials who are tasked with formulating an economic plan as part of an IDP or LDO process. However, as the focus is on the process rather than the actual

content of the proposals, plans, strategies or policies, it should be capable of application by any agency or organisation for any community. Thus the process caters for small rural communities or larger metropolitan areas.

Traditionally there has been a spatial bias in local development planning. This is partially due to urban planning departments of local authorities having initiated many economic development and urban renewal proposals. These initiatives are related to a locality, and are thus inherently spatially bound. Furthermore, there is a symbiotic relationship between place and activity. Locality has a major effect on economic activity, and economic activity occurs in space.¹

The process described in this study is intended to be inclusive and participatory, not a 'top down' or imposed process, but consultative, enabling all those who wish to participate to do so (see figure 1.1 for a process). "The fullest amount of public participation in the local economic development planning process is to be encouraged, not only on ethical grounds, but for technical and political reasons as well" (Bendavid- Val 1980:5). Participation by stakeholders - local businesses and enterprises, community organisations, and the public in general - is essential for a common vision and commitment to the process (Bendavid-Val 1980:5, 12, Cinnéide & Keane 1990:476).

This study acknowledges that the development challenges facing South Africa are such that the problems cannot be solved overnight. Consequently, economic development planning must be recognised as a long-term process, although various actions and plans may have short-term benefits. Given the long-term nature of the process, it is imperative that allowance be made for changing needs and circumstances with an effective feedback system to monitor the changes and to make appropriate adjustments. The process, and the policies and plans flowing from it, must also be flexible enough to accommodate changes.

The process recognises that each community is unique and that approaches peculiar to each area are necessary. This study, however, also acknowledges that we can all learn from each other, and measures that have worked in similar circumstances can be adapted to local conditions.

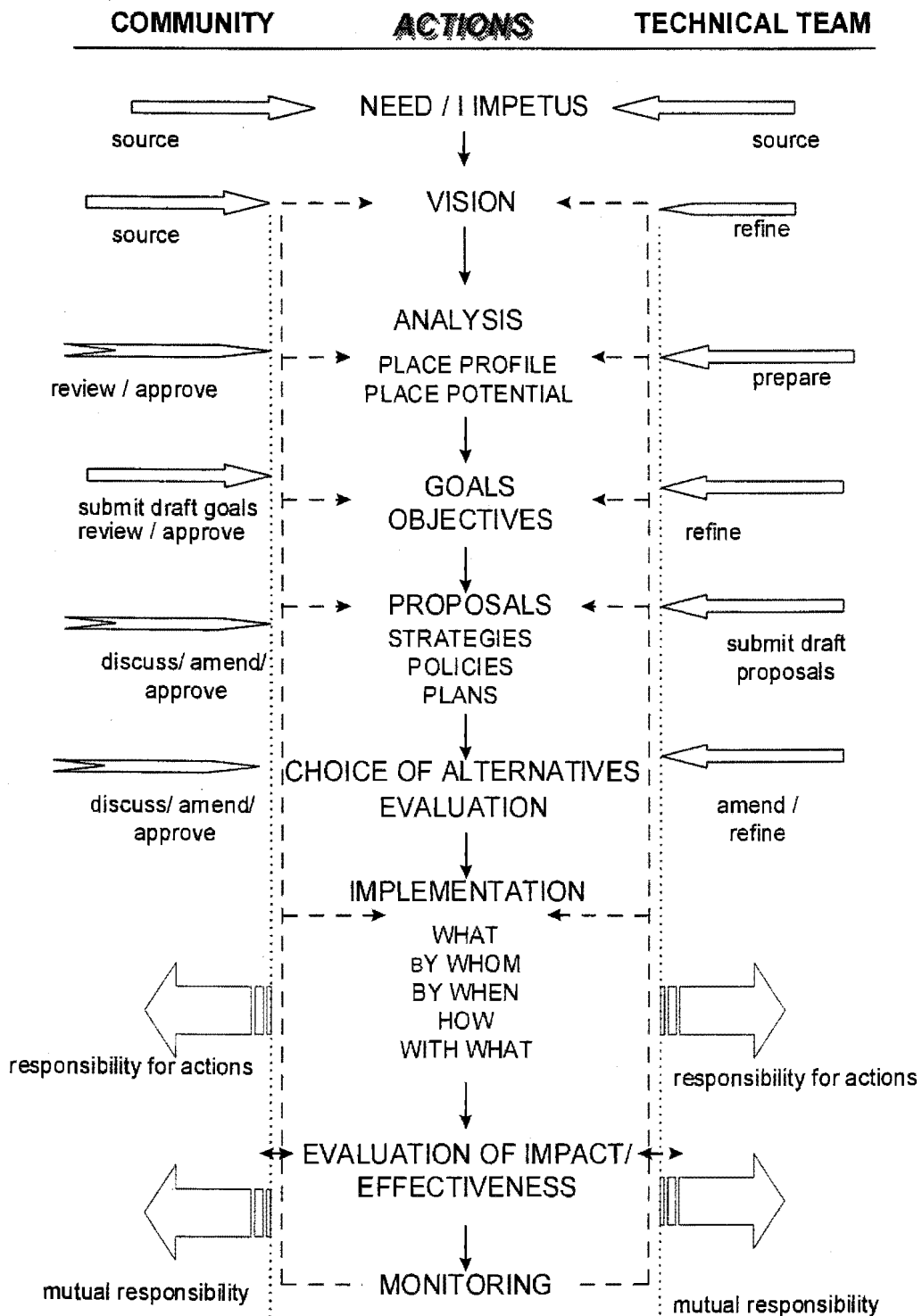
¹ Although it may be argued that activities occur increasingly in cyberspace, even cyberspace has its roots in physical spaces (Castells 1989:17).

The management plan set out in this study provides route markers for communities. However, it is up to each community to tread the pathway.

1.6 STRUCTURE OF THE STUDY

The study is divided into six chapters. Chapter one introduces the study. Chapter two traces the evolution of local economic development, various approaches and main theoretical underpinnings of the approaches. The third chapter discusses the typical processes and policies and examines preconditions for effective local economic development, while the fourth chapter reviews planning methodologies and processes. Chapter five moves from the academic to the practical, with the process to direct and promote local economic development set out in detail. In addition to the process, which includes goal setting, analyses, plan formulation, implementation and monitoring, are criteria and checklists to guide the community in the process. The sixth and final chapter concludes the study with a brief summary, some recommendations and the way forward.

Figure 1.1: The integration of community participation with the technical process in development planning



2 HISTORICAL BACKGROUND AND THEORIES

This chapter traces the evolution of local economic development theory and practice. It examines some theories with their underlying assumptions, which explicitly or implicitly form the basis for development initiatives. This cursory glance at the historical development of local economic development initiatives, the actors and their assumptions provides essential background to understanding the development of the processes, policies and theories adopted. Changing circumstances and the critique of existing premises and approaches have necessitated the evolution of new theories and policies. Feedback from applying these has given rise to other theories, often emphasising different processes, actors or functions in the development process.

Every policy, programme or strategy is based on assumptions regarding the origins, causes and factors influencing economic development. It is imperative to discern the theories underpinning the various approaches, and to evaluate them in terms of their appropriateness and applicability to the situation to ensure effective development. "The connection between theory in local economic development and professional practice lies in the interpretation of the relevance of theory in a particular context" (Bingham & Mier 1993:286). There are myriads of theories. This document will, therefore, concentrate on those theories that have contributed the most to policy. In each case the theory and the strategy implied will be discussed briefly. Included in the discussion will be typologies of approaches, their premises, key role-players and the strategies emanating from them.

The chapter concludes with a brief evaluation of the functions of various role players in the local economic development arena and some preconditions for local economic development.

2.1 HISTORICAL OVERVIEW

Current approaches to local economic development have their roots in the regional planning policies implemented after World War II. Major structural changes in the global economy have impacted heavily on local economies, triggering concomitant changes in the nature of local economic development actions, the theories underpinning such actions, and the locus of planning.

2.1.1 Smokestack chasing

The earliest regional planning policies were initiated, funded and managed by central government, and were spatially oriented. Target areas were regions in decline, places with great disparities (in employment and income) with the national average. The purpose of these policies was to integrate these 'backward' regions into the remainder of the economy (Tomlinson 1994:42). The approach was based on the assumptions that all a region could do was to make itself attractive to outside investment by providing infrastructure and incentives to influence external decision makers (Keane 1990:291, Wilson 1995:649) and that, by lowering costs, a place could become more attractive to firms and investors. Regions were targeted as it was assumed that smaller areas could not attract development as their economies were too small; places (at sub-regional scale) were too small to confront the power of multinational companies, since resources were limited at that scale. Furthermore, there was insufficient information concerning the effectiveness of local economic development (Stöhr 1990:22).

The emphasis was on industrial recruitment to redistribute jobs through the provision of infrastructure - highways, industrial land and buildings - and incentives such as tax concessions, loan packaging, reduced rates for utilities (Bingham & Mier 1993:viii, Clarke & Gaile 1997, Stöhr 1990:39, Dauskardt 1994:1, Malecki 1991:25), and worker retraining programmes (Scott, 1992:221). This approach has been termed 'top down' or 'central allocation' (Stöhr 1990:39) or, more derisively, 'smokestack chasing' (Bingham & Mier 1993:viii, Blair & Premus 1993:17).

Thus growth centre strategies were widely employed in an effort to induce development into lagging regions. "... efforts were made to create important new industrial growth centres through governmental action though with very limited success" (Scott, 1992:221). While growth was encouraged in secondary centres, it was restricted in primary centres (Tomlinson 1994:42, Chapman & Walker 1990:228). Both the British New Town Policy (Fainstein 1991:23), and South Africa's decentralisation policy are examples of this approach (Rogerson 1994:181, Tomlinson 1994:41).

Dominant theories included growth pole, economic base, central place, and industrial location theories. According to Stöhr (1990:2) and Tomlinson (1994:43), they were effective during times of general economic growth but were no longer appropriate when economic growth rates slowed down and industrial employment began falling due to international economic restructuring. "What had worked in the 1950s when the economic

pie was growing did not appear to work in the 1970s and 1980s when the pie was constant or shrinking" (Malecki 1991:2).

The 'rational comprehensive' mode of planning with its heavy emphasis on analysis and creation of alternatives was the dominant mode of planning (Fainstein 1991:24), purporting to be objective and stressing the technical (rather than political) aspects of decision-making.

Among the many criticisms of the central allocation approach was that the policies created dependency: the emphasis was on capturing business, not on building sustainable local economies (Dass 1995:12). "Monocentric reliance on traditional large-scale, market-driven large-organisation, and central-government-initiated development process have steadily weakened the capability of territorial communities to confront the challenges of worldwide economic restructuring by indigenous innovation and flexibility" (Stöhr 1990:2).

Intense competition to attract 'footloose' industries resulted in areas bidding to attract industrial plants, with firms trading off these areas to see what incentives each would offer (Macdonald 1987:362).

Furthermore, because the approaches were generated by the state, they tended to be inflexible and standardised, with the result that they were unsuited for, and difficult to adapt to, the unique circumstances of each particular region (Stöhr 1990: 44).

2.1.2 Private enterprise and property led development

The next phase was ushered in by global restructuring and the rise of conservative governments who stressed the role of the private sector with minimal state intervention. This phase can be characterised by the dominant role given to public-private partnerships (Malecki 1991:100, Nel 1995b:43), property led development (Bingham & Mier 1993:vii-viii) and high technology (Scott 1992:221). As central governments reduced their direct involvement in development and redistribution, places had to fend for themselves, and did so by seeking to lure capital by whatever means were at their disposal, often aggressively (Scott 1992:221).

The theories behind this approach are neo-classical economic theory with its emphasis on deregulating the market (Stöhr 1990:42), various location theories, particularly those with

respect to high technology, as well as critiques of growth centre strategies. It was assumed that the free market system could resolve many problems and that it was, therefore, essential to remove any restrictions on the system. The role of the state was to facilitate development, not to supplant the free market. Other assumptions were that private sector property development was synonymous with economic development (Turok 1992:363); that the decline in economic activity in city centres was due to inappropriate premises; and that the private sector better understood the needs of modern business than government. Thus the "motivation for planning, ... (was) economic growth and the strategies for achieving it reflect(ed) the exigencies of a highly competitive capitalist economy" (Fainstein 1991:32). It was accepted that community benefits could be obtained in return for planning permission (Fainstein 1991:24). The result was that local governments plunged into the business of deal-making with private sector corporations. This, however, resulted (again) in outside investors pitting one community against another (Wilson 1995:647).

Typical actions included property-led development through public-private partnerships, science and technology parks and innovation districts (Wilson 1995:646), urban renewal and place re-imaging (Bingham & Mier 1993:viii, Dauskardt 1994:2). The latter entails 'packaging the city' to meet the tastes of selected target markets and creating cultural centres appealing to young professionals (Blakely 1989:66, Wilson, 1995:648). Dominant among the property-led developments are so-called 'flagship projects' (Dauskardt 1994:5). Examples of these are the Birmingham International Convention Centre (Hubbard 1995:246, 249) and the Centurion central business district.

In many cases, quasi-public agencies, eg development corporations or enterprise boards, were the primary agents of policy implementation (Clarke & Gaile 1997, Dauskardt 1994:3-5). The role of the state was that of facilitator - it provided grants or funding to places, and set the framework. The role of the local authority was to market the town, deal with developers and provide leverage. In many cases, the development corporation took on the role of planner (Fainstein 1991:24). Private enterprise was viewed - and wooed - as the source of major development funding and actions.

During this time, the mode of planning moved from rational comprehensive to a more *ad hoc*, opportunistic, and action-oriented approach (Bovaird, 1994:579). According to Fainstein (1991: 25): "methods shifted from needs assessment master planning and long term capital budgeting to market analysis, negotiation, and project specific capital

programming." Instead of a blueprint or final plan, narrower short-term goals were set, where (hopefully) positive results could be achieved quickly.

The major criticism of this approach is its focus on public-private sector partnerships, with the concomitant exclusion of the broader community and limited benefits from the development to the lower income groups. With the minimal involvement of all sectors of the community, scant attention was paid to social goals and the more equal distribution of benefits (Wilson 1995:648). Furthermore, the lack of accountability of the development corporations, was criticised (Smallbone 1991:97, Dauskardt 1994:4-6).

2.1.3 Endogenous development

In reaction to the criticisms and problems experienced with the above-mentioned approaches, it is not surprising that economic development has now begun to focus on the local arena - by the community for the community. Partnerships now concentrate on the community partially due to the inability of the state to generate employment or deal with unemployment, and as a result of the volatility of world markets (Stöhr 1990:45). A broad range of policies, which acknowledge the uniqueness of place, are being implemented. Many incorporate aspects of previous policies, but focus more on strengthening and developing the indigenous economic base. This approach is designated as 'development from below' (Stöhr 1990:39, Nelson 1993:28), 'development from within' (Bingham & Mier 1993:ix) or an 'entrepreneurial' approach (Dauskardt 1994:2, Sapsford 1994:12). Assumptions underlying this focus on the local are that:

- > communities can find a niche for themselves through mobilising local resources, thus coping with the effects of global economic restructuring (Cinnéide & Keane 1990:477),
- > small business has the capacity to generate employment and development (Bingham & Mier 1993:viii),
- > "the basic pre-requisites of development - initiative and entrepreneurship - (are) broadly latent in all populated areas" (Stöhr 1990:2).

Here the role of the state is to facilitate the process, enabling market mechanisms to function, while the local authority must develop new styles of operation emphasising entrepreneurialism, facilitation and local development (Dauskardt 1994:2, Nel 1995c:51).

The approach is based on, *inter alia*, a number of theories such as economic base, endogenous development, product cycles, industrial districts, location theories pertaining to high technology districts, and small and medium enterprise (SME) development. Much of the literature now stresses the unique features of the local milieu in which social and

economic activity occurs, while simultaneously recognising the embeddedness of the place in larger structures (Wilson 1996:311). The value of public participation is also acknowledged.

Policies and strategies are as varied as the theories upon which they are based. Typical policies could include any of the following: developing SMEs; developing human resources through training; utilising telecommunications to increase contact with the rest of the world - think globally, act locally (Clarke & Gaile 1997); developing export processing zones; industrial parks and districts (Dauskardt 1994:7-11); and city marketing (Landré and Nel, 1998:30). While many of the policies are similar to those utilised in the past, the difference lies in their grassroots character and emphasis on broad-based community involvement (Stöhr 1990:37).

The planning approach tends to be strategic and holistic (Cinnéide & Keane 1990:485), with community goals, values and aspirations recognised as intrinsic to the process. The social component is also recognised as essential to development (Wilson 1995:653, Fordham 1993:301). The importance of spreading the benefits of development to the entire community, in particular to those who need it most is acknowledged.

Table 2.1 is a synopsis of the main 'eras' in the development of local economic development thought, approaches and underlying theories.

Table 2.1 Approaches towards local and regional development over time

Approach	Mode of planning	Main theories	Typical policies
Central allocative regional planning	Rational comprehensive	<ul style="list-style-type: none"> > Central place > Location > Growth pole > Economic base 	<ul style="list-style-type: none"> > New towns > Infrastructure > Incentives > Land development > Industrial attraction
Private enterprise	Contingency, <i>ad hoc</i> , short term, and opportunistic	<ul style="list-style-type: none"> > Neo-classical economic theory > Location theory > Growth point and trickle down 	<ul style="list-style-type: none"> > Property-led development > Marketing > Flagships
Entrepreneurial	Strategic and integrated	<ul style="list-style-type: none"> > Industrial cluster > Innovative regions > Endogenous development > Human development > Cumulative causation 	<ul style="list-style-type: none"> > SME > Training > Partnerships: private, public and community > Telecommunications

2.2 ACTORS, RATIONALE AND APPROACHES

Tomlinson (1994:56) notes that there are several groupings of actors engaged in local economic development, each with their own sets of motives and approaches. The primary groups, local government, the private sector, and community organisations, are identified in much of the literature as potential initiators and managers of economic development (see for example, Premus & Bair 1991:99-108, Ahlbrandt 1991:193-202, Johannisson 1990:71-88). This section will briefly review the roles and approaches adopted by the main actors.

2.2.1 Local government

According to Tomlinson (1994:57-58), local government becomes involved in economic development primarily for:

- promoting increased private investment, which results in new firms and employment, higher incomes, less unemployment, and a larger tax base with improved public services;
- political self interest with politicians wanting to be seen to be promoting development;
- promoting greater participation in planning, as well as more equal distribution of resources and benefits.

These reasons are not mutually exclusive and any combination of motives can be concurrently applicable. The purely altruistic intention of promoting the welfare of the community by creating jobs, increasing incomes through the establishment of small enterprise can be added to the above.

Bovaird (1994:581) lists a similar set of reasons for local economic development, namely creating jobs, maintaining or expanding the tax base, retaining and assisting local business, promoting development in the central business district (CBD), and developing or attracting new businesses.

Typical approaches adopted by local government - many of which were discerned in the section on the historical background - are set out below. Again, these are not mutually exclusive, and several can be adopted simultaneously.

- The '*traditional*' approach focuses on attracting investment from the outside, usually through concessions and incentives. This approach is widely adopted by the marketing and public relations divisions of local authorities (Nel 1994:62) and has

been widely criticised for leading to 'zero-sum' outcomes and competition between areas (Sapsford 1994:30). It has been noted that concessions have little effect on location decisions unless they are quite considerable (Tomlinson 1994:61).

- Robinson speaks of a '*corporate centre*' approach (akin to property-led development) which, in contrast to the traditional approach, does not stress 'catching' footloose firms, but "emphasises growth and real estate development" (1989:284), often focusing on redeveloping or strengthening central business districts. Assumptions behind the approach are that, by creating a favourable business climate, jobs will be created, even if only indirectly; that growth and development are synonymous; and that the former will generate benefits for the city as a whole. This approach is likely to be adopted when the political leadership is dominated by private sector leadership (Robinson 1989:285,286).
- The '*entrepreneurial*' approach assumes that "growth is promoted by discovering, expanding, developing or creating new markets for local goods" (Tomlinson 1994:62). The emphasis is thus on identifying growth industries and promoting exports by firms in the area. The goal is to facilitate the establishment of new business and expansion of small business, as opposed to attracting new business from outside. Public assistance is targeted at selected 'high risk' enterprises, based on the assumptions that small firms generate the most new jobs, can adjust more rapidly and easily to changing circumstances, and they are less mobile and more reliant on the local economy than larger firms. Particular attention is given to high technology firms engaged in research and development, and exporting firms (Tomlinson 1994:81,82). Another facet of the entrepreneurial approach is place marketing through re-imaging (Dass 1995:20, Dauskardt 1994:2).
- Partially in reaction to the failure of the corporate centre and entrepreneurial approaches to deliver to the disadvantaged, an '*alternative*' approach has been adopted. This is based largely on the assumption that, although private sector decisions are major factors in development, they are influenced by public sector decisions. Thus the public sector must take an active role in guiding investment decisions. Public resources are used to ensure that the outcomes of development projects relate to public policy objectives, ie that they benefit local interests. Economic sectors are targeted on the basis of their economic potential both in terms of growth and their ability to meet other objectives, such as local labour needs (Robinson 1989:287).
- Sapsford (1994:34) mentions a '*development control*' approach which "takes on the urban development process as a whole through the planning power of the public sector." The public sector plays a central role, but seeks to draw in previously under-

represented groups. Power is used to influence investment towards meeting social needs, rather than speculative projects.

- *Urban efficiency*, as promoted by the World Bank (Tomlinson 1994:62-64, Dass 1995:19), stresses promoting urban productivity and addressing urban poverty. This is achieved by creating an enabling environment and improving urban infrastructure to facilitate private sector investment in employment, housing and infrastructure. Strengthening financial services for development and improving the capacity of local government to carry out its functions more effectively also receive attention. The assumptions behind this approach are that the efficiency of both the city's urban form and its management contribute to the productivity of the city, hence its ability to meet its residents' needs (Dass 1995:19).
- *Human resource development* is based on the assumption that training enables the poor to obtain better jobs and thus increase their earning power. Tomlinson (1994:64 65) criticises this approach, noting that training does not help much if there are no jobs, and only raises entry levels where competition for employment exists.
- The '*progressive*' approach is concerned with greater equity in the distribution of development benefits (Sapsford 1994:39). There is consequently a bias towards low-income areas and small enterprises (Tomlinson 1994:65 66). Community participation in the decision-making process is emphasised, and community organisations facilitate implementation. Redistribution of investment, not income, is the goal of this approach, and includes a move towards more labour-intensive enterprises as a means of achieving such redistribution (Dass 1995:23).

2.2.2 Private enterprise

Private sector involvement in local economic development usually occurs for the gain of the enterprise, although this may not be monetary. Social responsibility actions can play a leading role in economic development actions, benefiting the area and the enterprise with positive publicity. Tomlinson identifies the main rationales for involvement by mobile and immobile capital (1994:76-83). Mobile capital searches for low cost / high profit places, and is not particularly sensitive to incentives, unless they are considerable: the "level of private participation in local initiatives will reflect the extent to which public expenditure and concessions enhance their profits." The factors that do attract mobile capital are access to clients and markets, and the quality of labour.

Immobile capital, however, is tied to the fortunes of the place ('embedded') through investments in property, contracts and services. These enterprises are most likely to

become involved in local economic development. Premus & Blair (1991:100) in their study of Dayton point out that, "even though the markets for major Dayton-based corporations are national and international, the involvement of these leaders of exporting companies may be attributed to a desire to protect their existing investments in the region by maintaining an environment capable of attracting employees, and by their realisation that the loss of agglomeration economies within the region could reduce corporate profitability."

2.2.3 Communities and community organisations

According to Blakely (1989:201), the major reasons for community involvement in summary are to:

- generate employment or incomes
- gain control over the local economy as well as local enterprises
- inspire self-help
- work for the common benefit.

Other literature indicates a community response to rapidly deteriorating economic conditions as the motive for involvement (Gittel 1990:518, Johannisson 1990:81). Wilson (1995:648-649) cites the following reasons for the involvement of non-governmental organisations (NGOs) in local economic development: to generate jobs, provide services by community-owned and controlled organisations, develop income-generating activities, and improve local business prospects. Community organisations can take a number of forms, eg community development corporations, urban development corporations, NGOs, and co-operatives.

Community responses appear to be stronger in the absence of a welfare state, where communities must fend for themselves and vary according to the need, involvement of local government, and circumstances. Typical approaches include advocacy and small enterprise development. Advocacy, in this context, usually refers to representation of a disadvantaged group or constituency, and often entails pressure tactics to ensure benefits for that group. Community development corporations foster development in neighbourhoods: typical actions include nurturing small enterprises (including community-owned enterprises) and establishing incubators for small manufacturing enterprises. These often occur in partnership with the private or public sector (Tomlinson 1994:71, Wilson 1995:648-649).

As each place is unique, with differing circumstances, each will adopt a different approach according to its situation. Approaches suited to highly developed Western economies are not necessarily appropriate to the South African context, with high levels of poverty, massive unemployment, and low levels of skills. An approach is necessary that takes the needs of the masses, the requirements of capital and the private sector, and the capacities of local authorities into account. Furthermore, no one approach can be appropriate to all circumstances - what may work in a small Karoo town may not be suitable for an urban low-income informal settlement. The politics of the place will influence the approach, as will the theories underlying whatever strategies are adopted.

The following section will discuss some preconditions for local economic development before considering the main theories behind local economic development policies, strategies and programmes.

2.3 PRECONDITIONS FOR LOCAL ECONOMIC DEVELOPMENT

For local economic development to take place, there appear to be certain prerequisite or pre-existing conditions within a local community that will facilitate local economic development. This section will briefly consider the most important of these.

The will to proceed, born of dissatisfaction with the status quo, or driven by an impending crisis is one of the more important preconditions (Stöhr 1990:17, Gittell 1990:518). Impending crises can initiate a sense of urgency and motivate the community to action. On the other hand, a complacent or apathetic community that has no desire to develop will not participate in the process.

A second important precondition is that of leadership (Johannisson 1990:78,87, Gittell 1990:518). The leader may be an individual (Johannisson 1990:81-87, Stöhr 1990:4) or an organisation (Premus & Blair 1991:99). The role of the leader is initiator, dreamer, visionary and motivator. As the process unfolds, different persons or organisations can take on leadership roles in response to developing demands.

Along with the above prerequisites is active citizen participation in the process. Community participation at the planning stage of the process is essential to obtain such commitment. The more active and committed the community, the greater the development potential (Gittell 1990:522). For citizens to participate, there must be hope. If none exists, it becomes the task of leadership to point out local resources and opportunities.

Participation should include all sectors of the community: residents, businesses and workers. Business interests and the mobilisation of private resources are of particular importance.

Visible marketing of achievements and clear signals of successes are critical to encourage the community and retain participation (Gittell 1990:526).

Appropriate organisational structures or networks are important. Where these do not exist or are inappropriate (eg too rigid or having the 'wrong' image), new, suitable structures must be established (Gittell 1990:523, Johannisson 1990:87, Stöhr 1990:4).

Stöhr (1990:17-19) cites a number of other critical success factors from a study of communities in Europe, including a high proportion of locally-owned enterprises with remnants of craft industries, strong intra-regional linkages, physical proximity, and co-operation between research, training, strategic planning, marketing and production facilities, as well as a local technical culture compatible with new technologies. Strong local networks that can form the basis of industrial clusters are necessary to maintain local solidarity and competencies.

However, there is potential for all communities if there is the will to develop. According to Stöhr, "... the basic pre-requisites of development - initiative and entrepreneurship - (are) broadly latent in all populated areas. ... As societies become more highly organised and complex, this innovative and entrepreneurial capacity is either encouraged by societal reward, (whether financial, religious, organisational, or in some other form) or impeded by societal discouragement (central authority, large enterprises, dominance by strong status-quo -preserving power groups, external dominance, etc.)" (1990:2). Thus development depends largely on the attitude, assumptions and norms of the community concerned.

2.4 ECONOMIC DEVELOPMENT THEORIES

The assumptions and theoretical foundations that explain the causes and remedies of economic growth and decline determine the strategies adopted. Assumptions concerning the theoretical base are seldom explicitly stated and often implicit to the strategies. Strategies aimed at promoting and supporting small enterprises are based on the assumption that small business is the engine of growth. If decision-makers are of the opinion that growth and development will best be attained by attracting export-oriented enterprises to an area, then strategies will be geared to provide incentives, creating a

favourable business climate and marketing the area for that type of firm. The theoretical base adopted will also influence the definition of economic development and the extent to which local interventions can succeed. (Refer to table 2.2 for a synopsis.)

This section discusses the major theories underlying economic development policies, strategies and programmes. The theories that will be examined include the growth pole or centre approaches, neo-classical equilibrium and dis-equilibrium, economic base and central place, location factors, regional and product life cycles, including the origins of the spatial division of labour, circular and cumulative causation, agglomeration economies, dependency and underdevelopment, and the role of technology.

2.4.1 Growth pole theories

This is an umbrella term for a number of related theories and concepts (Hartshorn 1980:47). The central tenet of growth pole or growth centre theory is that a set of propulsive industries in an area (usually a metropolitan area) can induce growth in the surrounding hinterland (Nelson 1993:32). Agglomeration economies that flow from these growth industries spur the area to further growth. The establishment of industrial complexes thus stimulates growth and development with the benefits of this development and growth flowing outward from the centre and gradually benefiting the entire hinterland. These benefits would then 'trickle down' or spread to surrounding areas (Malecki 1991:94-96). Although these concepts were originally economic in nature, they have generally been applied within a spatial context (Chapman & Walker 1990: 230, Nelson 1993:30).

These concepts are closely associated with, and can be derived from, stages of growth theories.

Rostow proposed that nations (later applied to regions) move through the following stages: traditional, preconditions to take-off, take-off, maturity, and mass consumption (Nelson 1993:29-30). A traditional region is defined as an area where there is limited technology relative to other regions. 'Pre-conditions to take-off' occurs when leading regions begin to invest in the traditional or lagging region. Take-off occurs when sufficient investment and external impetus enables the region to sustain its development. Sustained development is equated with maturity, and mass consumption implies that the region now exports the goods that it previously imported.

Friedmann postulated a continuum of development based on core-periphery relationships. In the pre-industrial stage, there is little interaction between regions. During industrialisation the centre lives off the periphery, and the latter develops only through, and as a function of, the exploitation of the centre. In the post-industrial stage, the periphery begins to develop in its own right to attain a measure of economic independence (Nelson 1993:30). Current development of smaller towns and cities, with a high quality of life, could bear testimony to such processes.

Stages of growth can also be applied to cities (Blair 1995:116-118). Here it is postulated that cities initially export only a few products that form the basis of other activities. As the economy diversifies and becomes more complex, exports too are diversified, and import substitution occurs. In time, the city becomes a regional centre serving its hinterland and providing a number of goods and services. The service sector also generates new activities, some of which lead to further exports. Such an innovative trend can contribute to further growth. Once a critical mass is reached, growth becomes self-sustaining.

As stated in previous sections, these concepts were widely applied in regional planning until about the 1980s. Most critics maintain that they were not effective, and that development does not follow the model. The main criticisms of the growth centre concept are:

- The backwash effects are greater than the spread effects.
- The theory does not take economic linkages, both spatial and economic, into account.
- The benefits do not reach those for whom they were intended.
- The impact of technology is not considered (Malecki 1991:95).
- Many cities that did reach critical mass, and flourished, are now in decline, indicating that development is not necessarily self-sustaining.

Backwash or polarisation effects occur when the factors of production are drawn into the centre from the hinterland, and the evidence indicates that the backwash effect dominates. Thus the hinterland is drained rather than developed by the growth centre (Malecki 1991:95,96).

Backward and forward linkages between firms and services are important, as these determine where the income generated by the centre will be spent. If the income is not 'recycled' within the region, ie flows out of it, then development will be limited.

The impact of new technology and the ability of the population to use new technologies are significant factors in development: areas will not develop if their labour does not have the necessary skills to utilise new technology (Malecki 1991:109).

2.4.2 Neo-classical equilibrium theory

Two major concepts emerge from a neo-classical view of regional and local development: equilibrium and mobility. Central to this view is that all economic systems eventually reach equilibrium if capital can flow without restrictions. Thus capital seeking a higher return on investment will flow from an area with high wages and / or costs to a lower cost / wage area. As investment in an area continues, so does competition for factors of production, thus raising costs, which leads to equilibrium (Nelson 1993:31). This thinking underlies many deregulation policies and property-led development approaches (Blakely 1989:60). Relating this approach to the growth centre theory is the assumption that leading regions spread out into lagging regions because the latter have some comparative advantage, eg natural resources that result in an inflow of investment, until equilibrium is reached (Nelson 1993:31).

Neo-classical theories are criticised on the following grounds:

- There is little explanatory power in the theories as to why some regions develop and others do not.
- They are not sympathetic to the plight of communities suffering economic decline - neo-classical theorists advocate non-interference in dying firms or declining regions.

According to Blakely (1989:61), the value in the approach lies in identifying the factors that make an area attractive to capital and in ensuring that the locality maximises these factors.

2.4.3 Top down development

This theory also assumes the domination of hinterlands by urban areas and of some areas by others due to capitalist activities. Cities dominate their hinterlands by investing in the means of extracting the resources to enrich themselves. Capital flows back to the hinterlands only as and when there are high returns, not as a result of social needs or priorities. Thus spatial differentiation is due to the unequal distribution of capital, rather than the distribution of resources or communications networks. Consequently, there will always be areas in need, but mobile capital will flow to areas of greatest opportunity.

When capital is in the hands of large multi-national firms or investment pools (such as insurance companies) who determine where it will be invested, it will usually be invested in growing leading regions (where there is less risk), while lagging regions are ignored. Public policy is thus necessary to correct imbalances.

2.4.4 Development from below - the other perspective

This approach matches development patterns to an area's characteristics (Nelson 1993:46). Its aims are to:

- control the backwash effects
- reduce imports to lagging areas
- re-invest regional savings in the area
- develop local labour-intensive industries
- control of the area locally.

To achieve these aims, three approaches are put forward: accelerating the integration of lagging with leading areas; proactively using local resources to stimulate development and improve the overall health of the area; and assuming greater control over local resources and decision-making (agropolitan development) (Nelson 1993:47-52).

Both top-down development and bottom-up development imply economic base theory: the main difference between the two lies in control over local resources and the means to improve the welfare of the area.

2.4.5 Circular and cumulative causation

The premise of this theory is that market forces, rather than being self-correcting, set a self-perpetuating cycle into motion, an upward or downward spiral that increases the inequality between regions (Blakely 1989:64, Howland 1993:69). Thus backwash effects can rob a low-income area of the capacity for revitalisation, while growth leads to confidence and investment.

Decline, disinvestment and plant closures all reinforce decay. Unemployment impacts on an area's incomes, which affects services (eg retailers), and leads to further unemployment. Banks restrict lending, which discourages or restricts investment, leading to decay of the physical infrastructure. The decline in the place's attractiveness further discourages investment. This, together with unemployment, leads to low tax incomes. The

weakened tax base results in less to spend on infrastructure and municipal services, which further exacerbates the problem. Out-migration of all those who can afford it not only affects the tax base, but also local services, identification with the area and commitment to it.

The same process can be described in terms of leading and lagging regions. The former have a comparative advantage reinforced by agglomeration absorb skills, resources and capital from lagging regions, further impoverishing them. Only through investment in such lagging regions can they improve their fortunes. Lack of investment in lagging regions allows leading regions to maintain dominance over lagging regions (Nelson 1993:32).

The opposite spiral occurs with large scale investment into a region, leading to confidence, further investment, employment, rising incomes and prosperity, giving the area large scale competitive advantages over other areas (Howland 1993:70, Blakely 1989:64). Advantages developed by an area, and its agglomeration economies can yield long-term benefits: "knowledge, skills and capital, once acquired, do not vanish, but become an endogenous source of future endowments" (Malecki 1991:85).

This theory implies that, large-scale investment is needed to create confidence and reverse the trend thus changing a declining area's fortunes.

2.4.6 Dependency theories

Underdevelopment through colonialism. Colonial relations were developed by the mother country for the mother country. Initially, the interest in the colony was primarily to extract resources. Western inventions such as firearms, railways and telecommunications permitted control over vast areas. When processed products were exported to the colony, this had a devastating impact on the economy by introducing demand for (unaffordable) products, eg guns, TVs, cars - goods with which the colony's industries could not compete. Later, substitutes were found for the primary products exported from the colony on which the economy depended, leading to drastic price reductions and economic problems for the colony. Technology for production in the colony was supplied by the mother country, maintaining dependency relationships. "For much of the Third World, then, technological underdevelopment has been the rule. Colonialism brought education, medical care, and mechanical equipment, to the colonies, but did not pass on essential skills and knowledge to the indigenous populations. When former imperial possessions attained political independence, their people and firms lacked the skills and experience to

sustain the infrastructure left by the colonial powers or to build on and develop from this base" (Malecki 1991:20). Thus, historical relationships between mother countries and colonies left the latter dependent on the former, without the resources to stimulate economic development.

Organisation of production. Capitalist corporations arrange the spatial division of their activities to maximise profits. Multinational corporations view the entire world as their space, and use it accordingly. Control is maintained in high wage areas, production occurs in low wage regions. Spatial division of labour is thus a direct outcome of profit maximisation by corporations (Malecki 1991:88-89). Marxists maintain that profits tend to accumulate through contradictions such as capital-deepening through the use of labour-saving technology. This permits high profits in the short term. Tasks are made more routine to extract surplus value from labour, while new technologies are employed to reduce labour.

Rise and decline of industrial complexes. According to Goldstein & Luger (1993:155), the development of new industrial complexes is related to labour-capital relations. Large labour markets reduce the cost of obtaining appropriate labour, and large labour pools have built-in socialisation effects. Areas with such labour markets also create environments rich in entrepreneurial and innovative talent. However, at some stage, diseconomies set in, with rising costs which lead to technological and organisational changes. Thus each industrial epoch is characterised by a new set of productive forces and locations. Each new wave favours new locations where the labour is not organised and employment relations can be re-created (initially in favour of capital). Businesses can also shift the uncertainty to the lowest skilled and paid workers. Thus corporations search for new labour pools which are neither unionised nor organised. Highly skilled workers, such as those in research and development (R & D) have some certainty because their jobs cannot easily be automated. (However, they can be threatened by rapid changes in technology.) Poor areas serve as reserves of redundant and exploited labour - thus keeping wages down (Wiewel et al 1993:81).

2.4.7 Economic base theory.

This theory is one of the most influential theories in economic development literature and has inspired many techniques, including location quotients and shift-and-share analyses. The theory is based on the following premises:

- All economic activities in an area can be divided into export (basic) and non-export (non-basic) activities. Basic activities are all those goods and services sold to non-local consumers.
- Local firms using local resources (natural resources, labour, skills, and capital) generate local wealth and employment.
- Growth is determined by the demand from outside the area for goods and services produced in the area.
- Export activity is the engine of growth, and increased export activity leads to local wealth, jobs and stimulation of service firms (Malecki 1991:38, Blakely 1989:62).

In terms of this theory, non-basic activities (services) depend almost totally on the health of basic activities. This implies that the economy depends on external market forces that can be national or international. It is also assumed that basic activities have greater multipliers than non-basic activities.

The primary application of economic base theory is the attraction or development of export-orientated firms, and export promotion in the area (Blakely 1989:62).

Although the theory is acknowledged as useful, there are several criticisms. Among these is the assumption that demand is generated from outside. Other factors, such as import substitution may lead to limited flows from the region, thus stimulating growth. Economic base theory is most applicable to cities where strong linkages exist within the local economy, with money flowing towards the community and strong local multipliers. It is consequently less applicable to economies where there are few linkages, or control of basic industries is vested outside the area, and incomes flow out and are not recycled within the community (Howland 1993:71). Another factor that affects leakages from an area is the resident's propensity to spend locally, which is a function of the size and diversity of the local economy, its relative isolation, and the wealth of the community (Malecki 1991:38).

Furthermore, increased productivity can also increase local incomes, without a concomitant increase in exports (Blair 1993:135-137).

According to Malecki (1991:60-69), it is the service industries, not the basic industries, that are the mainstay of an area's economic base. Exports are a result, not a cause of economic growth. Rather than exports, the following are important factors in economic development - the diversity of skills in a labour force; the amenities that attract labour, ie

good housing, schools, transportation; the availability and quality of business services; and local and regional markets. With the decline in manufacturing employment in many places, the rise of service employment and its effect on the economic base can be an important consideration. Furthermore, services can also play a leading role in innovation. "The quality of local social capital not only influences an area's comparative advantage, but more importantly promotes local innovation and experimentation and supports the subsequent standardisation of products. New products tend to have high elasticity of demand ... which results in growth rates that are higher than average. Innovation tends to broaden and diversify the export base as a result" (Malizia 1985:38).

2.4.8 Inter-industry model (input-output model)

This model, according to Malizia (1985:36-37) extends the export base theory. In recognising the linkages between local industries, and those between industries, households, government, and the rest of the world, multipliers can be calculated for each industry (as opposed to a single multiplier in the economic base model). This avoids the need to classify industries into basic or non-basic and permits portions of industries to be classified as final demand sectors, implying that the growth stimulus can come from both internal and external sources. Furthermore, it can be used to predict the impact of the gain or loss of industries and sectors, or to simulate the effects of technological change (Blair 1995:163). If regularly updated, the model can also be used to examine changes over time, eg the inter-industry mix. By analysing the economic structure, it can be used to identify sectors or industries for targeted marketing. Disadvantages of this model are the extensive data requirements, which are both expensive and difficult to obtain, and the fact that it must cover a reasonable area to be effective.

2.4.9 Agglomeration economies

Agglomeration economies are benefits that accrue to firms when they are located in close proximity to each other. These can thus play an important role in inertia. Significant cost-reductions can occur due to spatial concentration of economic activities. Localisation economies permit small businesses to gain through proximity. Specialised services can be provided, a pool of skilled local labour can emerge, and there is potential for spawning new entrepreneurs and innovations when related are located near each other (Chapman & Walker 1990:59). Shared machinery and technology, and the ability to imitate competitors more rapidly, as well as the potential for comparison shopping, are other benefits that emerge when clusters of similar industries locate near each other (Blair

1995:99). Urbanisation economies accrue to firms in an urban area. The larger the area, the greater the potential for a variety of business services, the more potential suppliers and customers, and the size and variety of the workforce increases. Furthermore, firms in urban areas benefit from infrastructure such as air and public transportation, telecommunications, policing, health and training facilities that are generally available in larger centres.

Agglomeration is encouraged in response to uncertainty. Uncertainty discourages investment: and firms thus look to places where uncertainty is lower - where good services and proximity to clients and suppliers exists. Large urban areas provide more security in conditions of uncertainty, and are therefore favoured as business locations. The reduction of risk also plays an important role in new firm start-ups and innovations. Hence urban areas are usually locations that support entrepreneurial activities (Chapman & Walker 1990:60).

2.4.10 Flexible production and just-in-time manufacturing

Flexible production. Intense competitions for differentiated or niche markets leads to small custom-made batches. These specialised products tend to be more expensive and have a short 'shelf life' before becoming obsolete. To remain competitive demands a high level of research and development, as well as location in an area with a wide range of services and highly adaptable labour, usually metropolitan areas. To maximise their flexibility, producers must have short production lines and limited inventories. This leads to just-in-time component sourcing and production methods, which foster agglomeration (Goldstein & Luger 1993:155).

Just-in-time manufacturing refers to systems where firms do not keep large inventories of inputs, but order from suppliers at the appropriate time in the process. Inputs must arrive just in time for the production process. Furthermore, there are co-operative research and development programmes between component suppliers and the main assembly firm, with engineers moving between the various plants (Mair 1993:209). Suppliers must guarantee product quality, and service must be both reliable and predictable, with restricted distances between suppliers and producers. These factors tend strengthen the pull towards large market places, such as metropolitan areas (Howland 1993:67).

2.4.11 Industrial districts

Industrial districts constitute a particular form of agglomeration that is rich in stable industrial relationships. Such districts usually comprise many small firms in a small area, specialising in similar products for national and international markets. Interdependence arises from the intense specialisation. There are strong linkages, including subcontracting between firms, which foster co-operation and trust. In some districts there may be strong family ties. These relations - often informal - are characterised both by co-operation and competition, and give rise to innovation (Malecki 1991:232-234, Rabelotti 1995:30). Both the sharing of machinery and more importantly, the sharing of information occurs. Policies tend to focus on the latter, with strategies to build networks between firms in an area.

2.4.12 Long wave theory

Economic behaviour here is studied as a dynamic historical process, with one wave of products, production processes or markets giving way to another with new products, technologies, resources and inputs, and organisational forms. These constitute waves of 'creative destruction' (Goldstein & Luger, 1993:152).

2.4.13 Product lifecycle

This theory hypothesises that products and processes move through phases: new, mature and standardised.

The cycle begins with entrepreneurs who introduce basic innovations - a new product or process - into the cycle. For a while, they reap large profits because they enjoy a monopoly position (Goldstein & Luger 1993:152). Change is rapid during this stage, resulting in great uncertainty while the demand for specialised inputs is high. External economies are important and the producer must have rapid feedback on the market's reception of the product. Consequently, the firm must locate itself in large centres with "complex economies, ... well developed capital markets, highly diverse and skilled labour force, lower cost access to information, complex constellation of suppliers, (and) proximity to markets" (Howland 1993:63). Initially demand is from local markets but as the product becomes known, demand increases.

At this stage, imitators enter the market and begin to offer similar products at competitive prices, or consumers find substitutes for the product. Thus demand becomes more price

sensitive. Producers then adopt standardised techniques to exploit economies of scale and reduce or maintain prices. Mass production becomes the norm, with products, processes, and markets all becoming standardised, which often entails mass production, routine work and low labour skills.

At this stage, markets become external to the area, and the product can also be made in other regions where demand permits and costs are lower (Nelson 1993:33).

Thus at later stages in the cycle, production can be located in rural areas or in foreign, low-cost countries. Such 'off-shoring' also occurs to prevent competitors from gaining a foothold in those markets. It is possible that, in the latter stages of the cycle, the external plant can produce the products at a lower cost than the original plant, forcing the latter to close. As demand becomes saturated, profits dwindle, and the industry declines, leading to depression unless new innovations replace the previous ones (Goldstein & Luger 1993:152).

"Product cycle theory underscores the importance of innovation and indicates the links between innovation, industry mix, and economic development" (Malizia 1985:39).

2.4.14 Regional lifecycle

This theory is related to product lifecycles. It asserts that new enterprises emerge in lagging regions as the leading region's infrastructure becomes obsolete and unprofitable (Nelson 1993:33). However, if an area continues to innovate, and its infrastructure continues to serve the needs of its new producers, then decline is not inevitable. Furthermore, those mature industries that require specialised labour, or make small batches (eg aircraft building) cannot decentralise, and tend to remain near metropolitan areas (Howland 1993:67, Blair 1995:118).

2.4.15 Spatial division of labour

The first of the explanations for the spatial division of labour proceeds from the product cycle theory. Areas where innovation occurs require highly skilled labour, venture capital and other specialised inputs. These can typically be found only in or near metropolitan areas. Mass production does not require such specialised inputs, and low-skilled labour can be employed. Hence firms look for low wage areas for this part of the process, and such areas need not be located in the same region or country as the research and

development processes. Thus a firm may have its head office in one place, research and development in another, while production is situated in another country altogether.

Malecki (1991:5-7) views the spatial division of labour in the context of **globalisation** and the role of multinational firms. Multinational firms emerged in three phases. The first of these was the extraction of goods such as crops and minerals that were not available in the home country. In the next phase, these firms then expanded into foreign markets selling processed products. The third stage relies on the new international division of labour where production tasks are divided into activities that can be done by low skilled labour in countries with low labour costs. The latter was possible due to:

- developments in production methods (technology and organisation) that enabled tasks to be broken down into simple units that require minimum skills
- improvements in transport and telecommunications that enable the transfer of goods, people and information rapidly and cheaply around the world
- the development of a large international reservoir of non-unionised labour that is unable to demand high wages or fringe benefits.

These trends have led to the emergence of different regions:

- those with high technological innovation
- those with skilled labour, but lacking a diversified and modern industrial infrastructure
- areas with reserves of unskilled labour that are surplus to agriculture or declining industries.

Isolated areas with reserves of unskilled labour can benefit by the establishment of a manufacturing plant that employs a substantial proportion of local labour. Such plants usually require neither much skilled labour, nor access to informal or recent information, or specialised inputs. Howland (1993:167) warns of the problems that can result from dependency on such plants. One of these is the potential for replacement of labour by capital (capital deepening): when the need for low skilled labour goes, so does the plant and all its jobs. Secondly, such plants usually have weak backward and forward linkages to the local economy, and hence few multipliers. This implies that it does not act 'propulsively'. Furthermore, the relative isolation often leads to a lag in technology and changes, which can lead to the plant (or firm) becoming obsolete and being forced to close.

2.4.16 Role of technology

According to Malecki (1991:26-29), technology underlies structural change. Changes in technology alter the structure of an economy through changes in the mix of products, industries, firms and jobs. In any economy, the technological capacity (a function of both the age of machinery as well as skills) is always changing and can range from state-of-the-art and best practice to worst practice and obsolescence. In most cases, it is the practical application of knowledge, ie useful knowledge, and the transfer of that knowledge into outputs through technology that drives economies. It is not knowledge *per se*, but the technology in use that sets the limits for an economy. Thus the success of the newly industrialised countries (NICs) stems largely from their application of technology (Malecki 1991:27).

Places not near a 'technology frontier' may struggle to keep up and may not be able to translate knowledge into outputs. The level of development in an area is a function of the level of technology. Areas with low technology tend to be characterised by low skills and hence incomes. The converse is also true: technology develops in areas with a high level of skills.

The process is not, however, linear: more science and research and funding into these areas will not automatically result in economic growth and development. The process is complex, interactive, iterative, and numerous factors influence the development of new technology, its practical application, production, as well as acceptance into the market. It is ultimately demand that determines the success of the innovation and the firm.

Most programmes based on theories regarding the role of technology tend to focus on stimulating innovation and then transferring this technology from research laboratories to production, but successful technology transfer implies the transfer of knowledge across disciplines, industrial sectors, places and professions (Melkers et al 1993:233-234). The path from an innovation to a market success depends on the firm. The constraints in the firm on the available technology determine the technological routes followed, while the nature of the demand and factors in the firm will determine the markets to be exploited. This process contains much inherent uncertainty. It is this uncertainty that policies should address, rather than purely technological transfer. For innovation to lead to market success, firms need the technical capacity and organisational structure to facilitate innovative behaviour, and the ability to read the market (Melkers et al 1993:235).

2.4.17 Supply side theories

These theories are based on the premise that a region can make itself attractive to investment. "Communities can take control of their destiny when and if they assemble the resources and information necessary to build their own future" (Blakely 1989:68).

Growth in the region can be achieved through the development, increased output, or more effective use of resources in the area (Blair 1995:139, Howland 1993:71). Offering subsidies and incentives can also attract investment. According to Blakely (1989:66), there has recently been a change in focus from attracting factories to attracting an entrepreneurial population. Places must display themselves and what they have to offer to gain a competitive advantage. Failure to do so may be a political liability.

2.4.18 Location factors

Location factors are a valuable part of the theoretical tool kit of local economic development officers, and form the basis of many approaches, policies and programmes. These theories and models have grown from simple cost-minimisation models to complex theories explaining the evolution of high technology areas such as Silicon Valley. This section cannot hope to discuss all the theories and models, and will touch only on the most common location factors.

The first models had only a few determinants of location - transportation costs of inputs and outputs, access to markets, materials and labour (both the cost and availability of labour). These transport cost-minimisation models assume that a firm will choose a location that will minimise costs. Hence firms with bulky, hazardous or heavy inputs that are expensive to transport locate near the source of the inputs. Firms with fragile, perishable, hazardous or heavy outputs locate near their markets. Although the model indicates that firms will locate between the source of inputs or markets, this is unlikely, as double loading and off-loading are required. Thus firms tend to locate between source and market only where breaks in the transportation network occur - such as harbours and airports (Blair & Premus 1993:6). Where there are multiple inputs, the dominant input or heaviest factor determines the firm's location. The principle of median location, ie a location that serves the most customers with the least effort or cost can explain the location of service and retail activities. Thus large centres with the most customers are favoured locations.

As transport costs have fallen, and the value of goods has increased relative to transport costs, the less important the latter have become, allowing industries to become more 'footloose' (Chapman & Walker 1990:44). Now other factors tend to dominate location - skills of local labour, quality of life, and the local business climate: "less tangible variables such as the quality of community life, now seem to overshadow the obvious advantages of a large market or natural resource areas" (Blakely 1989:63). Quality of life includes aspects such as climate, educational and medical facilities, and recreation and entertainment amenities. Workers may be prepared to trade lower wages for an amenity-rich environment (Blair & Premus 1993:13).

Labour is currently considered one of the most important location factors. "The quality of an area's human resource base is a major inducement to all industries. If the local human resource base is substantial, new firms will be created by it irrespective of location or else existing firms will migrate there" (Blakely 1989:70). Higher education levels are believed to give higher levels of productivity. Wages too impact on location decisions. Consequently, in some cases, highly industrialised or unionised areas are avoided, as these tend to push up wage levels (Nelson 1993:44).²

While governments can play a role through incentives and tax concessions, there appears to be consensus that these have little impact on location decisions (Blair & Premus 1993:13).

Communication linkages are important. These include the linkages between people (face-to-face contacts), and contacts between organisations such as universities and research institutions (Chapman & Walker 1990:60). Telecommunications are also important and many firms now seek locations with rapid and reliable Internet, facsimile and telephone connections (Castells 1989:146).

Blair & Premus (1993:16) cite inertia as a location factor. Firms are often tied to their existing location through existing contracts, and relationships with suppliers, clients, and labour. They are, therefore, unwilling to move. The growth of mutually beneficial or symbiotic relationships in an area reinforces inertia.

² Refer to theories addressing spatial division of labour for greater clarification of the types of industries following this strategy.

Location factors pertaining specifically to high technology development include the following:

- skilled scientific and engineering labour (Hall et al 1987:79)
- housing and social amenities, (which includes good restaurants, schools, orchestras and theatres etc.) (Bergman 1986:140-143; Castells 1989:39)
- agglomeration economies (Hall et al 1987:79; Castells 1989:39)
- proximity of universities and other research institutions (Haug 1986:107, Hall et al 1987:86);
- large markets (particularly military markets) (Castells 1989:39)
- access to air transport as speed and promptness of delivery (of both researchers and goods) is important (Hall et al 1987:78, Bergman 1986:138).

While location factors do play an important role, there are many other factors that impact on location decisions, including the availability of venture capital, entry requirements into the market, size of the market, and degree of competition. Gordon & Kimball (1987:168) examine the evolution of high technology locations and criticise the simplistic application of the above-mentioned location factors, concluding that the "central question for location theory no longer concerns discovery of those objective factors likely to promote independent generation of indigenous regional high-tech agglomerations but comprehension of a region's social and economic position".

2.4.19 Central place theory

Central place theory can explain the emergence and functions of centres, especially those in rural areas. One of the central tenets of this theory is that there is a hierarchy of centres that provide goods and services (Howland 1993:62). Demand thresholds are determined by market size and density of demand. The higher the density, the smaller the market area need be. Thus, the smallest centres have the most limited range of goods and services, catering primarily for daily needs and the lowest order functions. Those functions that demand a large threshold population are found only in high order centres. When the optimum market area declines, (eg through increased incomes or population density) then the functions may move down the in order with the converse also applicable (Blair 1995:79).

This theory can assist local communities in assessing their role and function in the economic system, their potential to develop higher order functions or uses that could be 'missing', and the reasons why. In the case of rural centres, declining transportation costs,

reductions in the frequency of trips, expanding economies of scale, and diminishing rural populations and incomes all serve to push many functions higher up the hierarchy until they become viable. Changes in the nature of retailing also require larger market areas, and hence larger towns. Together these factors can account for the loss of many retail functions in small rural towns (Howland 1993:62).

2.4.20 Entrepreneurship

Entrepreneurship is recognised as vitally important, but there is a limited understanding of the factors contributing to its development (Blair 1995:140). It is generally identified with the early stages of the product cycle, ie the development of new products and processes, and with fast-growing new firms. This generally occurs in or near metropolitan areas, where high levels of competence, academic institutions, cultural facilities and institutions, shared perceptions of unmet needs, high potential for internal and external communications, and synergy between role-players tend to exist. There appears to be a relationship between growth in an area, and the density and extent of entrepreneurial networks (Goldstein & Luger 1993:157). From a sociological point of view, the "sociological analysis of small business treats firm ownership as a group phenomenon, heavily dependent on social resources available from group support networks" (Bates 1993:251). Areas that are 'knowledge rich' will have a competitive edge, particularly with respect to research and development (R & D). Blair (1995:140) notes that the founders of new firms are usually local residents and that relocation to start up a firm seldom occurs.

Entrepreneurship can also be linked to economic cycles: when wages rise and it is more profitable to be employed, the people move into employment in existing firms. When the converse occurs, or full-time employment is no longer an option, then people move into self-employment (Bates 1993:248-250). Other factors that influence entrepreneurship, including the availability of financial capital and capital barriers to entry in a market, have a major role in new firm formation.

Development in an area is said to follow a number of steps. There is an institution phase where research institutions are established in an area with support services. When this reaches a critical mass, the scientists and innovators begin to interact with ideas and innovations. The entrepreneurial phase then follows with new firms and their spin-offs, usually in the same region (Goldstein & Luger 1993:157). Following the emergence of local entrepreneurship is the growth and expansion of local industries. Diversification is vital. Places must add new work to old, ie they must be continually innovating to increase

the specialisation of labour, protect the old work, and create new opportunities through the products and services that spin-off from existing products and services. This strengthens linkages between firms and encourages further innovation. To maintain the innovative impetus, it is important that local enterprises remain under local control (Malecki 1991:110).

Issues that are not answered above concern the critical density of entrepreneurs and innovation - what is the critical density, and more importantly from a policy point of view, how does one attain it (Goldstein & Luger 1993:157)? The high failure rate of small businesses also raises concern. Entrepreneurs must have both finances and skills to run a business. In firms where these are lacking, failure inevitably follows. "Available evidence overwhelmingly indicates that small loans, targeted to low income individuals lacking the requisite skills for operating a business very frequently become delinquent loans that are never repaid" (Bates 1993:258). Policies and assistance must target viable firms to avoid mass loan default and business failure.

2.5 CONCLUSION

While no one theory can offer a complete explanation of the causes and forces driving economic development or decline, each of the theories can offer a partial explanation of different facets of development. Each theory has a different definition of development (see table 2.2), yet when applied in the appropriate context, the theories and models can assist practitioners in understanding the forces at play in their local economy. With this understanding, they will be in a better position to select suitable interventions to achieve their goals and objectives.

The following chapter will continue with theory - this time discussing some of the typical strategies employed by localities in the pursuit of economic development.

Table 2.2 Definitions of economic development

THEORY	PREMISES	DEFINITION OF DEVELOPMENT	TYPICAL STRATEGIES
Growth pole	<ul style="list-style-type: none"> ➤ Propulsive industries can induce growth ➤ Benefits trickle down from centre to periphery 	Employment, high incomes, new investment	<ul style="list-style-type: none"> ➤ Attract and develop propulsive industries ➤ Foster backward and forward linkages
Neo-classical equilibrium	<ul style="list-style-type: none"> ➤ Economic systems reach equilibrium if there is no interference 	Flow of capital, investment into area	<ul style="list-style-type: none"> ➤ Deregulation
Cumulative causation	<ul style="list-style-type: none"> ➤ Market forces start a self-perpetuating cycle 	Investment, employment	<ul style="list-style-type: none"> ➤ Massive investment to reverse decline
Dependency/ Underdevelopment	<ul style="list-style-type: none"> ➤ Elites create and maintain certain underdeveloped or dependent areas 	Self-sufficiency	<ul style="list-style-type: none"> ➤ Stimulation of endogenous growth
Economic base	<ul style="list-style-type: none"> ➤ Growth generated by export-orientated activities 	Employment growth	<ul style="list-style-type: none"> ➤ Attraction and development of export-orientated industries
Inter-industry mix models	<ul style="list-style-type: none"> ➤ Identifies linkages between industries and calculates multipliers per industry 	Diversity of economic base	<ul style="list-style-type: none"> ➤ Develop clusters and networks ➤ Promote leading industries
Agglomeration	<ul style="list-style-type: none"> ➤ Economies and benefits accrue through agglomeration 	Rich networks, innovation	<ul style="list-style-type: none"> ➤ Encourage linkages and networks between firms
Life cycle theory	<ul style="list-style-type: none"> ➤ Products, processes or regions go through a cycle from innovation to mass production 	Innovation new products/ processes	<ul style="list-style-type: none"> ➤ Promote innovation ➤ Science and technology parks ➤ Technology transfer
Spatial division of labour	<ul style="list-style-type: none"> ➤ Production functions separated in space ➤ Functions located where appropriate labour exists 	Headquarters and R&D functions	<ul style="list-style-type: none"> ➤ Attract headquarters and R&D functions to area
Supply side theories	<ul style="list-style-type: none"> ➤ Areas can make themselves attractive to firms/ investment 	New investment and employment	<ul style="list-style-type: none"> ➤ Marketing, incentives ➤ Development of local resources
Location factor theories	<ul style="list-style-type: none"> ➤ Various factors, eg access, communications, and labour influence location decisions 	New firms, investment and employment	<ul style="list-style-type: none"> ➤ Marketing, incentives
Central place	<ul style="list-style-type: none"> ➤ Hierarchy of functions 	High order functions thrive	<ul style="list-style-type: none"> ➤ Location of functions eg retail centres
Entrepreneurship	<ul style="list-style-type: none"> ➤ Key to growing new firms and economy ➤ Requires strong social networks and supportive environment 	New firms, innovation, and effective technology transfer Investment in new products and processes	<ul style="list-style-type: none"> ➤ Programmes to provide prospective entrepreneurs with both financial and human resources to start up businesses

Source: Malizia (1985:42) and author.

3 TYPICAL STRATEGIES AND POLICIES

Following on from the theories on which strategies are based, this chapter will examine some typical strategies and policies adopted to promote local economic development. Among these will be property-led development, place re-imaging (marketing), industrial clusters and networks, high technology, just-in-time clusters, enterprise zones, small and medium enterprise (SME) promotion, and partnerships. In each case, a brief description will be given of the strategy, and some of the positive aspects and criticisms will be discussed, concluding with suggestions for the successful use of the strategy.

3.1 PROPERTY-LED DEVELOPMENT

The focus of this strategy is the large-scale development, or redevelopment, of real estate to spearhead local economic development. Applicable theories are neo-classical economic theories, cumulative causation, supply side theories, and location factors.

3.1.1 Description

Although typically adopted in urban regeneration programmes, property-led development is not confined to blighted city centres and derelict industrial areas, and may occur on green fields sites. Industrial, office and retail centres are frequently the focus of these projects, although a small residential component may be included. While the public sector may initiate and facilitate the process, private sector developers are generally the dominant role-players. Thus property-led development usually constitutes a public-private partnership, where the private sector provides the capital and undertakes the works, and the public sector bears certain costs to make the project attractive and profitable for the corporate developers. These costs can include land clearance and assembly, the land itself, infrastructure, underwriting the risks, or tax concessions. In return, the public sector usually looks to community benefits such as new jobs, community facilities and improved tax revenue through renewed confidence in the area. Examples of this strategy include Birmingham's International Convention Centre (ICC), the London Docklands development, the Victoria and Albert Docks in Cape Town and the Centurion central business district, Centurion Centre.

The strategy is based on the assumption that property development can stimulate economic development. Taken to extremes, the tacit assumption is that property

development is synonymous with economic development (Turok 1992: 363). During the rise of conservative governments, with the focus on neo-classical economic theories and the private sector as the source of development, property became a major element in local economic growth programmes. "The policy theory underlying this strategy was first, that economic transformation in localities was blocked by the lack of suitable premises for new industrial, office and retail activities of the modern economy. Second, it was assumed that the private sector, in the form of the development industry, was the most likely to understand the space needs of modern business" (Healey 1995:221). Typical policies and projects entail heavy subsidies for land assembly, infrastructure and intense marketing to induce private sector developers to undertake projects, and tenants to locate in the area. The benefits are intended to trickle down to the local population (Turok 1992:373-376).

3.1.2 Positive aspects

Among the positive aspects of property-led development are the improvement of the quality of space and premises, the commensurate effect on confidence, the value of the property as an asset, and the potential for job creation (Hubbard 1995:250).

One of the main advantages of property development is the potential to show highly visible results within a short space of time (Turok 1992:33) which benefits local morale, increases the competitive advantage of the town, and creates a good image for its politicians.

Areas suffering decline and physical deterioration are seldom attractive to investors and banks refuse investment loans. This exacerbates the decline. Under these circumstances, large property developments can improve the environment, and with it, investor confidence. Large-scale investment in infrastructure and physical improvements can thus reverse the downward spiral of decay, create positive spin-offs, and restore confidence in an area (Turok 1992:370, Smyth 1995:21).

Change can extend to the economic function of the area, eg changing it from heavy metal industries to service-orientated industries. If the scale of the development is large enough, it could change the image of the city, both for residents and investors, thus creating a better business climate and enhancing the competitive advantage of the local economy (Hubbard 1995:251). This has been the case in Birmingham (Hubbard 1995: 250, Smyth 1994:161) and to some extent in Bristol (Smyth 1994:124) and Baltimore (Craig-Smith 1995:20-22).

Suitable premises are a pre-requisite for economic development, and property development can ensure that there is a supply of buildings that meet the demands of modern firms. This facilitates inward investment in a town (Healey 1995:228). Firms using modern manufacturing methods or information technologies have special needs that cannot always be met in older buildings. Where buildings and premises are not upgraded to meet modern needs, inefficiencies are experienced that will make those firms less competitive (Turok 1992:366).

Property is more than just space: it is also an address, a location and an asset. The former implies an image, which can affect credibility and hence profitability. Location impacts on the effective functioning of a firm, including access to clients and suppliers, and accessibility for employees. Property plays an important role as collateral against which loans can be made for expansion, etc (Healey 1995:223).

Readily available property can attract inward investment to a place, while inadequate premises can prompt firms to leave. A lack of suitable premises can turn potential inward investment away (Turok 1992:367). Thus pre-built factories at reasonable prices can be an important component of an economic strategy, and have, indeed, been one of the South-East Asian countries' development strategies (GPMC 1997:30). A shortage of suitable premises drives rentals up, and reduces incentives for entrepreneurs or inward investors to establish themselves in an area.

Construction, particularly long-term construction over several years by the same company, can create jobs for local people (Turok 1992:365).

3.1.3 Criticisms

While not negating the real benefits that property developments can bring, there are costs and criticisms associated with this strategy.

One of the major criticisms levelled against property-led development is that it does not address the structural problems in an area - only the physical manifestation of those problems. Therefore, unless the structural and economic aspects are also considered, "physical improvements will not be sustained if the residents are poor, the population unstable, and the economy fragile" (Turok 1992:372). Thus, property-led development is also viewed as benefiting the needs of only some sectors, including property developers.

When property developments occur in isolation, numerous problems arise, including conflicts between neighbouring uses or insufficient attention to the infrastructure necessary for the project in its wider context. Consequently, property development must be part of a multi-faceted approach (Healey 1995:222, Turok 1992:376, Fordham 1993:301). Large property developments are often expensive white elephants - good for the public image, but a heavy burden on the public purse (Turok 1992:375).

While not necessarily addressing the underlying problems of an area, physical development can conceal existing problems. There is a strong tendency to gloss over such problems, particularly during the marketing of the project (Hubbard 1995:251, Boyle 1990:123).

Construction tends to create temporary and low-skilled jobs only, unless a significant benefit is built into the project for local residents. Such benefits can include training, encouraging subcontracting, the start-up of local subcontractors, and contracting to community-owned enterprises (Turok 1992:364-366). Construction, as an economic activity, "is too narrow and fragile a foundation on which to base local economic regeneration. It generates few local spin-offs because of the high external purchases of materials and services ... (and) is ultimately determined by demand for buildings for occupation by other sectors of the economy, cyclical patterns of investment from private institutions and capricious spending programmes by the public sector" (Turok 1992:366).

The availability of suitable premises is not a sufficient condition to attract investment or new firms to an area. Other factors, such as the labour market, play a more important role. The provision of premises often results in a reshuffling of firms and jobs within an area, with existing firms taking up the new premises (Hubbard 1995:249).

Redevelopment can result in the rentals becoming too high for existing residents or firms, who are thus forced out of the area (gentrification). Some inferior property is essential for small firms that cannot afford high rents, and redevelopment programmes must be aware of this. (This also applies to low-cost rental housing.)

Property development tends to benefit the elite and meet the spatial needs of a few select sectors, not necessarily the urban poor. According to Hubbard (1994:24), "the success of urban regeneration cannot be measured in terms of physical reconstruction. It is

necessary to examine how successful these entrepreneurial policies have been in improving the social and economic conditions of the worst off in the city.”

Smyth (1994:82-88) counters some of these arguments, stating that development is advocated for the area because of the need. In the case of large-scale property development in a blighted area, the local population does not necessarily stand to lose anything unless housing or existing premises are demolished. Those that lose will be in the minority because the “very reason for developing is the degeneration of the area. The opportunities were therefore continually declining or absent” (1994:82). For sustained benefits for the local population, there must be sustained growth or regeneration. Simultaneously, where there is a weak economic base or few preconditions for economic development, property development *per se* will have a limited effect unless coupled to other measures (Turok 1992:367).

3.1.4 Conclusions

Property development has a role to play in economic development, and is necessary for other activities. A safe and attractive physical environment plays a major role in the quality of life of residents and workers, while appropriate premises are essential for the profitability of firms. Furthermore, in areas of decline, major interventions are necessary to reverse that decline and create an environment conducive to further development. However, there are also certain lessons to be learned and applied if property-led development is to yield positive results.

- Property alone should not be the sole focus of economic development nor should it be an *ad hoc* process, but should occur within an overall strategic framework which will determine directions and priorities (Healey 1995:229). It should, furthermore, be part of an integrated process. Integrated has a twofold meaning: on the one hand, it pertains to the various social, economic and physical aspects of development; on the other, it includes all stakeholders and addresses their needs.
- The inclusion of the local community from the outset in the process, and more importantly, their contributions in the proposals, is critical to the long-term success of the project. The limited attention given to disadvantaged communities’ needs and comments has been the major critique of many of the larger property-led programmes (Brownhill 1994:146, Smyth 1994:185).

- Attention to the interface between the development project and its neighbours, as well as impacts on the services and transport infrastructure, is facilitated through integrated planning (Smyth 1994:182). The location of the property in relation to transport facilities and access by employees can play as important a role as the quality of buildings and the environment. Thus any property-led development should also address non-physical facets such as suitable labour and financial packages. Furthermore, physical development must be accompanied by adequate maintenance and ownership of the project by the local community. Without this the investment is unlikely to be retained.
- Testing untried waters, or venturing where the private sector is hesitant to become involved, requires public sector funding. This, in turn, necessitates a stable subsidy regime, which may best be provided by development agencies with a long-term mandate not subject to the whims of government, and protected from short-term political manipulation (Healey 1995:229). However, political goals, with a clear contribution from local residents and businesses, must, guide the development agency.
- Property-led development requires expertise, including an understanding of the local property market and the needs of the actors involved, such as the developers and various users, as well as an ability to relate to and incorporate local economic development objectives. This implies good links to community-based initiatives connecting locals and the project (Healey 1995:229).
- Effective marketing is essential. Such marketing must, however, be backed up by physical and economic improvements.

While property-led development has potential to create a platform for further economic development, it should be part of a wider strategic framework, incorporate public consultation, and be undertaken with a clear understanding of the limitations and demands of this type of development.

3.2 SELLING THE CITY

Selling the city, place marketing, place promotion and re-imaging, have in common the “conscious use of publicity and marketing to communicate selective images of specific geographic localities (*sic*) or areas to a target audience” (Ward & Gold, 1994:2). This is not a new concept, but contributions from marketing literature have added a new perspective to what is entailed, and how it should be done.

3.2.1 Description

Selling the city can range from simple advertising and publicity, to a coherent marketing strategy for the city. Advertising tends to concentrate on informing the public or target market of the advantages of an area. An element of leverage may be associated whereby the local community offers various incentives to attract private development (Ward & Gold 1994:8). Publicity is coupled to advertising and includes the provision of information. Place promotion entails more than advertising, and may involve major property projects as flagships (see section 3.3). City marketing can be defined as "a process whereby local activities are related as closely as possible to the demands of targeted customers" (Ashworth & Voogd 1994:41). It is a far more comprehensive process than promotion: the latter is but one element of city marketing. Re-imagining the city, ie creating a new set of images, is an integral part of selling the city.

Media reports and advertisements, promotions and festivals, exhibitions and major regeneration projects can all be utilised in creating awareness and a favourable image of the city.

3.2.2 Positive aspects

Selling the city has become a major component of most local economic development strategies, partially for the positive results it can have, and partly stemming from concerns pertaining to the consequences of failure to market the city. Holcomb (1994:121) discusses the merits of urban marketing campaigns. She states that cities that promote themselves do so at the expense of the tax payer, but those who do not, while saving the taxpayer's money may lose investments and residents to competitors. "The argument can be made, ... that a city is damned if it does and damned if it doesn't" (Holcomb 1994:121).

The benefits that can be obtained from marketing the city are related to the nature and extent of the marketing, as well as the match between the image and the reality. If city marketing is undertaken along the lines proposed by Ashworth and Voogd (1990), which entails a marketing approach to town and regional planning, then significant benefits can be accrued. However, if the marketing is restricted to advertising, then fewer benefits may be realised.

Two of the goals of selling the city are to raise awareness of the city and to improve its image. The former is usually directed externally, while the latter can be directed both externally and internally at local residents and businesses. Increased familiarity with the town may at least permit potential investors or visitors to consider it. Through appropriate images, a favourable attitude can be created towards places - implying that this is an acceptable place in which to do business. This may increase the potential of an investment or visit with their attendant spin-offs.

Boosting local confidence and engendering local pride are other major benefits of selling the city (Boyle 1990:127, Johannisson 1990:76). This local pride is coupled to a sense of self-determinism. Through various promotion efforts, Söderhamn, a small town in the north of Sweden, improved its self-image so that "resignation has been replaced by a conviction that the destiny of the town can be locally controlled" (Johannisson 1990:76).

Related to a better 'self-image' is the realisation that improving a place physically and in terms of image, can retain jobs and investment, and attract further jobs (Holcomb 1994:120-121).

Place marketing, as part of a wider strategy can enable the city to reposition itself as a centre of service economy: a cultural capital (Glasgow), a business visitor destination (Birmingham) or as a tourist destination (Chermainus - see Goodey 1994:161). The new image and role can lead to increased inward investment and capital, and with it, new floor space and jobs (Boyle 1990:127). Tourism, with its concomitant expenditure and jobs, is a positive outcome of place re-imaging for many cities.

3.2.3 Criticisms

Although there are a number of criticisms of place marketing and re-imaging, only the most pertinent will be discussed below.

The costs and benefits of the exercise are the targets of many criticisms. "While considerable resources of time, money, skill and energy are being expended on marketing places, the efficacy of the methods, and the effectiveness of the campaigns are seldom scrutinised or evaluated in more than a cursory manner" (Holcomb 1994:121).

Furthermore, the issue of 'who benefits' is often posed. Most marketing efforts are aimed at the higher income groups, but often the circumstances of the local poor are not

improved (Brownhill, 1994:146, Boyle 1990:123, 128). The focus of re-imaging has tended to be on the public part of the city - the waterfronts, the city centres and potential tourist destinations - and not on the low-income neighbourhoods. Consequently only 'cosmetic changes' take place. "Parts of cities are cleansed and beautified and their images used in promotional brochures and press releases. Yet just as the made-over woman returns to her drab exhausting life, so life for most residents of re-made and re-imaged cities remains unchanged" (Holcomb 1994:115).

Where cities are being changed to reflect their marketing image, the result is often a series of similar cities and images. Thus any distinction between cities or differentiation is lost. Each city claims to have all the assets assumed to be the major locational factors of business: good business climate, centrality, accessibility, but the built environment differs little from place to place with similar office towers and buildings (Holcomb 1994:115-117). Thus the efforts at promotion are diminished by ignoring one of the important tenets of marketing - to distinguish 'your' product or place from your competitors'.

3.2.4 Conclusions

Place re-imaging has potential to put a place on the map and to change images of a town. As such, it can be an important element in a local economic development strategy. The 'I ♥ New York' campaign played a major role in saving the city from fiscal collapse (Holcomb 1994:120).

Successful place marketing is more than a media campaign: an effort must be made to ensure that the projected image matches the reality. Thus Glasgow, in its endeavour to become the 'cultural capital' ensured that there was a "critical mass of cultural activity" (eg music, drama, art, film-making) to back the media campaign (Boyle 1990:122).

The local community should participate, or at least support the process. Without such support the local residents and business community may well protest against the process, as in the London Docklands (Brownhill 1994:140,141). The purpose of the marketing campaign and anticipated benefits to the local community should be clear.

The goals which the process is expected to achieve should be explicit. This assists in determining the target markets as well as the 'product' being marketed (Ashworth & Voogd 1994:50). The city as a 'product' is difficult to define - it can be many things to many people, and it changes continuously (Ashworth & Voogd 1994:43). What is being

sold: is it 'quality of life' or factory space, access or a 'good business climate'? Clarity concerning the target markets is essential. Are they multi-national company headquarters, footloose factories owned by national companies, government offices, or local residents (or ex-residents)? Local residents and businesses are important components of the process, and marketing can be aimed at retaining them and their investment.

Failure to define the market segment, product, and means of promoting the place adequately may result in ambiguous messages that elicit only a vague response. On the other hand, when the markets, message and 'product' are clearly defined, major successes are possible.

"Place promotion should be seen as one planning instrument within the market-planning process as a whole, and used in preference to or in combination with other non-market oriented place management techniques as appropriate" (Ashworth & Voogd 1995:51).

3.3 FLAGSHIPS

Flagship developments are a specific form of property-led development. According to Smyth (1994:21), flagships can be defined as:

- a development in its own right, which may be, but need not be, self-sustaining
- a marshalling point for further investment
- a marketing tool for an area of the city.

Flagship developments are usually large-scale, pioneering public sector initiated developments intended to act as a catalyst for further development and private sector investment in an area (Hubbard 1995:244). They can also function as 'poles of attraction' for consumption, such as tourism or residential development (Smyth 1994:21).

Most flagship developments occur in areas where the private sector is hesitant to become involved. The reluctance of the private sector can be due to a number of reasons, including land ownership, conflict, lack of entrepreneurial initiative, or too poor an image of the area. As the market tends to concentrate only on short-term gains, the public sector must often take the lead to realise long-term social gains. Flagship developments are a means of stimulating the market to profitable levels (Smyth 1994:16).

Thus lead developments market both their locality and their city. They may act as a billboard inviting others to invest there, or they may be used to attract attention in other

ways to stimulate further development (Smyth 1994:21). As a component of a larger strategy, flagship developments may advertise the city as having a competitive edge, re-image the city as a potential location, and create demand for investment.

3.3.1 Benefits

As flagship developments are a special form of property-led development, they share the benefits of such developments (see section 3.1). As part of a marketing strategy, they share the advantages of successful city marketing and re-imaging (see section 3.2).

Successful flagships can be used to re-position the city in perceptual, cultural and geographical terms (Smyth 1994:254). They can create the impetus for further development and as such attract significant inward investment, either in the form of further property development or visitors. Whether accepted by the public or the source of hot debate, they can place an area on the map - creating awareness and interest, which is one of the first steps towards attracting investment. This has been the function of places such as '*Le Centre Pompidou*' and the '*L'Arc de la Défense*' Paris (Goodey 1994:164-165).

Flagships can become a source of local pride - a focus around which citizens can rally (Smyth 1994:153, Hubbard 1995:250). They can also become the focus of tourism - the many waterfront developments bear witness to this (Craig-Smith 1995:21,31, Smyth 1994:120). In attracting business or leisure visitors, such developments can lay the foundation of a new economic base. Through creating an attractive environment (by means of a flagship), it is claimed that investment will be stimulated and local residents' quality of life enhanced (Hubbard 1995:246).

3.3.2 Criticisms

Criticisms pertaining to property-led development are applicable to flagships. Those pertaining to the neglect of the disadvantaged are particularly relevant. Benefits do not necessarily trickle down to residents (Smyth 1994:259). The intense focus on the flagship development can be used to draw attention away from the impoverished areas of the city. Poor design and linkages to the remainder of the town can exacerbate this impression - creating the perception of an exclusive development for the elite.

If too large a portion of local resources are spent on the flagship development, then other sectors of the city may be deprived of social and other services (Smyth 1994:157-159). This is bound to cause resentment, which could result in the failure of the project, wasted money, and a white elephant.

3.3.3 Conclusions

Flagships are often the symbol of economic and physical rejuvenation of a place. Care must be taken, however, to ensure that reality matches the symbol. Smyth (1994:260-261) lists some lessons to be learned from flagship developments. The most pertinent of these are discussed below:

- Flagship developments must have a carefully considered and well-defined marketing strategy. This entails determining the position of the development *vis-à-vis* the international, national and local markets (Smyth 1994:30-35). Many flagships are inadequately researched in terms of markets and positioning. Hence they tend to be based on a standardised delivery system, leading to standard developments and images.
- Management of the entire process, from conception to implementation, including marketing, is imperative. Management is crucial when conflicting interests exist. Developers require a rapid process to be able to carry the debts and interest rates, and often want secrecy to prevent soaring land prices. On the other hand, the community demands transparency and community participation takes time (Smyth 1994:251, 257). It makes little difference who initiated or funds the project - success depends more on management.
- Where the local population was not part of the process, few benefits 'trickled down'. However, when acknowledged and included, local communities derive greater benefits, particularly the disadvantaged. Consequently, "political legitimacy and economic necessity will increasingly demand the participation of the local residents and other interests into the policy and development process to help maintain social stability, create a 'saleable' urban 'product' and create new development markets within the urban economy" (Smyth 1994:259).
- A flagship must have integrity, both in design and in the activities occurring within and around the site. Without this integrity the long-term sustainability of the project can be

jeopardised (Smyth 1994:247). Innovation is also essential, not only to differentiate the product, but also to create diversity. Sensitivity towards the area in order to maximise its potential rather than undermine it through insensitive placing of buildings, poor design or inadequate management, is important.

- > Competition between similar projects has had benefits: at the very least, facilities and opportunities have been provided for locals. It is, nevertheless, important to assess the competition and to structure the project accordingly. If two similar projects are proposed in different towns, then each town should either ensure that the market is large enough for both - even in recessions - or alternatively aim for a different market, eg move from national to international or local, or vice versa. (Smyth 1994:256). When planning 'copycat' projects, it is vital to ensure that the design is local to avoid stereotyping. This is particularly relevant for projects appealing to an international or national market. Each project should have its own 'sense of place' in the global economy. "The design must arise out of the social relations and activities of the area, or out of those anticipated in the new market position" (Smyth 1994:257). A distinctive design will differentiate the 'product', enhance competitive advantage, and minimise rivalry between city locations, particularly where tourism is involved.

3.4 HIGH TECHNOLOGY AND SCIENCE PARKS

Innovation, high technology and science-driven development are regarded by many as a panacea for all economic ills. If places such as Silicon Valley can grow so rapidly on the basis of high technology, then it is assumed that similar results can be achieved in other areas if the same recipe is followed.

There are a number of approaches to high technology and innovation-driven development, including just-in-time clusters and innovative industrial districts, as well as science, research or high-technology parks. This section will examine the latter, and sections 3.5 and 3.6 will discuss industrial districts and just-in-time clusters.

3.4.1 Description

Science and technology parks are usually developments by organisations such as local, regional or national government, or universities, to provide a setting for high technology research and development, as well as some high technology manufacturing. Such developments usually include serviced land, and can include buildings as well as support

services, such as laboratories. The rationale behind the development is that "technology parks might form a nucleus of a new industrial development based on high tech that could be generated more or less independently of previous industrial development" (Hilpert & Ruffieux 1991:61).

One of the assumptions behind a high technology policy, and thus science parks, is that there is a more or less linear process following from research and product or process development, through to production, and culminating in marketing (Malecki 1991:114-115). Associated policy implications are that increased basic research leads to increased production and, ultimately, to greater local employment and prosperity.

Requirements for science parks include an attractive environment and quality housing, skilled labour, good regional access, and the proximity of knowledge centres (Nijkamp & Mouwen 1987:256-258).

Applicable theories are those pertaining to innovation and high technology, industrial districts, cumulative causation, and life cycle theories.

3.4.2 Positive aspects

If innovation is the key to development, then a setting which promotes and fosters innovation, research, and new product or process development is necessary. A number of science parks have been successful in attracting research and development (R&D) functions, eg Stanford Research Park, Hsinchu Science-based Research Park (Taiwan), and Cambridge Science Park (Malecki 1991:308-311). Goldstein (1991:257-260) examines two science parks, Research Triangle Park and University of Utah Research Park, and concludes that, although they used different strategies, both research parks can be considered successful. Among the benefits obtained were stimulation of economic growth and enhancement of the prestige of the area (Goldstein 1991:255).

Science, research or technology parks are a favoured setting for economic activity, offering low density, dispersed building sites in a park-like setting. The proximity of similar institutions permits collaborative links, while reflecting the correct image of the firm (Malecki, 1991:308).

In terms of life cycle theories regions, places and firms must constantly innovate to remain competitive. By fostering research and innovation, an area can retain or create a

competitive edge, economic growth and development, and enhanced well-being for its residents. Furthermore, once an area has established a strong innovative and technological base, it is likely to remain competitive as the innovative area today is likely to remain innovative in the future (Malecki 1991:134).

Research and development is usually associated with skilled labour, and consequently high incomes. This can translate into high levels of spending and multipliers for the region.

3.4.3 Criticisms

Those science parks that are founded where conditions are conducive to their development have made contributions to local development (Malecki 1991:311). However, those located in less favourable regions are likely to attract only second-rate technologies and firms (Jowitt 1991:72).

The setting for science parks is thus critical to success. Metropolitan regions are favoured for their existing amenities (Malecki 1991:308). Technology development and transfer into new products and processes is also dependent on existing research capabilities in an area, the local industrial structure, as well as the compatibility of their activities (Jowitt 1991:73).

The success of 'model' parks can generally be attributed to reasons other than the establishment of an industrial park associated with a university. According to Gordon & Kimball (1987:162-168), historical factors, including limited competition and low entry requirements, played a leading role in the growth of areas such as Silicon Valley. As many of these factors are not applicable today, the Silicon Valley model cannot be copied.

"Science parks or research parks, therefore, are an attractive but highly uncertain policy. They often present little more than a theme for real estate or property sales and occupancy. This may attract some firms, but parks themselves do not increase the propensity of new firms to form. ... The complex and dynamic advantages associated with urban size - face-to-face communication, pools of workers or the potential to attract and keep them - outweigh the aesthetic attributes of a science park" (Malecki 1991:310).

Macdonald (1987:367) strongly criticises science parks as the developers' and architects' version of high technology, "established in defiance of any consideration of comparative

advantage, of what is known about the requirements of high technology industry,and that formal, imposed agglomeration is not quite the same as informal contact.” Furthermore, there is little relationship between universities and science parks, and universities are not necessarily a source of entrepreneurs full of new innovations (Macdonald 1987:368, Gordon & Kimball 1987:159). Instead, any high technology policy should begin with the personnel, and networks of knowledge. Knowledge and information are the engines of high technology development, not buildings in a landscaped setting (Macdonald 1987:366-370).

3.4.4 Conclusions

Science parks, in isolation from other high technology policy and from rich industrial networks, may not entice high technology and innovative industries to locate in an area. As part of a comprehensive programme, linked to research and development, skills training and small business assistance, they may have a role to play in economic development. However, it is the linkages to and within the local economy that ultimately determines the benefits of a science park.

Various authors have identified the ingredients required for successful high technology areas and parks (Nijkamp & Mouwen 1987:256-259, Miller & Côté 1987:131-150). The more important factors, as summarised by Jowitt (1991:114-117) are listed below:

- higher education institutions engaged in scientific research (knowledge centres)
- military spending
- defence R&D and procurement
- transportation and communications facilities
- venture capital
- pleasant environment with good cultural, retailing and recreational facilities
- well educated and skilled labour as well as a pool of cheap labour
- a pro-business climate.

Basic research is essential for innovation, and links to a centre for basic research are important - such links are fundamental to the success of the Research Triangle Park and University of Utah Research Park (Goldstein 1991:257-260). Skilled engineers, technicians and scientists are usually associated with universities and research institutions and are the backbone of any high-technology region. Entrepreneurs and innovators are equally important. Such valuable residents demand a high quality of living: a pleasant environment and excellent social, entertainment, educational and medical

facilities.³ Schools, hospitals and clinics, as well as residential areas with a good reputation, are thus important factors in stimulating high-technology industry.

Good access, particularly to an international airport, facilitates the transportation of high value, low bulk goods, as well as skilled personnel. A pool of cheap (less skilled) labour is also necessary for the more routine tasks (Jowitt 1991:117).

Venture capital and community willingness to invest in and support innovation is essential for the development of an innovation from prototype to production.

A very important factor, however, is undoubtedly defence spending. Military contracts assist firms with their "liberal budgets, with an almost built-in overspend, and ... willingness to extend the time limit on contracts" (Jowitt 1991:11, see also Gordon & Kimball 1987:164 and Hall et al. 1987:121-122). Long-term military contracts and defence procurement stimulate and carry high-technology development. They appear to be a more certain means of developing innovation than reliance on venture capital.

3.5 INDUSTRIAL DISTRICTS

Industrial districts are defined by the interactions between firms in the area and their development depends on the relationships between the firms, labour and organisations that support the cluster. Such districts may include high technology sectors such as instrument-making (eg Paris), as well as more 'traditional' sectors such as footwear (Italy, Brazil and Mexico). Just-in-time networks (see section 3.6) can also be considered a form of industrial district. Scott (1992:219) refers to these as 'flexible production agglomerations'. The theories underlying this strategy are those pertaining to product life cycle, agglomeration, industrial districts, flexible production, and the entrepreneur.

3.5.1 Description

An industrial district comprises an interrelated cluster of firms in close proximity in a town or region (Rabellotti 1995:29). Among the characteristics of a typical industrial district are:

- many small specialised producers in the sector and area, although large producers may be present (Scott 1992:222)

³ In the South African context this will also include low levels of crime, particularly serious crimes.

- strong backward and forward linkages between firms: these may be both formal and informal, and may pertain to information, goods and people (Scott 1992:222, Maillat et al. 1995:257, Rabellotti 1995:30, Malecki 1991:233)
- organisations serving the sector and providing training or marketing services for the industry (Scott 1992: 223, Porter 1990:90)
- a common cultural and social background that links role-players and creates an implicit or explicit code of behaviour (Rabellotti 1995:30)
- high levels of both competition and co-operation (Maillat et al. 1995:257, Porter 1990:90, Rabellotti 1995:30).

A typical cluster thus comprises numerous small firms, connected by sub-contracting, joint ventures, strategic alliances and business organisations, and a common cultural background. Networks of public and private institutions play an important role in the industrial district, fulfilling functions that the smaller firms cannot afford on their own. These include financial and business services, research and development, bulk buying of supplies, and training of labour.

3.5.2 Positive aspects

The dynamics of the relationships between the elements create advantages for individual firms and a comparative advantage for the area. As part of the system, each firm has reduced costs, and can draw on the accumulated 'know-how' and common resources of the district (Rabellotti 1995:30, Cooke 1990:33). These resources include training and services offered by the organisations that serve the local industry, such as marketing associations, and research and development establishments. Various agglomeration economies occur, including those of proximity which reduce transaction costs through easy circulation of information, often by means of face-to-face contact (Rabellotti 1995:30).

Not only are pools of highly skilled workers present (Porter 1990:90), complemented by those with less skills, but the relationship between the employees and workers permits flexibility, which enables rapid reaction to changes in demand. This flexibility "is obtained through 'special' relationships in the labour market: intensive use of home-workers and the availability to work extra hours" (Rabellotti 1995:30).

The specialisation that occurs in the districts through sub-contracting and outsourcing of work, permits exploitation of different economies of scale. It also leads to higher levels of

innovation than are possible in vertically integrated firms. The intense competition (Scott 1992:223), as well as interaction and synergy between elements (Rabelotti 1995:30), contribute to high levels of innovation. Continuous innovation, in the light of the theories discussed in section 2.3, enables the area to retain its competitive edge (Malecki 1991:232).

3.5.3 Criticisms

There are not many criticisms associated with this strategy. The major problem associated with creating industrial districts pertains to starting conditions or prerequisites that are difficult to emulate. Scott (1992:227) states that developing these networks and clusters is difficult where a base does not exist. Hence "where such initial advantages are lacking, only massive, concerted, and extremely expensive action by central government authorities is likely to produce results, and even then, ... the net effects are apt to be ambiguous." Social and business relationships that include high levels of trust and the backward and forward linkages between components are prerequisites for a successful industrial district. If these are not present, the length of time together with the resources required to build up the relationships can exclude this strategy for many localities.

Intense specialisation implies a lack of diversity, which can make the area extremely vulnerable to changes in demand.

Another criticism levelled against the 'model' industrial district concerns labour. Sub-optimal conditions for labour can result from the labour relationships. The local labour markets may be fluid and subject to fluctuating markets and demand and consequently, there may be limited job security (Scott 1992:223). Depending on the level of unionisation in the area, home-work and similar practices may also lead to low wages.

3.5.4 Conclusions

If a locality has some of the elements of an industrial district, then this strategy appears to be well worth pursuing. If these elements are non-existent and there is no shared culture and few linkages, then the likelihood of such a strategy having positive results is limited.

For a successful industrial district the following must be in place:

- good local relationships, including trust and loyalty to the local community which is essential for the transmission of information, ideas and co-operation and this is promoted by a similar culture (see Maillat et al. 1995:260) and family ties
- a critical mass of firms in an appropriate sector - ie some potential for specialisation
- skilled workers in the specific sector and its related industries (eg making and maintaining the machinery and equipment required by the dominant sector)
- a market for the area's products.

Various policies are proposed for the establishment or promotion of emergent industrial districts, predominantly aimed at facilitating the process and creating institutions to nurture an embryonic industrial district.

- Training institutions are essential, since without a pool of suitably skilled labour, the district cannot capitalise on its innovation potential. The public sector can thus provide secondary and tertiary education and training facilities, and subsidise apprenticeships and other forms of practical training to meet the needs of the firms (Cooke 1990:33, Porter 1990:90, Scott 1992:225- 226).
- Since many of the firms are too small to provide marketing or research and development functions, provision of collective institutions to address these needs is necessary. In addition, "the public provision of agglomeration-specific innovation centres" (Scott 1990:225) which act as intermediaries between university researchers and local industries can stimulate innovation and strengthen the district. Such an innovative centre can also evaluate new technologies pertinent to local industry. Limited liability companies (ie section 21 companies) can supply subscribers with information related to markets, exports and technology relevant to the industry.
- Supply of information through the compilation of business information databases, libraries of business plans, and technical information can promote industry.
- Where linkages between sectors and firms are weak, the public sector can encourage the establishment of hard business networks between sub-contractors or local suppliers, for example.
- Provision of infrastructure, such as land and industrial premises, suitable access, and power, is important for any industrial area, including industrial districts.

- Local procurement, ie placing of orders for goods at local firms also assists the developing industry (Cooke 1990:33).

3.6 JUST-IN-TIME NETWORKS

Just-in-time networks are special relationships between suppliers and assemblers. They have potential to increase bonding between actors in an area. The goals of just-in-time networks are a vibrant local industry with strong backward and forward linkages, and a highly competitive industry with the latest technology and techniques integrated into the local society.

3.6.1 Description

Just-in-time refers to “frequent deliveries of small amounts of high quality parts at the last minute, engineers moving back and forth between factories (and) co-operative research and development programmes” (Mair 1993:209). In some respects, just-in-time networks can be viewed as a high technology version of the craft-based industrial district. Just-in-time manufacturing is closely associated with flexible production strategies and their emphasis on small batches of differentiated products for niche markets. Due to the flexibility of production and absence of standardised production runs, large inventories cannot be kept on site, calling for last minute deliveries of required components at the critical time (Malecki 1991:239). This has several implications:

- High quality parts are required, as there is no time in the production process for the assembler to check the quality of the components.
- Assemblers and component manufacturers jointly develop new products and information, skills and knowledge are shared between the parties.
- New types of training and education programmes are required for workers, as the work is less routine than in a Fordist system.

3.6.2 Advantages

According to Mair (1993:210) just-in-time manufacturing complexes are hailed as new growth poles with many benefits for the region. Among the benefits claimed for such areas are:

- complementary investments - investments related to each other sectorally and spatially

- strong backward and forward linkages between the various firms, suppliers, subcontractors and business services
- branch and assembly plants have a greater interest in local economic health and affairs
- balanced and diversified local economies, with more activities associated with the specific industry in the local area
- a greater variety of job opportunities and opportunities for job enrichment, as the work is not as routine, and is more demanding
- opportunities for innovation, as just-in-time networks encourage greater contact between firms and interdependence on suppliers or subcontractors for innovation and new technology.

Table 3.1 Comparison between traditional or Fordist and just-in-time production systems

Traditional Fordist system	Model just-in-time complex
<ul style="list-style-type: none"> ➤ Standardised product for economies of scale ➤ Long runs and large batches ➤ Large buffer stocks and inventory ➤ Testing after production ➤ Vertically integrated ➤ Cost reductions through wage control: consequently poor labour conditions ➤ Single routine task performed by worker with little opportunity for advancement ➤ High job specialisation ➤ Vertical labour organisation ➤ Spatial division of labour ➤ Research and development separated from manufacturing - dependence on head office for technology ➤ Branch plants subject to head office ➤ Few linkages between branch plants and local economy besides labour ➤ Little commitment to locality 	<ul style="list-style-type: none"> ➤ Differentiated product for niche markets ➤ Short runs, small batches ➤ No stocks (delivered just-in-time for production process) ➤ Quality control part of production process ➤ Networks of subcontractors ➤ Multiple tasks ➤ On- the-job training and learning ➤ Job enrichment and multi-skilling ➤ More horizontal labour organisation ➤ Spatial clustering and agglomeration of related firms ➤ Research and development an integral part of the manufacturing process – thus firms remain on the cutting edge of technology ➤ Strong links to local economy, greater 'embeddedness' hence stronger commitment to its welfare

Source: Mair 1993:209-210 and Malecki 1991:229-230,239

3.6.3 Criticisms

Just-in-time complexes were originally associated with Japanese automobile manufacturers, but can be applied to other industries. While these complexes do hold out promises of benefits to a region, there are caveats.

Not all automobile or other companies use just-in-time strategies. Different companies have different structures and sourcing policies. The latter are determined by factors such as product quality, existing joint ventures and relationships with companies and suppliers, economies of scale, as well as political factors (Mair 1993:216). Thus the establishment of a just-in-time cluster is dependent on the relationship between companies, not just physical proximity. Thus attracting a potential 'magnet' company will not necessarily result in a just-in-time cluster of related industries. Conversely, group of similar industries without good linkages does not constitute a cluster (Mair 1993:217).

Good transport linkages are often part of the policy package to promote just-in-time complexes. Paradoxically, good transport infrastructure enables the dispersal of the complex, as deliveries can still be done within a short space of time. Thus it is not necessarily the town that benefits from the cluster, but the wider region. Consequently, it is not the local authority that has carried the costs of providing the infrastructure that profits, but the surrounding towns. In some places, just-in-time is viewed with suspicion and seen as a threat with respect to increased traffic congestion arising from frequent deliveries (Mair 1993:212).

While greater involvement in local affairs and fortunes is beneficial, dependence on a single sector or company need not be so. On the one hand, dependence of a single sector makes a place extremely vulnerable to market fluctuations - this has been experienced again and again in the automobile industry (see Healey & Dunham 1994:1286-1287). On the other hand, if there is only one major or 'magnet' company, then this can dominate local affairs to such an extent that it can make demands on the community and local authority, which it could not do if the area had a more diversified base. These demands may include infrastructure subsidies, specialised training to meet the firm's specific needs, or pressure on labour not to demand higher wages or better working conditions. The emergence of 'company regions' (ie areas that are dependent on a single firm for employment), in strong competition with each other may result in localities

continually subsidising 'their' company just to retain employment if that company is not sufficiently competitive (Mair 1993:217).

According to Mair (1993:217-218), there is still ambiguity concerning the advantages of just-in-time for labour. In areas where labour is organised along industrial lines, outsourcing goods such as seats or plastic components may result in workers being covered by different, less generous accords or, in the case of small firms, not enjoying the protection of any union. Furthermore, with increased productivity, just-in-time strategies and modern technologies may result in fewer employees being required than for traditional production.

3.6.4 Conclusions

In the process of building viable just-in-time networks and regions, there are several factors that must be considered. These are outlined below.

As with industrial districts, just-in-time clusters depend on relationships between firms. These relationships define the cluster. Building a cluster entails building these networks (Mair 1993:215). Encouraging links between existing local firms may, therefore, be as profitable as luring potential magnet companies or assemblers.

An area should focus on sectors with potential for strong linkages, but, more importantly, for growth. Resuscitating declining sectors, or building completely new ones may be far more risky than building on existing sectors with growth potential (Mair 1993:218).

Because of the assumption that suppliers will be attracted to magnet producers, a targeted marketing approach aimed at suppliers to that sector is possible.

Provision of infrastructure, including premises, which is in line with other industrial development policies, may have to be supplemented with worker training (or retraining) to match the industry's needs (Mair 1993:212).

Just-in-time manufacturing processes are among the cutting edge techniques of industrial development. Hence firms utilising these methods are likely to remain competitive and endow their localities with a large measure of economic stability. However, promoting a just-in-time local economic development strategy can entail devoting substantial local financial and organisational resources to policy implementation. These include research

and analyses of both sectoral and spatial trends, infrastructure, network building, training for employees and marketing.

3.7 TOURISM

Tourism is acknowledged to be one of the fastest growing industries in the world today, and one of the leading sectors in many developing countries. Many places therefore actively promote tourism as a vehicle for economic development (Townsend, 1991:315). While many benefits, including job creation and income generation, can be associated with tourism, this is not without its costs, as elucidated below.

3.7.1 Description

Tourism as an industry has many facets, and can thus be difficult to categorise (Malecki 1991:51). It includes the accommodation industry, restaurants, convention centres, travel and transportation sectors, retail outlets, and curio manufacturing as well as the management of tourist destinations, eg national parks, beaches or historic city centres. The nature of the 'product' and the target markets determines the role-players and strategies to be followed.

Role-players in tourism include visitors, the community, government (local, regional or national, including official tourist promotion agencies), private sector operators, and the natural or historic environment where applicable (Perlmann & Naguran 1998: no page).

The tourist market can be segmented in many ways, eg local, national or foreign visitors, day or long stay visitors, 'wanderlust' or 'sunlust visitors', as well as per social class, income, generation, gender and household composition (Malecki 1991:52). There is also a close relationship between the provision of leisure facilities for the local population and for tourism (Townsend, 1991:315).

Tourism begins with identification of opportunities and 'products'. Places with special scenic or natural, historic or cultural attractions can use these as a basis for a tourism strategy. Others must create a product, such as a business visitor destination with convention and related facilities, or a unique holiday destination (see, for example, Chemainus, a small town with wall paintings that has attracted media attention and tourism (Goodey 1994:161)). Once these potential products have been identified, they must be packaged and marketed to the identified market segments. Management of the

resource base is critical to preserve and enhance it, and thus to retain the benefits. McNulty (1985:225) discusses old mill towns in America which have used cultural tourism focusing on the architectural and historical resources of the areas as a pillar of a new economic base. The various waterfront developments eg Bristol (Smyth 1994:120) have done much the same.

Places need not be the basis of tourism: major events such as the Olympic Games, or a Soccer or Cricket World Cup can secure the attention of the tourist market.

Theories underlying the promotion of tourism include economic base, cumulative causation and agglomeration economies.

3.7.2 Advantages

One of the advantages of tourism is that it brings in spending from external sources, and can thus be treated as an export (Malecki 1991:51). For many places, tourism can account for a large proportion of foreign earnings.

Employment generation is another major benefit of tourism. It is a labour-intensive industry and will probably remain so. It offers opportunities for a variety of jobs in sectors such as catering, accommodation, tour guides and travel agents. Many of these sectors are female-dominated (Malecki 1991:51). As tourist related activities can be seasonal, they can supplement other incomes. Furthermore, even illiterate persons can participate in the industry (GPMC 1998: Annexure 12). Since many tourist-related activities have low entry requirements, there are numerous opportunities for members of the community to become involved. Small businesses can, therefore, play an important part in the tourism industry. The Greater Pretoria Metropolitan Council (GPMC), for example, has been investigating a '*shebeen*' route for foreign visitors. Other opportunities include guest-houses and the manufacture of curios. Given the range of tourist activities, there is potential for many linkages throughout the local economy.

Media attention can be attracted through festivals and major events, eg Grahamstown and Oudtshoorn art festivals, or sports competitions. This increases familiarity with a place and creates a favourable image in the eyes of the potential visitor.

Increased tax revenue from developments catering for the tourist market is an important benefit to local authorities (Becker & Bradbury 1994:269).

Tourism benefits poor communities who cannot travel to the market, as the market travels to them (GPMC 1998: Annexure 12). Through tourism a greater insight and appreciation of different cultures can be attained, promoting understanding between nations (GPMC 1998: Annexure 12).

3.7.3 Problems

While tourism has its benefits, there are costs and problems associated with the industry (Perlmann & Naguran 1998:no page). Many of these depend on local linkages, and where and how the money is spent (Malecki 1991:52, Becker & Bradbury 1994:269-274, GPMC 1998:3).

If a large proportion of the tourists travel with tour operators, it is highly likely that those tour operators have negotiated the lowest possible prices for accommodation and meals. Furthermore, payment is made to the tour operator in the place of origin. Thus the only income generated in the area barely covers the cost of accommodation and meals with few spin-offs for the area (GPMC 1998:16-17). Often where there is significant tourist spending, there tend to be high leakages from the area, again limiting the benefits to the place itself (Malecki 1991:52). The multiplier effects of tourism will be high only if there are a large number of local service agencies in contact with the tourists.

Tourist-related employment tends to be low-paying, menial, temporary, and insecure (Becker & Bradbury, 1994:272, Malecki 191:52).

Tourism can be very fickle (GPMC 1998:3). Not only does it tend to be seasonal, but it is subject to fashions and whims. Events such as crime, terrorism and war can destroy a tourist economy overnight. Thus tourism is an unstable source of income for an area and uncertainty increases if it is the main source of income. Negative reports by powerful tourist publicity mechanisms can instantaneously cancel out many months or years of hard work!

Tourism needs infrastructure. This includes not only organisational infrastructure to link activities (eg destinations, accommodation, catering, taxis and busses and tour operators), but also physical infrastructure, such as roads, sanitation, water and energy. Conflict often arises regarding priorities pertaining to the provision of such infrastructure. Who receives potable water and reliable power: local residents or the hotels? Where

policies and priorities focus on supporting the tourism industry, "local government programmes can become hostage to the dictates of the tourism program and outsiders' needs. ... This has resulted in inequities in housing, transportation, infrastructure and community service provisions" (Becker & Bradbury 1994:272). Thus, if care is not taken in managing of resources, the residents - who are intended to be the beneficiaries - may be discriminated against in favour of the visitors.

Tourism, if not managed carefully, can have a highly detrimental environmental impact. In many cases, this impact can destroy the very resource base on which the local tourist industry is based. The industry will then pack up and move elsewhere, leaving the community in a worse state than it in was before (Becker & Bradbury. 1994:274, Malecki 1991:52).

Improved understanding between cultures may not result if the tourists are 'insulated' from the local people (GPMC 1998: Annexure 12). Where international or even national corporations dominate the local tourist industry, there will be little variation between building style and decor. Where the tour concentrates on the 'sights', there is likely to be little interaction with the local people. Only those few visitors who are prepared to venture beyond the hotel, beach or tour group may have meaningful contact with the local community.

Given the inequities and environmental impacts of tourism, there is always the potential for local residents to become extremely resentful of the visitors who often deprive them of valuable resources. This may lead to conflict, diminishing the attractiveness of the destination. While traditional communities may initially welcome tourists due to a culture of hospitality, this hospitality - which is based on mutual support - may soon dwindle when the hosts no longer perceive or receive much benefit (GPMC 1998: Annexure 12).

3.7.4 Conclusions

Tourism can be beneficial, creating wealth employment, and increasing tax revenues and land values. However, if not carefully planned and managed in conjunction with the local community, in the long run problems and costs may outweigh the benefits.

Tourism planning must be integrated into the development planning of the entire area, take a longer-term approach, and consider all the facets of product development,

marketing and, very importantly, management of the industry. Appropriate organisational, land-use and environmental controls need to be established as part of a tourist strategy.

According to the draft GPMC tourist strategy (GPMC 1998:5-13), the four building blocks of an effective tourist industry are development, monitoring, management and promotion. Development entails identifying potential 'products', transforming them and packaging them for promotion. It is essential in preparing a tourism promotion strategy to identify not only the potential products and destinations, but also their impacts, and to ensure that plans are in place to ameliorate such impacts.

Monitoring is essential to identify latent or potential problems and issues before the impact becomes too great. Management is critical and entails co-ordination of efforts and the enforcement of laws and regulating environmental impact. Tourist promotion also entails packaging the opportunities of an area so that people will want to visit it, and ensuring that these opportunities are brought to the attention of target markets.

The focus of tourism need not be on foreign visitors, although the perception is that that they are wealthier than local visitors. The national tourist market remains large, and local residents also require facilities. In metropolitan areas, there is a growing demand for recreational facilities eg picnic spots within an hour's drive or so by charter bus. These facilities, although developed for the local community, can also serve a regional or national tourist industry.

Planning should be done with the community. "A participatory approach to tourism planning will consider the long term interests the host community on which the industry depends. This approach is based on the assumption that local people will tend to be more supportive of tourism if they are actively involved in planning and implementing tourism policies and programmes" (Becker & Bradbury 1994:274). Priorities regarding the allocation of resources and provision of infrastructure should be determined together with the community. However, the possibility always remains that a local community can be held 'hostage' by a large developer, promising jobs and development in return for the lion's share of local water supplies, beaches or other resources.

3.8 DEVELOPMENT INCENTIVES

Development incentives, initially offered to attract new development, have been an essential component of most places' economic development strategies. Places have

traditionally competed with each other on the basis of incentives offered to lure manufacturing and other enterprises to a locality. The use of incentives has not been limited to towns and cities - regions and states use incentives liberally: tax concessions, grants and soft loans to induce firms to locate where the government wants them to locate. As such, incentives played an important role in decentralisation policies, new town policies and the development of less developed regions.

The theories behind the use of incentives include economic base, growth pole, circular and cumulative causation, agglomeration economies, location factors, and supply side theories.

3.8.1 Description

The purpose of incentives is to make a place more attractive to inward investors thus attracting investment, jobs and development. Typical international incentives include tax concessions of various kinds, loans and financial assistance, subsidies, for example, for labour, purchase of plant or premises, or provision of infrastructure at less than cost. Localities in South Africa are subject to provincial ordinances and, in many cases, have restricted powers to offer tax incentives. They are generally limited to offering concessions on infrastructure and services costs, low-cost land and premises, and advice.

Incentives may be offered on their own to induce inward investment, but they often form part of another strategy, a marketing high technology or SME promotion strategy. The following discussion focuses on the incentive component of local economic development strategies.

Typical incentives offered by localities include inexpensive or subsidised land and buildings, including land-cost write-downs and acquisition cost deferment (where the local authority bears a proportion of the purchase costs or the interest pertaining to the cost of the premises). Assistance in site preparation eg rehabilitation of contaminated land, earthworks and grading, or demolition of obsolete structures can also be offered as an incentive. Particularly popular in South Africa, but also offered elsewhere, are concessions and subsidies pertaining to engineering services such as water, electricity and wastewater. Service connections may be offered for free, and bulk service charges may be waived. Furthermore the locality may provide or contribute to the construction of infrastructure eg roads, stormwater, or rail-sidings (GPMC 1997:39-40). Exemption from building plan fees is another such incentive. Assistance regarding marketing and

promotion can take a number of forms. It may include contributions to promotional events, or provision of market information and economic analyses. Assistance regarding government tenders, and the training of labour and management are other incentives offered by some places. Information regarding available land and premises (owner, cost, floor area, quality etc.) can also be offered.

Where legislation permits, or development corporations have been formed, low interest loans can be made available to inwardly investing firms. Many American cities and states offer tax abatements. Labour cost subsidies can be offered as an incentive to attract labour-intensive industries. Some places have innovation assistance ie assistance with feasibility studies, patent research, prototype development, and product testing - often in conjunction with a local university (GPMC 1997:10,39). Business planning and advice can also be included as an incentive, aimed at local entrepreneurs.

3.8.2 Purpose and nature of incentives

The basic premise behind such incentives is that a place can make itself more attractive to inward investors by reducing the costs of doing business in that place (Wassell & Hellman 1985:627). Alternatively, by increasing the competitiveness of local firms, benefits will accrue to the place. These benefits include increased employment and new businesses, with concomitant multiplier effects. Employment benefits are highest when local residents fill the newly created posts (Wassall & Hellman 1985:632-633). Associated with new businesses is expansion of the tax base and increased tax revenue to the local authority.

These assumptions underlie most economic development programmes, from regional to local level, and range from European Union grants to concessions offered by local authorities. While Wassell & Hellman (1985:630-633) indicate that incentives can and do influence locational decisions, there is little in the literature to motivate the use of incentives: it appears as a *sine qua non* that incentives and assistance - financial or otherwise - are essential to stimulate economic development.

Most places offer some form of incentive (see GPMC 1997:36-45 for some incentives offered by South African places). If a place does not offer incentives, then it may lose a potential investor to another area that has similar locational characteristics, but does offer some concessions. Thus some form of incentive or concession is imperative to attract

development. The costs of such concessions must be evaluated against the long-term benefits, such as jobs, property taxes and sale of services.

Incentives offered by a locality are closely related to its promotional and marketing efforts. Thus the nature of the incentives offered has, concurrently with the marketing methods, changed with the times. Whereas the initial focus was on least-cost production, with incentives tailored to reduce costs, there has been a marked change from a "generalised search for buyers to a more targeted approach based on competitive analysis and market positioning. Places are learning to segment their markets and to gear their products to specific customers" (Haider 1992:129).

The nature of the incentives can therefore be tailored to suit the nature of development desired. Concessions regarding land and services generally assist developers, and suburban locations (Wassall & Hellman 1985:636). Inexpensive rentals, incubator units (see section 3.12), low-interest loans and guarantees are more pertinent to growing local small businesses, encouraging business start-ups and stimulating local innovation. Capital subsidies encourage capital-intensive industries and thus may have a limited impact on local employment. Conversely, concessions with respect to labour costs or training benefit labour-intensive industries, including the service sector, and may encourage the employment of unemployed and low skilled labour (Wassall & Hellman 1985:634).

Incentives need not only be financial: recently there is more emphasis on labour training, assisting with innovation, and facilitating indigenous business growth by business planning and advice (Haider 1992:128-129).

3.8.3 Criticisms

Although incentives probably constitute the most common tool used in local economic development strategies, there is considerable criticism of this strategy. Many commentators argue that development or business incentives have a limited effect in attracting new investment because business gives such incentives low priority in location and investment decisions (GPMC 1997:5, Wassmer 1994:1251, Leitner 1990:159, Rubin & Wilder 1989:419, Giloth 1991:161). Factors such as labour skills and the 'milieu' of a place are fast becoming the most important location factors, and incentives may feature far lower on the list of decision criteria.

In the incentive game, it is often the firms who win, by pitting one town against another to gain maximum benefit (Giloth 1991:164). Not only does this competition force all towns to participate, but those with the most serious problems (and by implication those who can least afford it) must offer the largest incentives to retain their economic base (Leitner 1990:54).

Incentives are often offered to the footloose firm. The firm which is attracted to a location, reaps maximum benefit, and then, once the concessions no longer apply, moves on (Giloth 1991:163, GPMC 1997: Annexure IV). A related criticism is the tendency of incentives to promote large companies above smaller local business, and assist corporate firms at the expense of taxpayers and workers (GPMC 1997:15).

In many cases, incentives support unprofitable firms. While these may create jobs, they may be short term (Wassal & Hellman 1985:635), or entail escalating aid to sustain the firm and its source of employment in the face of growing competition and restructuring economies.

Often blanket concessions are offered and these tend to be less effective than those tailored to the specific needs of the place. Wassmer (1994:1268-1270) indicates that it is wrong to assume that all incentives have the same effect, or that the same incentives have similar effects in different places. Other factors such as property values, age and condition of buildings, and the crime rate, tend to weigh more heavily on decision-makers than tax abatements or financial aid.

Few localities evaluate the effects of their concessions and incentives, and can determine whether there is fact, a return on investment.

Giloth (1991:163-164) lists factors that constrain the development of effective and efficient incentive strategies. These factors are: development consensus which limits targeting of actions by demanding support for all or any projects; political pressures that determine who gets what rather than a truly distributive approach; a fragmented policy approach; interurban competition; and uncertainty. These factors must be taken into account, along with a clear policy regarding beneficiaries and outcomes, if a strategy based on the use of incentives is to be effective.

3.8.4 Conclusions

Incentives have their place in an economic development strategy. The use of incentives should be considered as “investments which are analysed and managed from the perspectives of return on investment and accountability to shareholders - in this case, taxpayers” (GPMC 1997:15). From this perspective, a place should analyse the likely outcomes and beneficiaries of each type of incentive, and be able to justify the use of the tax payers’ money for incentives (Giloith 1991:162, 168).

Some guidelines for the judicious use of incentives are outlined below:

- Incentives should be designed within in an overall strategic plan and with certain clear objectives in mind. Consequently, “development officials must define the appropriate level of incentives for specific projects, the strategic use of specific types of incentives to achieve economic development ends, and the projected economic development impacts and public benefits likely to result from these projects” (Giloith 1991:162). The incentives can then be tailored to suit the desired outcome, eg if developers are desired, then incentives focusing on land costs and services will be applicable, but labour subsidies will be more pertinent to creating employment.
- Investment in infrastructure, business assistance or training are likely to benefit the community more than land or cash incentives, which benefit only the firm (GPMC 1997: Annexure IV).
- Some form of baseline against which return on invest can be measured is necessary to avoid giving incentives for development that may have happened anyway.
- Concessions and subsidies should be contracted, with specific obligations for each party, with the local authority retaining the right to cancel the concessions or incentives if the other party fails to meet its obligations (GPMC 1997: Annexure IV).
- Agglomeration economies play an important role in industrial location. Thus good access (including public transportation for employees), business services, appropriate residential areas, health and educational facilities, and labour all play an important role as investment incentives. Skilled labour is one of the most important factors in an investment decision. Thus, in order to attract investment, a locality should take the long-term route of ensuring that it has the skilled labour required by the sectors it wishes to attract (GPMC 1997:5-6).

Generally there is a move towards more specific concessions, aimed at assisting local businesses as much as attracting new investment. According to Gaunt (1991:144-145), the quality of assistance (speed, ease of approval and timing) is as important to firms as

the quantity of assistance. Issues such as land-use planning, pollution control and procurement also influence local business development. Addressing these can be a cost-effective form of incentive.

3.9 ENTERPRISE ZONES

Although enterprise zones have been a part of the American and British economic development strategy package for a number of years, they have not been widely used in South Africa. Interest has been expressed in the development of such districts, or in their export-orientated counterpart, export-processing zones. Among the theories applicable to enterprise zones are neo-classical economics with its emphasis on deregulation and location factors.

The Gauteng Legislature has recently passed the Gauteng City Improvement District Act, No 12 of 1997. This Act provides for the formation of city improvement districts, where additional levies can be charged for the provision of services, to encourage investment in an area and to promote sustainable development within cities. Although not constituting enterprise zones in the usual sense, they are possibly the first steps in designating special zones. City improvement districts can be created when local government is requested by landowners in a part of the town to compile a city district improvement plan. On approval of this plan (after due consultation) and the formation of a management body, the local authority may levy an amount on behalf of the management body for improvements to the district.

3.9.1 Description

An enterprise zone is a geographic concentration of incentives where planning and other controls are kept to a minimum (Blakely 1989:171). Components of the enterprise zone concept are tax concessions, minimum regulations, and funding for training (Blakely 1989:171, Rubin & Wilder 1989:419). The assumption underlying the streamlining or reduction of planning and related controls is that such deregulation will encourage entrepreneurs to invest in the area or expand their operations. They are usually designated in an attempt to stimulate job creation, promote urban renewal, and increase local business activity in areas with rising unemployment or high levels of poverty.

3.9.2 Advantages

Among the benefits claimed for enterprise zones are the stimulation of employment growth and business investment (Rubin & Wilder 1989:419). This is attained by making the enterprise zone more attractive than other locations to inward investing firms.

Zone designation fosters confidence and thus promotes economic activity. Through lessening controls, such as planning permission requirements, development is facilitated and firms are encouraged to locate in the area. Financial and tax-incentives increase profitability, which then enables a firm to expand and employ more people (Rubin & Wilder 1989:425).

Enterprise zones promote and assist small businesses, which are commonly regarded as the engines of employment growth. According to Wassmer (1994:1252), urban enterprise zones have a positive effect on the level firms' inventories and reduce unemployment.

3.9.3 Criticisms

There are a number of criticisms of the enterprise zone concept. One of these is that the jobs that have been generated within the enterprise zone would have happened anyway in the region. It is postulated that there is merely a relocation of firms from within the region to the zone to derive the benefits. Hence there is no nett job creation effect. "Thus zone-designated areas succeed at the expense of increased unemployment and stagnation in other areas" (Rubin & Wilder 1989:419).

Another critique is that tax concessions and incentives have minimal impact on a firm's income and hence location decisions. It is also argued that where they are effective, they will attract branch plants or large firms rather than assisting local small and medium firms (Rubin & Wilder 1989:419, Blakely 1989:172). Due to the nature and impact of the incentives, the activities likely to be attracted to an enterprise zone are warehousing, and back-office functions such as data processing (Rubin & Wilder 1989:419). These activities, if externally controlled, may have few local linkages, and thus limited spin-offs for the town.

Stemming from regulatory concessions, critics have expressed concern regarding unfair labour practices. There are also the costs accruing as a result of foregone tax revenues, which are borne by residents and non-zone businesses (Rubin & Wilder 1989:419).

Blakely (1989:170) notes a further potential pitfall of enterprise zones, ie regarding the enterprise zone as a high technology or industrial park with potential for mismatching local residents' skills and those of a technology-orientated industrial area.

3.9.4 Conclusions

Rubin and Wilder (1989:426-428) analysed an enterprise zone and concluded that the zone under consideration was effective. Given that the designated area had no comparative advantages, many of the jobs created can be ascribed to the zone designation and management. Furthermore, for many of the economic activities, the enterprise zone is a cost-effective means of job creation (Rubin & Wilder 1989:426).

Other issues arise from their analysis. Incentives must be structured to suit the nature of the activities in the area to achieve maximum return on the taxpayers' outlay. The same incentives will not necessarily have the same benefits for manufacturing, distribution or business service sectors. Consequently, control and evaluation methods are necessary to gauge the benefits actually obtained and the effectiveness of the policy.

Where firms have their headquarters in other locations, "a significant component of the tax incentives will leak out of the enterprise zone via those companies" (Rubin & Wilder 1989:427). Restricting the concessions to firms with local headquarters may retain many benefits locally, but may attract little external investment - often an important component of the strategy.

Rubin and Wilder (189:427) conclude that incentives and concessions applicable in an enterprise zone should be fashioned to enhance the local business climate so that it is conducive to new business start-ups.

3.10 EXPORT PROCESSING ZONES

Export processing zones (EPZs), or free trade zones are usually a spatial manifestation of national government policy to promote exports. As a national government initiative, localities may have limited control over the designation of an EPZ, but competition between places for export processing zone designation may be fierce. The theories behind this strategy are economic base and neo-classical economics.

3.10.1 Description

An export-processing zone is an area where import tariffs or customs duties are reduced or not applicable. Other tax-incentives, financial assistance or regulatory concessions may be applicable, as in the case of an enterprise zone (see section 3.9). They are typically located at points of entry of imported goods, such as harbours and airports. Reduction of import duties is intended to enable firms producing goods for export to import components, manufacture or assemble the product, and re-export it at a profit. Thus export-processing zones are usually associated with a county's drive to encourage exports and foreign earnings.

Typical activities include manufacturing for export markets; warehousing and bulk breaking, sorting, grading, labelling, packing and repackaging; other processing and simple assembly; trans-shipment; and related service industries.

3.10.2 Advantages

Establishment of an export processing or free trade zone benefits economies wishing to become more export-orientated. In terms of economic base theory, export growth is the basis of local development. The growth of the so-called 'Eastern tigers' (the newly industrialised countries in South-East Asia) was largely based on a vigorous export policy (GPMC 1997:29). Such growth can be enhanced if there are strong linkages with the local economy and, hence, effective local multipliers (Lyons & Hamlin 1991:153). Where an export-processing zone attracts foreign firms, related firms, or other foreign firms may follow.

If there are a number of export firms in the local economy that are partially tied to foreign cycles, and if these are not concurrent with the local cycle, then this could balance the effect of cyclical trends in the local economy (Lyons & Hamlin 1991:153).

Free trade zones can be a major source of employment. According to Beth (1997:4), a few thousand jobs can be directly or indirectly attributed to the Free Port of Hamburg.

3.10.3 Criticisms

Much of the criticism of enterprise zones and the use of incentives applies to export-processing zones. However, since job creation is an indirect goal only, the evaluation of

job creation impacts must be viewed in a wider context. Stimulating exports is intended to benefit the entire region or nation. Benefits, therefore, need not be related to that specific locality.

Other EPZ specific criticisms pertain to the concept of import duties. It is argued that, in the light of GATT (General Agreement on Trade and Tariffs), import duties are being reduced, and there is a diminishing need for export processing zones (McDonald 1997:7). It is also argued that assistance to exporters who utilise imported components should be generally available, and not restricted to specific localities.

One study indicates that overall export processing zones have created less employment than initially believed (McDonald 1997:3). It is contended that in some cases the employment created in an EPZ is merely the result of relocations from outside to within the zone to utilise its benefits (McDonald 1997:8). Moreover, there is often gross exploitation of labour in these zones due to the reduced labour regulations (Jauch 1997:5).

Existing exporters outside the zone may be prejudiced as they may not be eligible for the concessions, while still having to compete locally and internationally from a worse position (McDonald 1997:6).

3.10.4 Conclusions

It appears that free trade zones may be of most value to small non-industrialised countries looking to create an industrial base (McDonald, 1997:6) and where few industries exist that may be prejudiced. Location near an international seaport or airport is an important criterion for the establishment of an EPZ. Strict controls, which may entail expensive security measures, will be necessary regarding the movement of goods in and out of the zone (Beth 1997:2). Care must be taken to protect the rights of labour, while still making the concessions attractive enough to encourage exporters to locate in that zone.

Since free trade zones deal with import duties and tariffs, they fall under the jurisdiction of national government. Thus implementation of a free trade zone has to be negotiated with, and approved by, national government. Export processing zones cannot, therefore, be implemented in any place at will.

3.11 SMALL BUSINESS DEVELOPMENT

Small business development is being promoted in many places as an answer to rising unemployment resulting partially from international economic restructuring and globalisation. The South African government is no exception. The White Paper and National Small Business Act, No 102 of 1996, seek to promote small, medium, and micro enterprises (SMMEs).

3.11.1 Description

Small businesses are often the mainstay of the local economy. These small and medium enterprises (SMEs) are defined differently from country to country. Hence, what is deemed a small business in the United States of America (eg under 500 employees) may be a large business in South Africa, and a small enterprise in Britain may be a medium business in South Africa. Also the sector to which the business belongs influences the categorisation of enterprises as certain sectors, eg the manufacturing sector generally has a different employment structure to retail or personal service sectors. Definitions usually include factors such as employment (small being less than 50 employees and medium less than 100), or turnover or gross assets. The National Small Business Act defines SMMEs⁴ in terms of these criteria (Karungu & Rwigema 1998:4).

The South African Government is actively promoting SMMEs as a means of economic development. The Department of Trade and Industry has established the centre for Small Business Promotion, Ntsika Enterprise Promotion Agency, Khula Enterprises Finance Ltd (a finance wholesaler and source of a credit guarantee scheme), and a National Small Business Council as a voice for small business.

3.11.2 Advantages

Many advantages are claimed for small enterprises, the most pertinent of which are listed below:

- Small and medium enterprises are job creators. According to Meyer (1998:no page) and Zipp (1991:10) a large proportion of new job growth in America is in SMEs. The

⁴ The international literature refers to small and medium enterprises (SMEs), while the South African legislation and policy addresses small, medium and micro industries (SMMEs). Micro enterprises are generally defined as informal or newly established enterprises with only one or two employees.

larger corporations are downsizing and becoming leaner, while smaller firms are growing.

- Not only are SMEs growing, but they have the capacity to absorb unskilled labour, including women and minorities. They also tend to be more labour-intensive than capital intensive (Karungu & Rwigema 1998:6-8).
- They are generally locally controlled, and thus committed to the local community and its economic health. Where family ties are important, strong social and cultural bonds can be forged and maintained through SMEs.
- SMEs contribute to local diversity through local ownership.
- In many cases, they use local resources and local technology, thus requiring less imports and 'saving' on foreign exchange. They also tend to serve local markets, often filling gaps that larger firms ignore. This is particularly important in rural areas (Karungu & Rwigema 1998:6-8).
- Small and medium enterprises are a fertile breeding ground for innovation and entrepreneurship. These qualities are considered essential for continued development and economic growth of an area in terms of life cycle and entrepreneurship theories.
- Promoting entrepreneurship and SMEs is a cost-effective means of job creation and economic development (Karungu & Rwigema 1998:7).

Although micro or informal 'survivalist' enterprises make up a large proportion of the SMMEs in developing countries, it is the formal sector (ie operating from a fixed address and paying tax) that holds the most promise for development. Moreover, production sectors, such as manufacturing hold the greatest potential. Small and medium enterprises and their inter-relationships play an important role in the establishment of industrial districts (see section 3.5) and the promotion of SMEs and their linkages is thus a cornerstone of that policy.

3.11.3 Problems

There appear to be few criticisms of the policy in the literature. There are, however, a few problems associated with SME development.

While SMEs may comprise most of the business enterprises in a place, their contribution to total employment is often dwarfed by that of the few major corporations (Schutt et al. 1995: no page).

Employment in smaller enterprises tends to be lower paying, with lower rates of unionisation and higher risk of hazards on the job. However, these factors tend to be compensated with higher levels of job satisfaction and autonomy in the workplace than in larger firms (Zipp 1991:18).

There is a high failure rate of small businesses. Although the figures quoted range from about 80% to about 60%, the fact remains that a very large percentage of all new start-ups fail within the first three to five years. The reasons are numerous and include lack of capital, poor cash flows, limited management skills, poor or inadequate marketing or market research and competition from larger firms.

Not every unemployed person has the attributes of an entrepreneur or the business skills to set up and run an enterprise, and is willing to take risks and venture into the unknown.

SMEs and particularly micro-enterprises require suitable markets for their products and services. In low-income areas markets tend to be limited by the restricted disposable incomes of residents and the competition (many enterprises produce or sell similar commodities). On the other hand, they lack the resources to reach and penetrate the more affluent markets, or identify niche markets where substantial profits are possible.

3.11.4 Conclusions

Although the contribution of SMEs to total employment may be limited, promotion of small, and medium enterprises has an important role to play in economic development. The question, therefore, is not whether or not to promote SMEs, but how best to do so. Typical policy measures include setting up business service centres (also known as business links or enterprise agencies), entrepreneurial and small business training, financing of small businesses, procurement policies, and subsidised premises for small industries. The following paragraphs briefly discuss each of these.

The purpose of business information or support centres is to offer a one-stop information and advisory service to prospective businesses and existing small firms (Lyons & Hamlin, 1991:127, Blakely 1989:164). Typical services include assistance with the compilation of business plans, application for loan finance, information regarding technical, legal and financial inquiries and basic entrepreneurial and business management training. The Department of Trade and Industry (DTI) is at present promoting the establishment of

Business Information Centres in all local authority areas in South Africa as part of a national network.

Financing of small and micro-enterprises remains one of the important pillars of small business development. This includes start-up and working capital, as well as some reserves to meet unexpected shortfalls. Few small businesses have sufficient collateral to satisfy commercial bankers, and other sources of funding are limited. The formal banking sector is concerned with high administrative costs relative to the limited returns for micro-loans. One promising means of providing finance is through 'stokvels' or group liability schemes (Karungu & Rwigema 1998:8). The government finance agencies, Ntsika and Khula are still in their infancy and have yet to prove their worth.

The provision of premises for small firms, particularly manufacturing firms, is another common policy. These 'hives' or business 'incubators' are "a building or set of buildings that have been subdivided for rental to a variety of small fledgling businesses" (Lyons & Hamlin 1991:118). The purpose of an incubator is to lower the overheads for small and start-up businesses while they are in their infancy. These provide space at low rentals, and may include shared secretarial services and business advisory services. The latter may include receptionists, clerical workers, shared equipment, such as forklift vehicles, communication, faxing, printing, and copying services, and common conference rooms. Occasionally, services such as childcare facilities may be included. Managerial assistance or business advisory services may also be provided (Lyons & Hamlin 1991:121).

Usually, existing premises are converted for the purpose - construction of new premises tends to be too expensive for the purpose, unless it is for high technology or science enterprises. Rents may increase with the firms' turnover, encouraging them to move out once they can fend for themselves in the open market. The location of such premises must also be suitable, otherwise the firms may prefer to operate out of the owners' backyards, where their costs are lower, regardless of the environmental and social impacts they may have.

As small firms can face stiff competition from larger, established firms, assistance in marketing their products can make a difference (Lyons & Hamlin 1991:138-140). Government purchasing (procurement) from small firms can promote SME development. This is a proposed policy of the South African Government in terms of the Green Paper on Public Sector Procurement in South Africa (Notice 691 of 1997). While the small firm can

benefit from an assured market, issues of quality and the ability to deliver the required amount within the specified time frames are relevant. Karungu & Rwigema (1998:35) advocate consortia both for buying and for government tendering, with simplified documentation for the latter.

A lack of business skills is a common cause of failure in small businesses. While the owner may have excellent technical skills, he or she may not have the managerial or marketing skills necessary to run a small enterprise successfully. Thus business skills training emerges as one of the most fundamental forms of assistance to small enterprises (Karungu & Rwigema 1998:33). Such training can include the compilation of a business plan, marketing skills, financial and administration management, regulation pertaining to VAT, labour laws and other legal requirements, and tendering.

Mentoring, where the prospective entrepreneur is advised and guided through the initial start-up phase of the firm by an experienced counsellor, is a valuable form of business training. Retired experts who are prepared to charge less than a private consulting firm could be approached in this regard. However, care must be taken not to displace the private sector firms (eg accountants and legal firms), who depend on this form of consulting for their bread and butter.

3.12 PUBLIC-PRIVATE PARTNERSHIPS

Local economic development through partnerships, particularly those between the public and private sectors, are one of the most commonly employed strategies. They have been used for many reasons, practical and ideological (eg to promote private sector intervention in accordance with neo-classical thought).

Partnerships need not be confined to those between the private or business sector and public or government sector, but may include a number of role-players, such as community-based organisations (CBOs), non-governmental organisations (NGOs) and aid agencies. This section will, however, concentrate on public-private partnerships.

Among the applicable theories are neo-classical economics with its promotion of private sector actions and non-intervention by the state, supply side theories and cumulative causation.

3.12.1 Description

The concept or definition of private-public partnership could include any agreement between actors in both public and private sectors aimed at improving the quality of life and the local economy (Harding 1990:110). Thus public-private partnerships can include development corporations, business support centres, major property developments, and cluster promotion organisations. Each of these may have a different structure and purpose, with the uniting factor being the sharing of resources towards a common goal. Thus, "partnerships share the characteristic that each side needs to organize itself and bring to a newly created forum particular ideas which would be unlikely to be acted upon if each side acted independently but which, as a result of internal bargaining and compromise as well as the added powers resources and contacts of the other partner, can become implementable programmes" (Harding 1990:117).

Partnerships can be initiated by local government, often seeking private sector funding or expertise for projects, or they may be proposed by private sectors groupings looking for public sector support (Harding 1990:110,116).

As the range of possible public private partnerships is wide, this section will describe a few examples. It must be noted that, while some partnerships have a poor reputation, this can often be ascribed to their constitution or *modus operandi*, rather than the concept of partnership.

3.12.1.1 Development corporations

Development corporations are a common tool in Britain and the United States of America. They are usually set up as a partnership between government and local business interests to promote the development of an area. They generally have the power to buy and redevelop property, and may have powers with respect to financing development. In many cases, the state supplies the initial capital, while management and business expertise is drawn from the private sector.

The British development corporations, such as the London Docklands Development Corporation or the Merseyside Development Corporation were established by central government to 'unlock' the development potential of derelict inner-city areas. This was to be achieved by "pump-priming inner city land values through infrastructure projects, creating and enabling, the new spaces of production and consumption, and utilising private sector capital as a mechanism for revitalising the cities" (Imrie & Thomas 1993:4).

Among the powers granted to some of the development corporations was that of compulsory purchase (expropriation of land), the purchase and sale of land, and certain planning powers (eg to approve land-use applications)(Imrie & Thomas 1993:11).

Although development corporations have had major achievements in developing previously derelict areas, they have also been the source of considerable criticism including those outlined below:

- > Many of the flagship projects undertaken proved to be far more expensive than originally anticipated and took much longer (Coulson 1993: 34). Thus they have been expensive means of urban regeneration and development.
- > Some development corporations such as the London Docklands Development Corporation have been extensively criticised for their exclusivity and failure to take the needs and opinions of local residents into account or to consult with the relevant local authorities (Parkinson & Evans 1990:77-80).
- > The focus was on property-led development and flagships, rather than other forms of economic and urban regeneration. The problems related to these forms of development (see sections 3.1 and 3.3) were exacerbated by a deep recession (Burton & O'Toole 1993:190).

From the above it would appear that the *modus operandi* and the structure of the development corporations, which excluded elected or community representation, were the basis for the criticism rather than the principle itself of government funded development to maximise private sector leverage.

3.12.1.2 Enterprise Boards

These are "economic development companies set up by local government to provide corporate finance" (Gunnell 1990:128). Most function in partnership with the private sector. The focus of the enterprise boards are financing or funding of small enterprises, but can include research, advice and assistance, and training for local firms. Sources of funding can be both from private and public sectors. Enterprise boards are separate entities from local government, with public sector control related to the level of public funding (Gunnell 1990:149).

Among the advantages of this form of partnership are rapid decision-making, flexibility of approach, and the ability to raise private sector funds and to recruit skilled personnel who would not be able, or prepared, to work in local government (Gunnell 1990:129-130).

In the case of the West Yorkshire Enterprise Board (later Yorkshire Enterprise Limited), one of its main functions was the provision of small loans. The Enterprise Board had discovered that the bankers in London (the location of financial decision-making) were prepared to make large loans, but not the smaller loans required by local firms. Hence the Enterprise Board saw its function as meeting the funding gap (Gunnell 1990:132).

According to Bennett & Krebs (1991:136), "businesses assisted by enterprise agencies have a higher rate of survival compared with other small firms. ... the failure rate is approximately 1 in 6 compared with the national figure of 1 in 3", which testifies to the success of these agencies.

3.12.1.3 Business Information Centres

Business Information Centres (or business support or advisory centres) as envisaged by the Department of Trade and Industry are similar to Enterprise Boards. Business Information Centres as partnerships between local government and private sector businesses are being implemented in Greater Pretoria. There the private sector has been asked to contribute equipment and personnel to counsel and advise small enterprises and prospective entrepreneurs. In yet another area the local Business Forum (*Sakekamer*) has undertaken the planning and establishment of a business support centre jointly with the local authority. In each case a section 21 Company (in terms of the Companies Act, No 61 of 1973) is being established with a view to these organisations becoming self-sustaining in the medium-term.

3.12.1.4 Other partnerships

Other forms of partnership can include agreements pertaining to the development of certain areas, where the local authority provides the land and infrastructure, and the partner develops and manages the buildings eg an industrial incubator or a major retail development to stimulate other development in the area. These can be short-term and very specific partnerships. Partners besides local business and local government can be involved. Local universities, technikons and colleges can provide training, ranging from adult basic education and vocational skills to management skills, while community organisations eg the Community Chest can link business with community empowerment projects, and religious groups can initiate job creating activities.

3.12.2 Advantages

The advantage of a partnership is the resultant synergy, ie being able to achieve more together than individually. Besides the pooling of resources (eg capital and skills), there are other advantages. According to Hutchinson (1994:343), these include added value, increased budgets, new networks, a better mutual understanding, and less duplication of effort.

Partnerships can be more neutral politically than, for example, local government, drawing a wider range of potential partners (Hutchinson 1994: 336). They also offer the potential of less political interference in day-to-day matters (Bennett & Krebs 1991:165).

Partnerships also permit a wider range of actions - they can do that which local authorities may not do, and which the private sector will not do. There is the potential for faster decision-making⁵ and greater flexibility in decision-making. A separate entity (such as a section 21 company) is not bound by the financial regulations applicable to local authorities. They can, unlike a local authority, carry over any funds not spent from one financial year to the next. They are also a better receptacle for donations and aid funds than a local authority. For clients or investors, there can be greater confidentiality with respect to negotiations (Bennett & Krebs 1991:165).

For businesses they have the advantage of promoting social responsibility and environmental awareness. The advantage for community groups in a partnership is that they can have greater access to the decision-making hierarchy and hence resources (Hutchinson 1994:336). Community participation is no longer an optional extra: without community partnership and involvement, there will be no government funding.

3.12.3 Issues

One of the more thorny issues of public-private partnerships concerns the levels of transparency and accountability. Many partnerships entail the allocation of public funds through organisations that have not been democratically elected. This can be viewed as "abdicating responsibility ... by privatising local economies via the back door" (Hutchinson 1994:338).

⁵ In most local authorities it takes between four and six weeks for a Council Resolution to be taken from the date of submission of the report.

Where separate entities (legal bodies or associations) exist, there is often concern over the management and control of public funds. Too much control results in the loss of many of the advantages of a separate entity (eg flexibility and speed of decision-making). Too little control can lead to the use of public funds for purposes not in the entity's mandate or for personal enrichment.

Where partnerships include community representatives as well as councillors, there can be conflict. The councillors' may view themselves as the elected representatives of the community and may feel the partnership is challenging the role of the local authority (Hutchinson 1994:338).

The relative strength or power of each party can also significantly affect the partnership, including its structure, legitimacy and accountability, and the nature of decisions taken.

3.12.4 Conclusions

Public-private partnerships have a role to play in local economic development. However, to achieve the synergy and benefits of such a partnership, there are several issues that must be considered.

One vital ingredient for a successful private sector-public sector partnership is a high level of private sector or business concern regarding local economic well-being (Harding 1990:120). Without an active interest and concern for local economic conditions, there will be little incentive for businesses to become involved. Strong social ties and networks (eg business associations and clubs) can strengthen the level of commitment to the locality and partnership.

Some local resources are important, which may include enterprising individuals or persons with access to outside sources of funding (see, for example, Johannisson 1990:71-98 for an account of revitalisation by two small communities using local entrepreneurial resources).

In setting up a partnership, there should be clarity of purpose - a vision and mission - that can be embodied in a constitution (Hutchinson 1994:342). This could also include guidelines pertaining to means of operation and duties and functions of partners. While

such a constitution should not be cast in concrete, it can give structure to the partnership and reduce conflict.

In determining the decision-making and operational procedures, attention must be given to the dimensions of partnership. The more exclusionary, autocratic and top-down the approach is, the less time will be taken to make decisions. The membership of inclusive or pluralistic partnerships is more open, but due to the potential for a far wider range of opinions and role-players, the longer it will probably take to reach a consensus decision (Hutchinson 1994:338-340). Top-down partnerships are more likely to focus on short-term visible projects (eg flagships) while community-driven partnerships may emphasis long-term actions such as capacity building.

The legitimacy of the key role-players in the partnership is also important, particularly where public funds are involved (Hutchinson 1994:339). Various factors such as expertise, community representation, and power (political and economic) all influence legitimacy.

The time needed to form partnerships, to prepare joint strategies, and to implement them is usually longer than expected. Different partners may have different time agendas - for politicians it may be the next election, while local businesses and communities may have totally different expectations. The nature of government budgets, particularly those of local authorities, must be taken into account.

Conflicting interests, approaches, cultures and agendas can be expected and must be managed. These conflicts can arise from personal differences between partners, cultural differences (private sector versus public sector), and uneven power (Hutchinson 1994:341).

There is scope for public-private partnerships. Indeed, they are necessary for economic development. Care must be taken, however, to ensure that the partnerships are accountable and open to affected parties. A balance must be found between broad-based membership and effectiveness, and between flexibility and control, particularly where public sector and donor funds are concerned.

3.13 CONCLUSION

This chapter has examined some of the main strategies employed in local economic development. The strategies have been described very briefly, with a view to elucidating both the strategy and the issues related to it. Few strategies are universally applicable. Many can be effective only under specific circumstances. Each integrated development plan or local economic development programme should be built on the strategies that are most applicable to its context, given the town's location and resources.

The following chapter will examine planning methodologies and discuss their suitability as a basis of a management plan for locally generated economic development.

4 PLANNING METHODOLOGIES

The purpose of this chapter is to discuss planning methodologies or processes to lay the foundation for the following chapter, which comprises a detailed planning procedure for local economic development. Prior to examining the various methodologies, some general remarks will be made regarding the nature of planning, and aspects that influence the process and methodology followed. The planning methodologies discussed will include typical land-use planning methodologies, strategic planning, AIDA and strategic choice techniques, economic development, and city marketing methodologies. The chapter will conclude by comparing and evaluating the methodologies in preparation for the suggested process as set out in chapter 5.

4.1 THE NATURE AND PURPOSE OF PLANNING

There are two facets to planning: content or substance, and actual process or methodology (Faludi 1973b:3). The former encompasses the theories set out in previous chapters, and differs from discipline to discipline. The planning process – ie the way planning is done - can be context-free and applicable to various disciplines. These generic processes are the focus of this chapter.

4.1.1 What is planning?

Although the question, “What is planning?” may draw any number of responses, many of these have common elements, including:

- achieving an outcome
- preparing for the future
- problem-solving
- a set of procedures
- design.

Hall defines planning as “deliberately achieving some objective, ... by assembling actions into some ordered sequence” (1992:1). Planning is inevitably future-orientated: we analyse the past but cannot plan for it. Many outcomes or objectives of planning are the reaction to present or anticipated problems. The purpose of planning is thus encapsulated within the definition of planning as a future-orientated process to realise outcomes and/or to solve problems. Embodied within the concept of realising outcomes are considerations

relating to the means (steps and resources) to achieve these outcomes. While the exact sequence and number of steps in the planning process differs from discipline to discipline, time to time, and author to author, generic steps can be identified which deal with the outcome, the problem and the design. Variations on the generic procedure will be discussed later.

4.1.2 Dimensions of planning

Planning entails more than adhering to a series of steps or procedures in attaining an outcome. A number of critical issues impact on the manner in which planning is undertaken and eventually, the confidence and legitimacy of the product. These include the processes, values and criteria, decision-making, degree of flexibility, level of detail, and time span for which planning is undertaken. (As the processes will be dealt with later, they will not be discussed in this section.)

Values

The word 'values' refers to things or issues that are of importance or desired. Ethical and moral issues are intertwined in the notion of values. Included in this concept are criteria against which judgements are made, and opinions regarding priorities. Communities may have common values, or they may have conflicting values that can lead to disputes and confrontation. If the values adopted by the planners differ substantially from those of the decision-makers or beneficiaries, the plan may be rejected by either party. In many cases, problems arise because values are assumed and are not made explicit. These assumed values are thus not openly discussed and the differences debated. It is, therefore, essential to ensure that, in planning, one is working with an agreed set of values, criteria and priorities and that the process provides for both the articulation and confirmation of these values. In many planning processes, this is dealt with through the formulation of outcomes, such as a vision, goals or objectives.

Decision-making and control

While it is essential to state the values and criteria adopted, it is even more important to ensure that the plan is aligned to the values. It is all too easy for a planning agency to pay lip service to the values without incorporating them in its planning if there is little accountability. There is a strong relationship between the locus of decision-making and accountability. If a proposal is in line with the decision makers' values, there is a high probability that it will be accepted and implemented, even though it may not be aligned to all the beneficiaries' values (who may reject the plan). Thus beneficiary participation in the

planning process is vital to ensure that the proposals are, in fact, aligned to their values. Conversely, if a proposal accommodates the beneficiaries, but not the decision-makers (who control the resources), then the plan may be rejected.

The role of values in the planning process influences not only the process and the locus of decision-making and control, but also the role of planners. If it is accepted that there may be differing values that unconsciously determine actions, then it follows that no planner or planning agency can be neutral or objective, or prescriptive. Provision must be made for the synthesis of others' values and priorities, and their inclusion into the process. The planner is no longer a technocrat, dictating technical solutions to complex issues, rather he/she must analyse and interpret circumstances, predict the future based on analysis, and facilitate the formulation of proposals and their implementation.

Status and flexibility

The issue of control is influenced of the legal status of the plan. Local development objectives (LDOs) and integrated development plans (IDPs) are statutory plans. In terms of Section 29 of the DFA (South Africa 1995), no development may be permitted that is contrary to the LDOs, and by implication, the IDP. This has implications for the process as well as the product. Currently, the plans are amended annually, but will, eventually, be revised every five years. This implies that, in terms of current legislation, the plans are fixed for a specific period, with no mechanism for change within that period. Thus, if a development is proposed that will benefit the community, but is not accommodated in the plan, then such development cannot be approved.

While statutory plans have their advantages with respect to the degree of control and coercion available, they must be sufficiently flexible to accommodate changes in line with their goals. A balance between rigidity and flexibility is essential, with the ability to adapt to changing circumstances.

In a fast-changing society, constant updating of the plan may be necessary. This implies continuous monitoring of both the external environment and progress in terms of the plan, as well as regular reviews as part of the process. If a plan is to remain relevant, it must be able to accommodate change, and the planning process must permit feedback and amendments.

Comprehensiveness

This refers to both the range of issues covered during the planning process and to the depth or level of detail devoted to each set of issues. Comprehensiveness has benefits in that the complexity and interdependency of issues is recognised and addressed. It also encourages insights into aspects that may not otherwise have been considered. On the other hand, comprehensiveness can make heavy demands on resources, time and skills. The comprehensiveness of the product, depending on its presentation, may be intimidating. It may also limit flexibility, eg if each and every option is detailed, there may be little room for modification or improvisation for changing circumstances or special needs. Vague, generalised or nebulous proposals cannot guide decision-making, and are often little more than statements of intent.

A planning process and a plan must thus enable the integration of various issues and facets with an appropriate level of detail within the resources available.

Time span

The time taken to prepare a plan and the time span for which the plan is prepared impact on its relevance and flexibility. Plans that constantly change give little direction, but those with a time span of ten years or longer may become outdated in a fast-changing environment. Similarly, if planning takes many years, much of the information on which the plan is based may be irrelevant or inaccurate. Over-hasty planning and decision-making may also cause problems and waste resources. Clearly, sufficient time must be available for planning (from outcome setting to decision-making) without wasting too much time on data collection and analysis. Only information necessary to informed decision-making is required. The implementation time will depend on the nature of the plan, but provision must be made for monitoring and revision if a long time frame is envisaged.

To sum up, a planning process should provide for the articulation of the values of beneficiaries and decision makers, and for their inputs in the process to ensure that these values are accommodated in the plan. Furthermore, the process must provide for change through monitoring and review. This is particularly important for statutory plans and those plans with a long time frame. The comprehensiveness of the plan should reflect the complexity of the situation, the level of detail essential for decision-making and the resources at hand. These criteria form the basis for evaluating of the planning methodologies to be discussed in the following section.

4.2 METHODOLOGIES

As stated above, this section will examine a few planning methodologies. As there are a number of variants of each methodology, only a few examples of each grouping will be discussed. The purpose of the discussion is to describe the process and to evaluate it in terms of the above-mentioned criteria. Similarities and differences between various methodologies will be noted where relevant.

4.2.1 Evolution of town planning methodologies

Current town planning methodology has evolved over the past century or so, with contributions from cybernetics, marketing and Marxism that having added to, and forged the process as it is practised today. Most towns planned prior to the 1920s were laid out (or reconstructed) in accordance with strict notions of an ideal and adherence to a predetermined blueprint. Patrick Geddes added the 'survey-analysis-plan' dimension to the blueprint concept. Planning, however, still entailed a fixed plan (masterplan) to achieve certain ends in the public interest (Hall 1992:228-229). Little scope was permitted for deviation from the plan, and it was not considered necessary to involve the public as common or shared values were implicitly assumed. Generally, the process was technical. "The existing situation would be surveyed; analysis of the survey would show the remedial actions that needed to be taken; the fixed plan would embody these actions" (Hall 1992:229). No provision was made for feedback, or revision as a slow- changing environment was assumed.

With advances in computer technology and the development of cybernetics, a systems view of planning developed. This outlook assumes that all complex interacting phenomena can be analysed like large systems. All that is necessary is to identify the components, and to analyse these and their mutual interactions. This analysis then forms the basis of intervention. Constant monitoring with feedback loops is an essential component of the process. This, however, remains a highly technical process and public participation was not provided for initially. Although the use of large-scale urban models (developed from this process) declined after the mid 1970s, several useful models have been developed that are currently in use, albeit in modified form. These include input-output models, population projection models, traffic models, and various gravity models (Hall 1992:236-240). Evaluation techniques such as cost-benefit are also a by-product of this era in planning. Thus, although the process as originally practised was not explicitly value-driven, did not involve the public in decision-making, and required a great deal of

data, it did add the concepts of evaluation, monitoring and review. These are now standard procedures in any town planning process.

One impact of the systems planning process was the move from masterplans to structure plans which are activity rather than land-use based, and which accommodate market forces. However, due to the emphasis on the technical and an oversight with regard to the political component of planning, the structure planning approach allowed urban planning “a neat sidestep of many of the philosophical and ethical difficulties” (Roberts 1974:15).

Growing awareness that the public constitutes many factions each holding different values and priorities was a major contribution of Neo-Marxist thinkers of the time (Hall 1992:248). This, together with the rise of advocacy planning, which contends that planners should advocate and lobby on behalf of particular needs or sectors of society, led to the incorporation of the public in the planning process (Roberts 1974:15). A typical planning process is shown in figure 1.1 (see chapter 1).

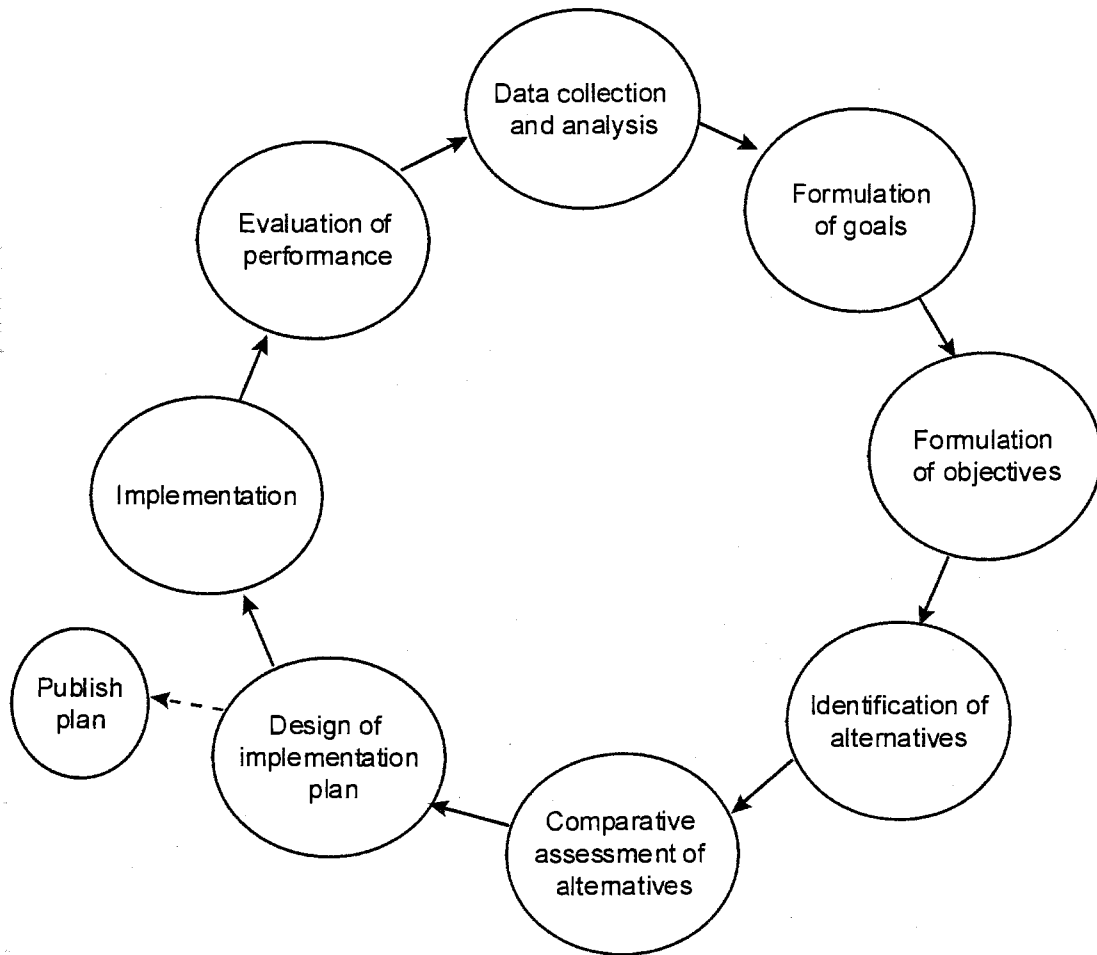
4.2.2 Typical town planning process

The approach adopted by Bendavid-Val (1980:4) is a typical town planning approach applied to local economic development. Most other processes proposed in other references are variations on this theme, some with shorter processes (Roberts 1974:54, Herington 1989:15) and others with additional steps (Roberts 1974:32-33, Faludi 1973b: 267). One difference between Bendavid-Val’s process and the ‘standard’ town planning process is that data collection and analysis precedes goal-setting. Most other town planning processes call for goal-setting prior to data collection and analysis.

According to Bendavid-Val (1980:2), planning should involve at least the following: explicit goals, objectives or quantified performance targets, identification and then evaluation of alternative courses of action, implementation (preceded by implementation planning) and then evaluation of the results, leading to the necessary adjustments. The entire process may be repeated annually or over a longer duration. It is acknowledged that the process is an ideal and that circumstances (eg budgets, deadlines, and social and political factors) can and will influence the process, causing omissions and deviations from the ideal. Nonetheless, the process as outlined in figure 4.1 is set out as a guide for a community embarking on local economic planning. The depiction of the process in the form of a circle emphasises the repetitive, cyclical nature of the process. Although the process depicted in figure 4.1 does not make explicit provision for public involvement, the text clearly calls

for community participation. A vision, goals and objectives make provision for the discussion and formulation of outcomes based on shared values. The process, as described in the text, provides for the integration of issues across social, economic and spatial dimensions. Although a long-term plan, provision is made for short-term projects and constant review.

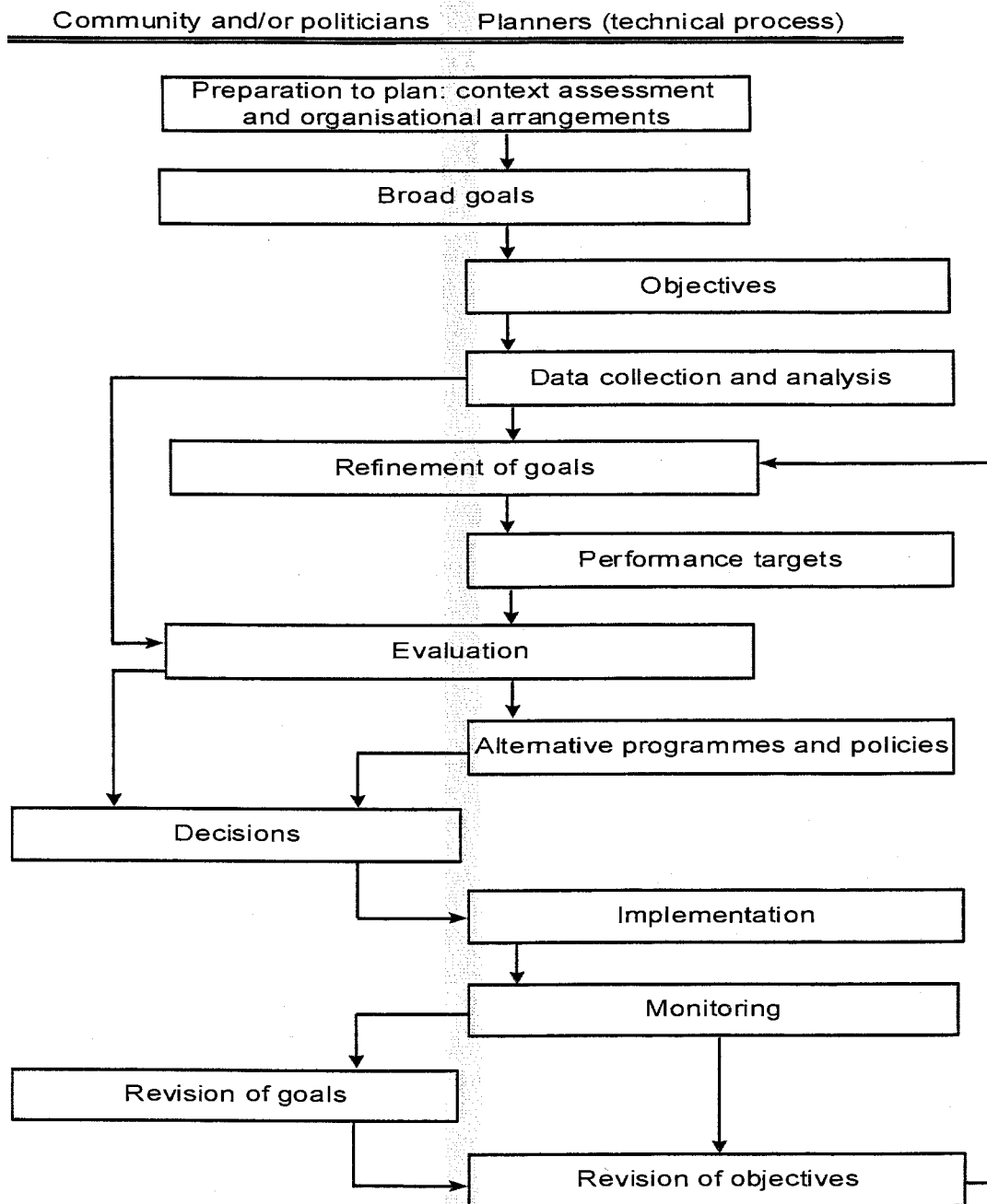
Figure 4.1 Town planning process for local economic development



Source: Bendavid-Val 1980:4

Robert's process (1974:32-40) follows similar steps, with internal assessment of context preceding goal-setting, and analysis following the formulation of goals and objectives. This process, as depicted in figure 4.2, acknowledges the importance of values and community involvement in the process, and indicates several feedback loops.

Figure 4.2 Comprehensive sequence of planning activities



Source: Roberts 1974:32-33

Other town planning processes are usually variations on the above themes. More recent processes, such as that proposed for the formulation of integrated development plans (IDPs) (South Africa et al. 1998:4) have borrowed from the strategic planning process. 'Audits' or analyses of the internal and external environments, and their anticipated impacts on the organisation or community, also commonly known as a 'SWOT' analysis have been adopted from strategic planning. Planning for implementation, particularly relating to organisational planning, is another feature of strategic planning that has been

included in other planning methodologies. Before considering city marketing and economic development planning processes, strategic planning processes will be examined.

4.2.3 Strategic planning

According to Schreiner (194:6) and Pfeiffer et al. (1989:56-59), the purpose of strategic planning is threefold:

- to shape the future
- to examine present opportunities and limitations both internal and external to the organisation
- to achieve goals.

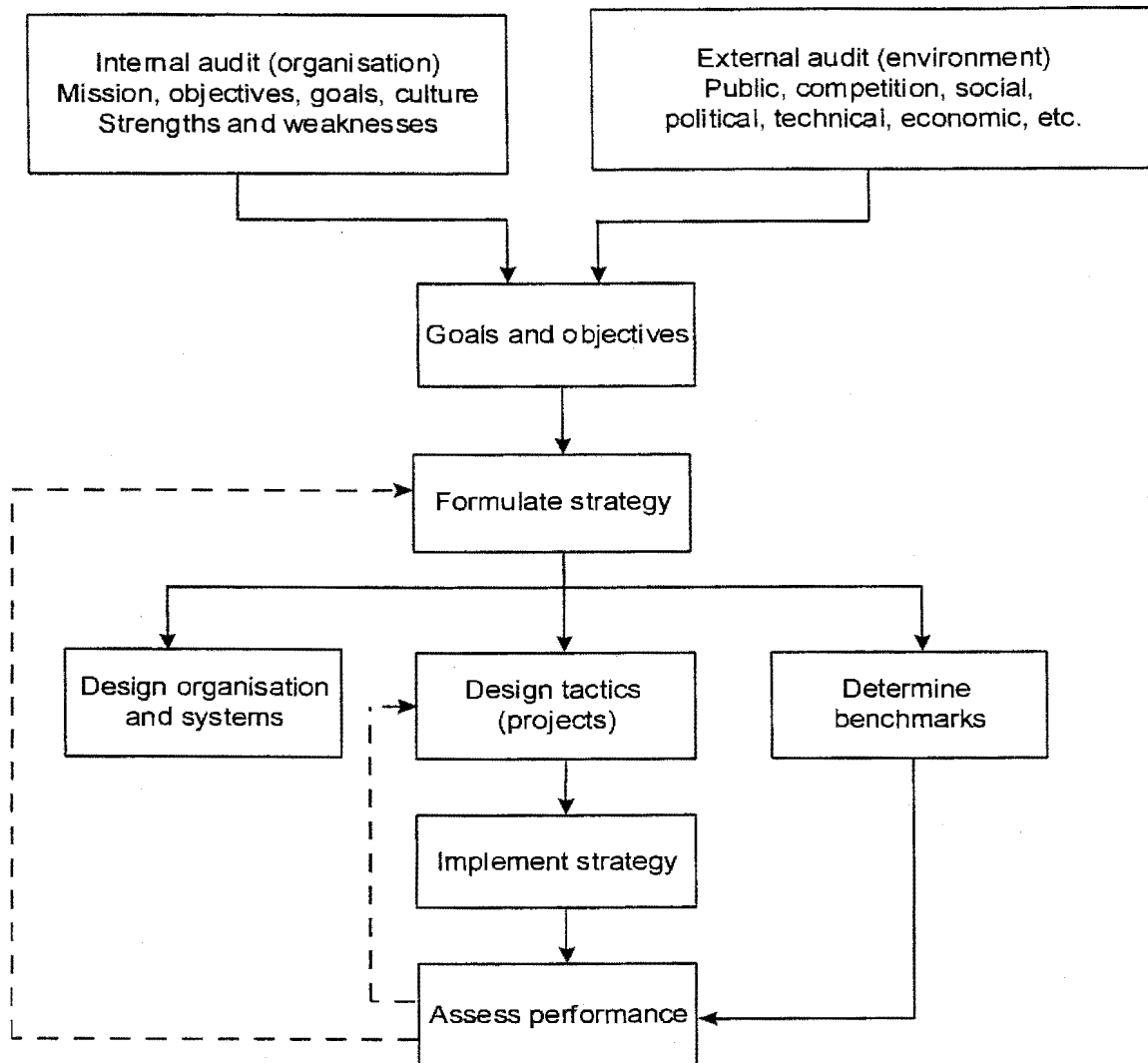
According to Cinnéide & Keane (1990:479), strategic planning is a means to achieve objectives, and a strategic plan must be unifying (pulling parts together), comprehensive (covering all major aspects) and integrated in that it ensures that all parts of the plan are mutually compatible.

Strategic planning, where community participation is part of the process, is a goal-orientated process that pays specific attention to internal and external factors that could influence the success of the plan. Thus existing or potential resources and restrictions are identified early in the process to prevent overly optimistic plans that cannot be implemented.

Most discussions of the process, begin either with an analysis (audit) of the organisation's internal strengths and weaknesses, and the external opportunities and threats, or with pre-planning, ie planning to plan, followed by an audit. The information gathered in the audit phase forms the basis of goal formulation. Strategies flow from the goals. At this point, most processes diverge in the sequence for the formulation of organisational, tactical or project plans. However, most models of the processes do make a distinction between broad strategies and more detailed tactical, or project plans for implementation of the projects. This differentiation between the broad strategy and the detailed project plan is a useful contribution to the planning process. Implementation, with feedback through monitoring and review, completes the initial process and leads into the subsequent cycle.

Four versions of the strategic planning process are illustrated in Figures 4.3 to 4.6.

Figure 4.3 Strategic planning (designed for marketing)

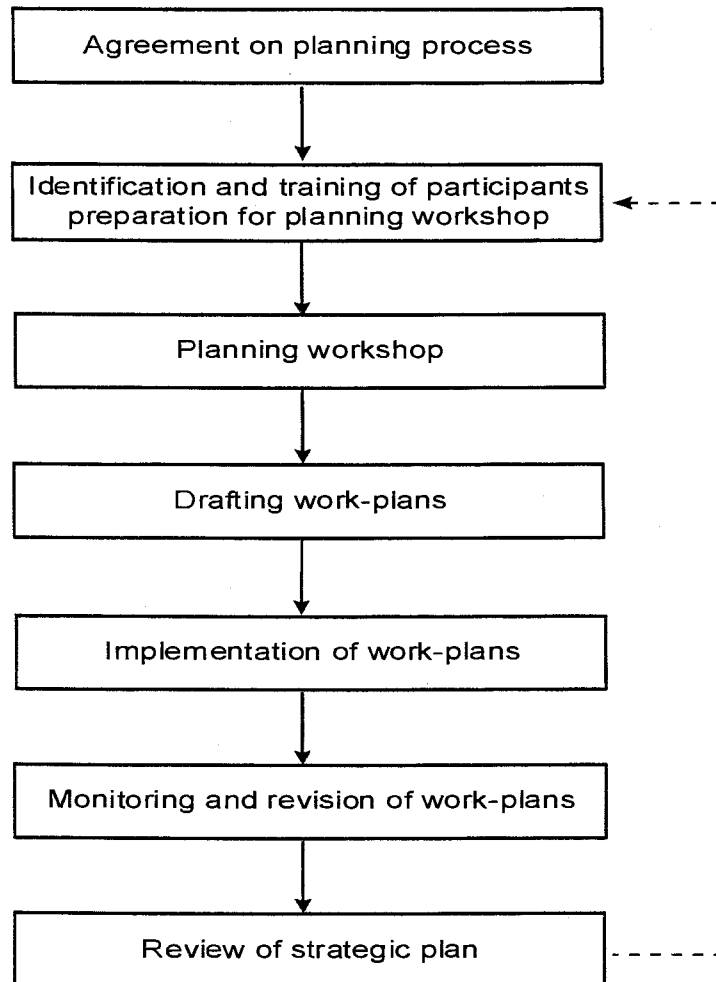


Source: Kotler & Andreasen 1991:69

The above process was designed for non-profit organisations to assist them in their marketing. It can, however, be applied to most planning situations. One of the strengths of the process, as portrayed above, is the attention given to organisational and operational matters. Without the appropriate organisational structure and systems, the best designed plan may never be implemented or succeed. Ashworth & Voogd (1990:29) deem this aspect to be as important as functional plans, and give it equal status in their city marketing process.

Projects or tactical plans as a means of implementing the strategy are also specified in this and other strategic planning approaches.

Figure 4.4 Strategic planning for community organisations



Source: Schreiner 1994:12-14

The above process is specifically designed for non-profit and community organisations in South Africa. As can be seen in figure 4.4 (extrapolated from the text), most of the planning occurs in a workshop. Later revisions and monitoring of progress are the responsibility of the participants in the workshop (Schreiner 1994:63). The work-plans constitute both strategies and implementation projects to meet a specific goal or objective, and thus address the what, how, who, when, and where (Schreiner 1994:56-59).

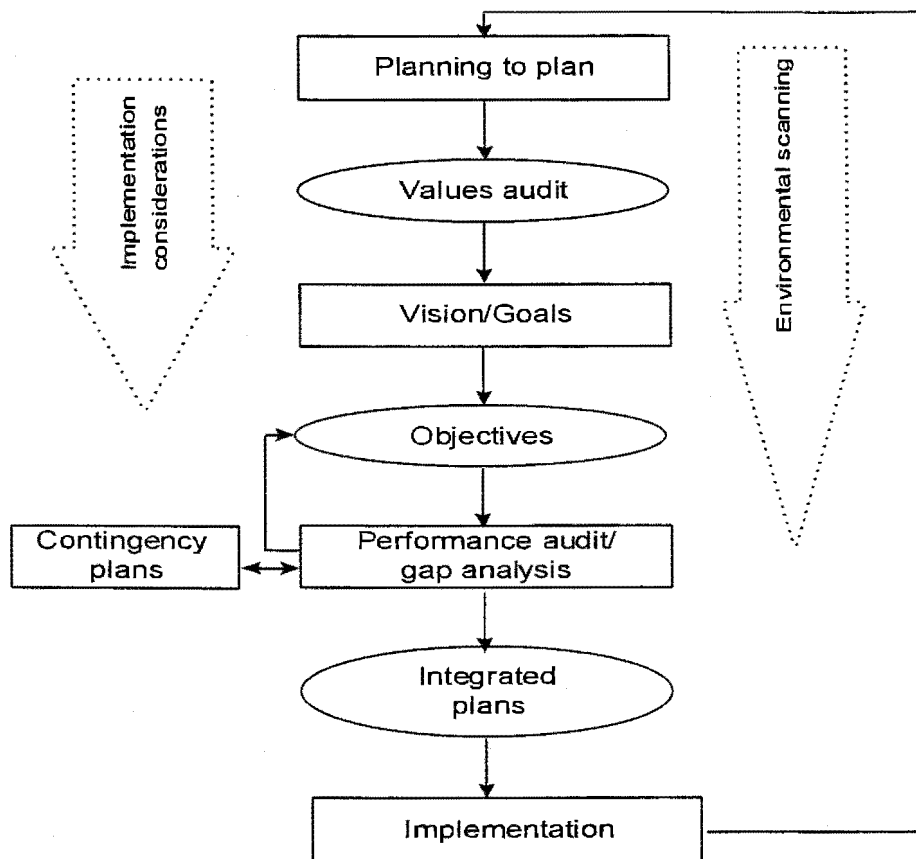
There is little provision in this process for data collection and analysis other than a 'SWOT' analysis as part of the planning for the workshop. This is almost an antithesis of the systems planning approach, where much attention is given to the collection and processing of information. In a community planning process, such as that for local economic development, the collection, analysis and interpretation of data is critical to understanding the root of the problems, identifying resources, and preparing plans to

overcome the problems and build in strengths. This planning process would be more comprehensive were the data collection to be featured and analysis more strongly.

The applied strategic planning below stresses not only values, but practicalities regarding implementation (Pfeiffer 1989:62). Continuous monitoring of the environment – ie environmental scanning – is proposed to keep abreast of changes.

As the process is intended to be pragmatic, practicalities such as the level of commitment to the plan, information needs and organisational capacity are addressed under 'planning to plan'. The values audit examines of the values of the organisation and stakeholders. In a community-driven local economic development plan this would thus include community values. The performance audit reflects the organisation's performance in critical areas. In a local economic development plan this would be applied to the town or community as a whole, and would include all the factors influencing local development. The gap analysis follows the performance audit and evaluates the difference between the ideal (goals) and reality (current performance). Contingency plans are based on various scenarios for critical factors or indicators (Pfeiffer et al. 1989:74). Integrated plans are compiled for various functions and these relate back to the values and goals to ensure that the overall plan works and to identify potential conflict between proposals. Implementation depends on the commitment of the decision makers who make resources available and the staff who do the work. The impact of the implementation is fed back into the system through constant monitoring.

Figure 4.5 Applied strategic planning model



Source: Pfeiffer et al. 1989:6,63

Although the sequence of activities differs from preceding models, similar activities or steps are followed. The model provides for explicit values, and public involvement, is comprehensive, and is sensitive to change.

The process proposed by Cinnéide & Keane (1990:479-481) shares many features with the above models. The six main steps are:

- preparing and agreeing on the framework within which planning is to be undertaken
- analysing internal strengths and weaknesses
- identifying opportunities and threats
- generating alternatives, evaluating these, and then deciding on the most appropriate actions
- implementing the chosen strategy or strategies
- evaluating the effectiveness of the strategy to make essential adjustments or modifications.

The process is a normative process that recognises the importance of participation and mutually agreed objectives (reflecting shared values). Explicit objectives which include time-frames are important, and must relate to the strengths, weaknesses, opportunities and threats.

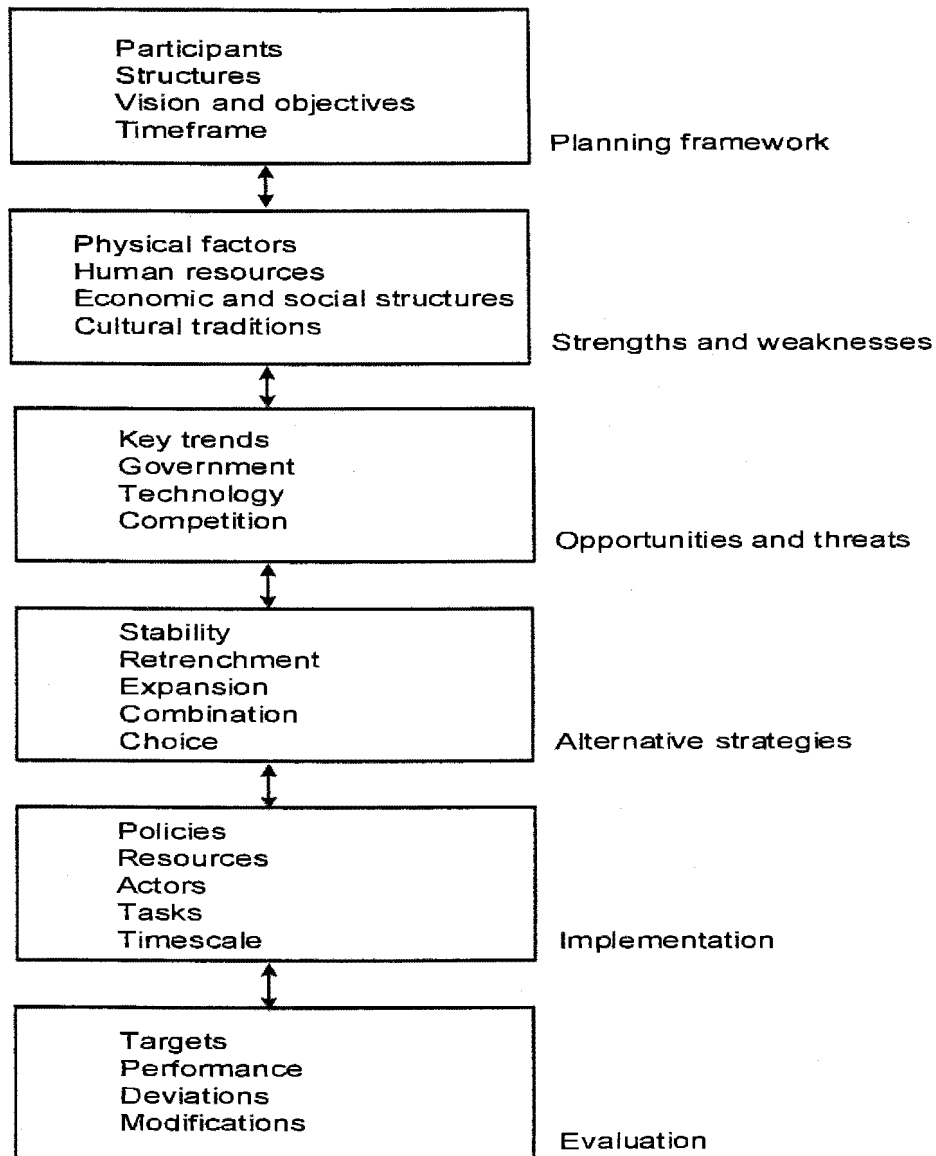
According to Cinnéide & Keane (1990:481), there are four broad strategy options. These are: no change (stability), limiting or abandoning existing interventions (retrenchment), expansions by augmenting existing or adding new interventions, or a combination of the above.

Once decisions have been made regarding the most appropriate strategies and interventions, they must be implemented. This requires an evaluation of the resources required, the necessary processes, allocation of responsibility, and time-scales in which they should be done, and what detailing is necessary (policies) to facilitate implementation. Evaluation is necessary during and after implementation. This entails setting performance targets, evaluating what has been accomplished in relation to these targets, identifying unacceptable deviations from the targets, and taking appropriate actions to rectify the matter.

Consultation is important in the process and the community's values and criteria are incorporated into the process. Objectives are compiled from all the developmental issues raised through consultation and are prioritised where there are conflicts (Cinnéide & Keane 1990:482). The process as outlined above is comprehensive in that it acknowledges a number of issues and their interrelatedness, as well as resource limitations. Furthermore, it recognises the need for monitoring and evaluation as well as remedial steps as and when necessary.

The process is illustrated in figure 4.6.

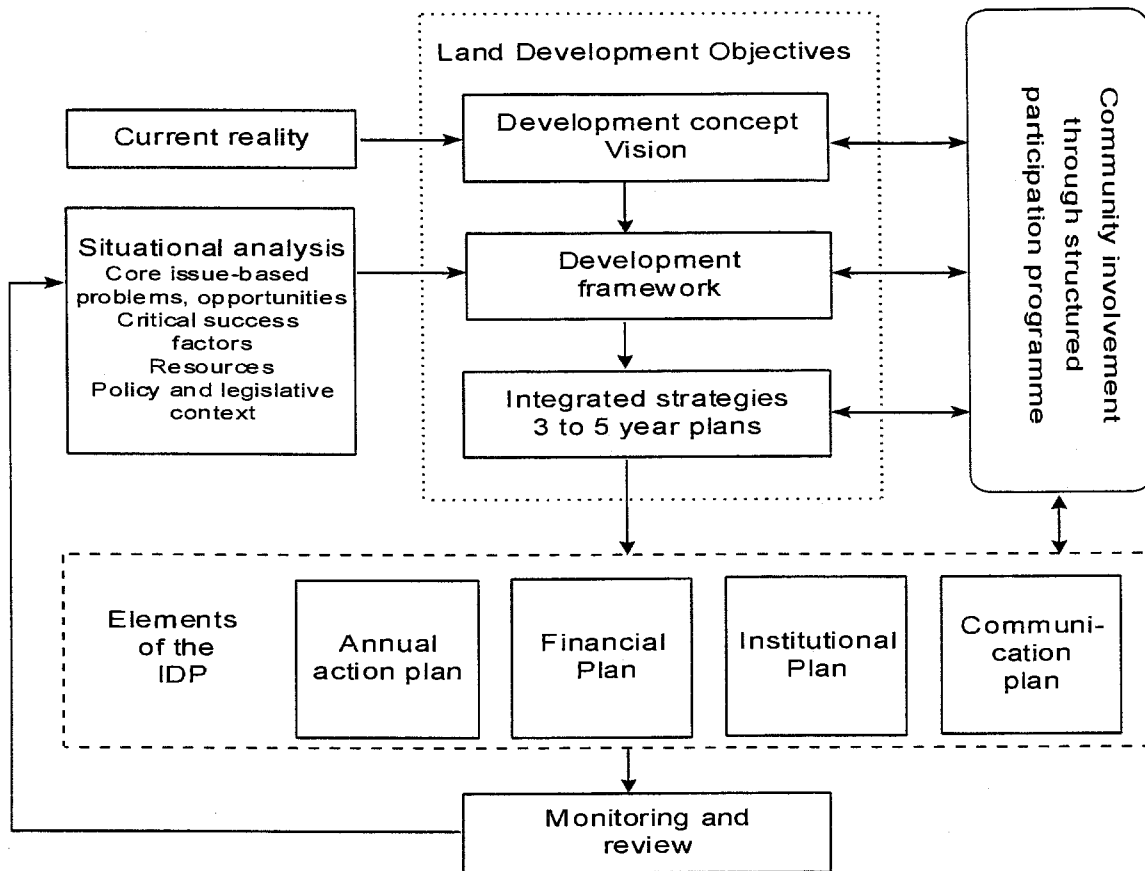
Figure 4.6 Normative strategic planning model for local economic development



Source: Cinnéide & Keane 1990:480

The IDP planning process is regarded as a strategic rather than comprehensive planning process with the focus on key issues or geographic areas rather than attempting to be comprehensive or all-inclusive (South Africa et al. 1998:7). This process, as depicted in figure 4.7 is intended to assist local authorities in compiling the statutory IDPs and LDOs. The purpose of the IDP is to enable local authorities and other government agencies to align their service delivery and budgets in accordance with a holistic strategy for sustainable service delivery.

Figure 4.7 Integrated development planning process



Source: South Africa et al. 1998:4

The process specifically provides for stakeholder participation, including communal vision development. It demands a situational analysis along with an evaluation of resources, and calls for realism and prioritisation, recognising that resources are limited. In line with the legislation it adopts a medium-term view (three to five years). However annual action plans to coincide with budgets are also required. Moreover, the process provides for regular monitoring and review.

Besides the direction giving strategies and action plans, the IDP process makes provision specifically for financial, institutional and communication plans. The financial plan ensures that the IDP, which is essentially the corporate plan of the local authority, drives the budget, while the institutional plan is intended to do the same with respect to human resources. The process is comprehensive through the integration of spatial, economic, social and institutional issues and its attention to varying levels of detail.

4.2.4 Strategic choice

This process was devised to deal with planning issues and problems in a climate characterised by time pressures and uncertainty. These pertain to values, the impacts on and of related projects, and facts, or information. One of the primary purposes of the process is to enable better decision-making despite the uncertainties and complexities normally surrounding planning issues (Roberts 1974:53).

The process has four primary steps as illustrated in figure 4.8. Each of these is divided into further steps, which are described in detail in section 5.8.4. The four steps are:

- shaping the problem
- designing options,
- choosing options
- comparing options (Friend & Hickling 1997:15-21).

The process can be cyclical, and iterative, with jumps between the steps as new information or issues arise. Planning is undertaken in a group, which can be predominately technical, or it may include decision-makers and community representatives. The technical members of the group can represent various disciplines, depending on the nature of the issues under consideration. Friend & Hickling (1997:303) propose that the planning process be divided into five phases:

- identification of issues
- establishing a structure
- confirming the course
- reviewing recommendations
- approving amendments.

These occur in a succession of 'U' loops with interaction between the political and technical processes (see figure 4.9) .

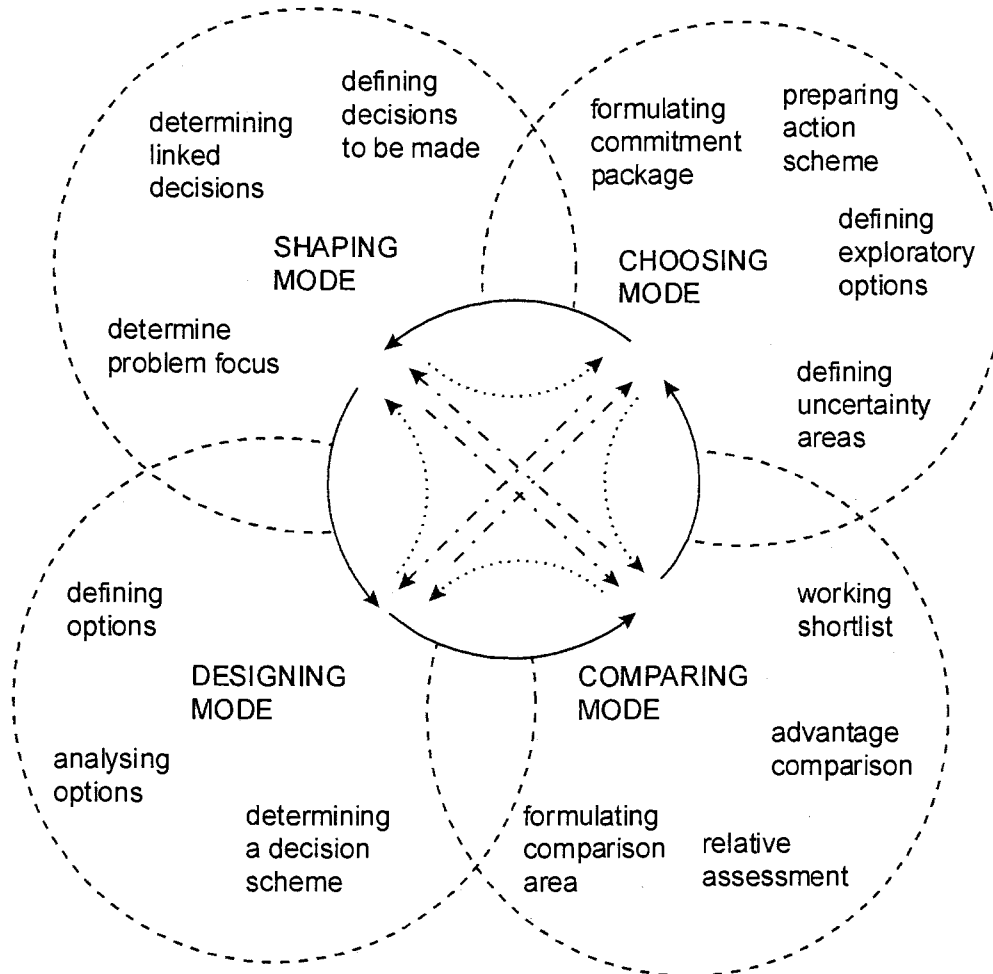
While the strategic choice methodology does not include the formulation of goals and objectives, it acknowledges that values and principles which generally underlie goals can be a source of uncertainty. These must be discussed and debated by the planning group.

The value of the methodology is that it acknowledges uncertainties in planning, and the many decisions that are interrelated and impact on each other. The methodology (analysis of interconnected decision areas - AIDA) specifically enables the analysis of the interconnected issues. Because the process recognises the role of uncertainties in the

environment, and the need for feedback and confirmation of facts and data, flexibility is a built-in feature.

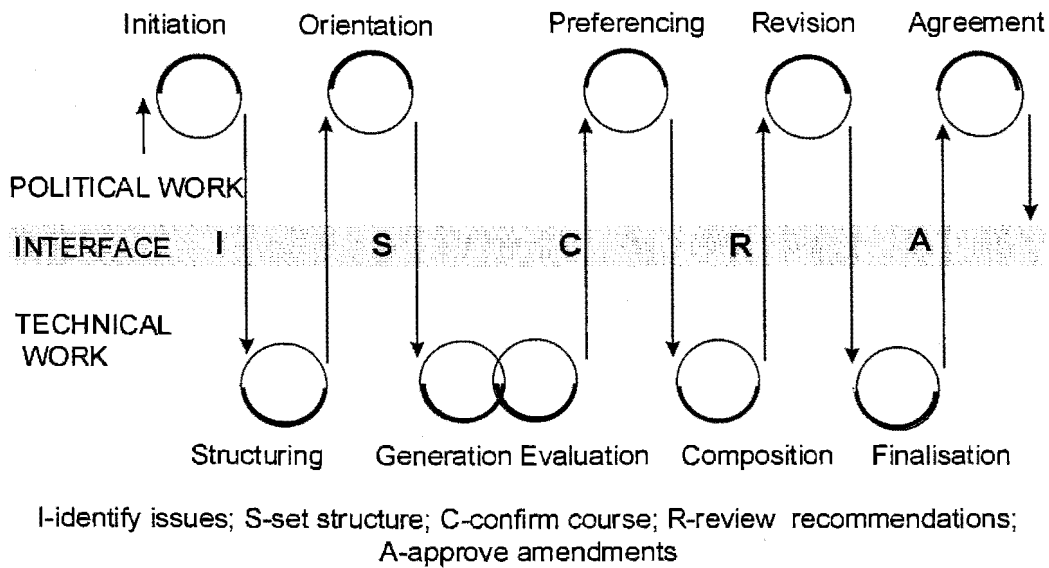
The process does not purport to be comprehensive, but focuses on the cluster of pertinent decisions. A number of alternatives within the focus area are, however, examined and evaluated.

Figure 4.8 Strategic choice approach



Source: Friend & Hickling 1997:80

Figure 4.9 Interface between political and technical work: strategic choice



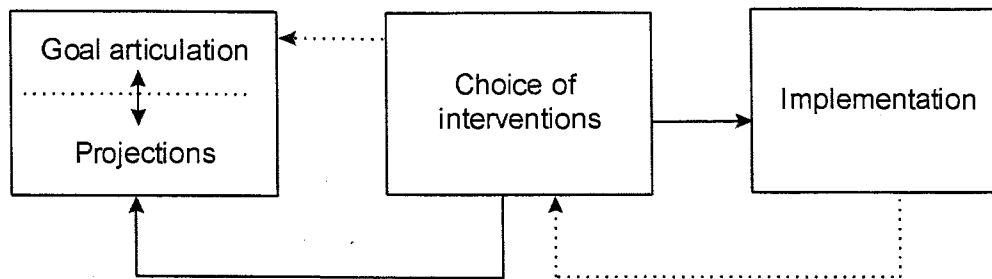
Source: Friend & Hickling:1997:304

4.2.5 Economic development methodologies

In the literature, various methodologies or processes for local economic development are proposed. Few of these are as detailed as that proposed by Bendavid Val (figure 4.1): more attention is given to the substance or content of local economic development than to the process itself. One exception is the city marketing process as proposed by Ashworth and Voogd (1990:28) and Nel (1994:19).

Blair (1995:331) proposes a simple process, beginning with goal articulation; proceeding to projections; making a choice regarding interventions; and then implementing these interventions. He notes that goals should be driven by a vision of the city in the future and should be developed from the current base, ie where the city is now. Thus goals should be developed concurrently with community analyses (Blair 1995:311). Interventions (strategies or actions) to attain goals should be realistic and feasible. The criteria cited for evaluating interventions include the likelihood of producing a desired outcome, cost, risk of negative outcomes, and the contribution to other goals. Provision is made for feedback and frequent evaluation of the appropriateness of strategies and effectiveness of implementation. No mention is made of public involvement in the process and limited attention is given to data collection and analysis (refer to figure 4.10).

Figure 4.10 Local economic development process (Blair)

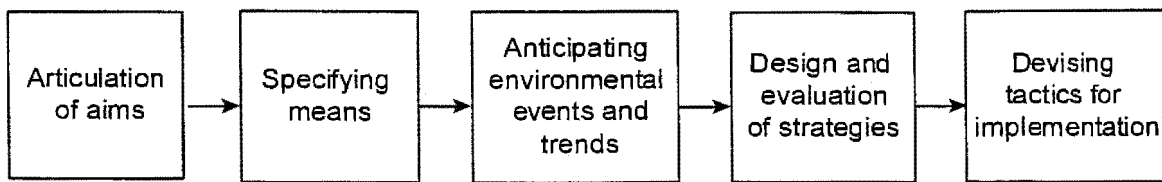


Source: Blair 1995:311

Malizia (1985:27) proposes a somewhat more detailed process, again beginning with goals, then specifying means, anticipating environmental trends and events, designing and evaluating strategies, and devising implementation plans. He argues for strategic and contingency planning rather than comprehensive planning (unlike Bendavid-Val (1980:3-5)) after stating that these methods hold more promise “when meaningful goals are difficult to define, value conflicts among contentious interests prevent agreement on important policies, planning resources are meager, fragmented or difficult to coordinate, and the community expects tangible actions and concrete results” (Malizia 1985:17).

Contingency planning avoids potential goal conflicts by focusing on responses to events by analysing these events, designing and then implementing such responses. Strategic planning is conducted with an organisational focus. The plan should, however, provide a guide for local development efforts. It too has analysis, design and implementation elements (Malizia 1985:29). It is also proposed that any plan should be simple, with as few steps as possible, focussed on the essential rather than the preferred, and modest in its aims. Organisational considerations and the location of decision-making within the organisation are of importance. No mention is made of public involvement in the process other than the reference to conflicting values. Decision-making is placed firmly within the planning organisation (Malizia 1985:18, 27). Neither form of planning can be considered comprehensive through the integration of related aspects (this appears to be avoided). Feedback processes are not mentioned and appear to have little value in what can be considered as *ad hoc* planning.

Figure 4.11 Strategic planning for local economic development (Malizia)



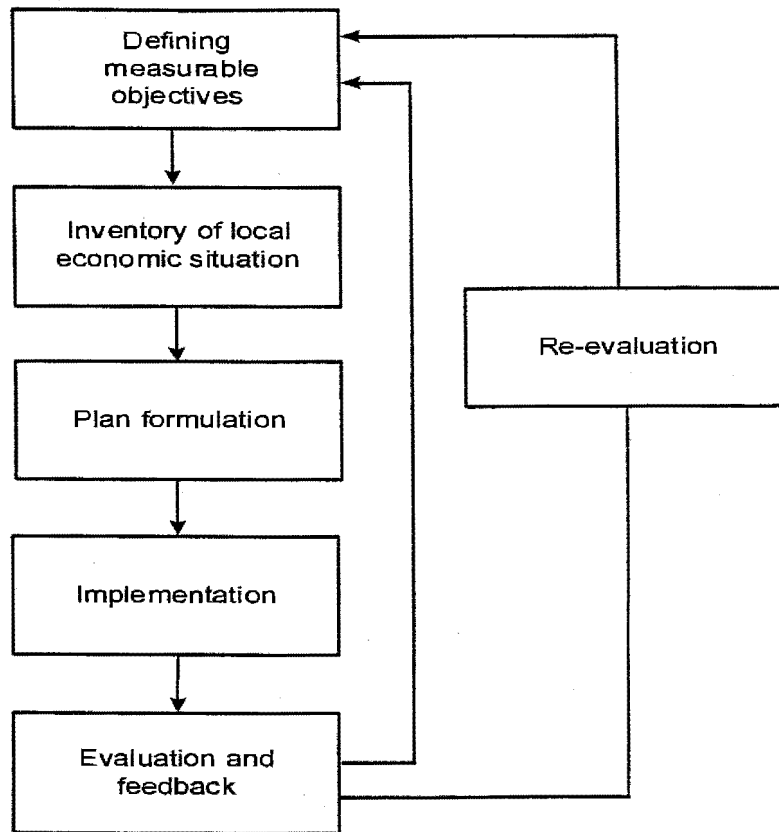
Source: Malizia 1985:27

The process suggested by Lyons & Hamlin (1991:20-21) begins with articulating aims and setting objectives. It is recommended that a small workgroup comprising both elected community representatives (representing political and community organisations) and officials formulate the goals and objectives. The next step is analysis of the local situation. The authors recommend that the data collection and analysis be kept to a minimum, and that resources be used on action rather than analysis. Plan formulation follows, again with the emphasis on practicalities and implementation. Evaluation completes the cycle, and feeds back into the next cycle but can take place at any point in the process, which essentially concentrates on short-term (one to three year) cycles.

Although the authors recommend extensive community discussions regarding values, the process is driven mainly by a small workgroup representing community interests. The needs of business are viewed as critical in the process, but with due recognition of the pitfalls of a *laissez-faire* approach. Public-private partnerships are seen as an effective means of achieving local economic development.

The process does not purport to be comprehensive, or integrated, but as Malizia's contingency planning, concentrates on projects and action plans. As stated above, the process permits feedback and changes as necessary and thus permits flexibility.

Figure 4.12 Dynamic planning process



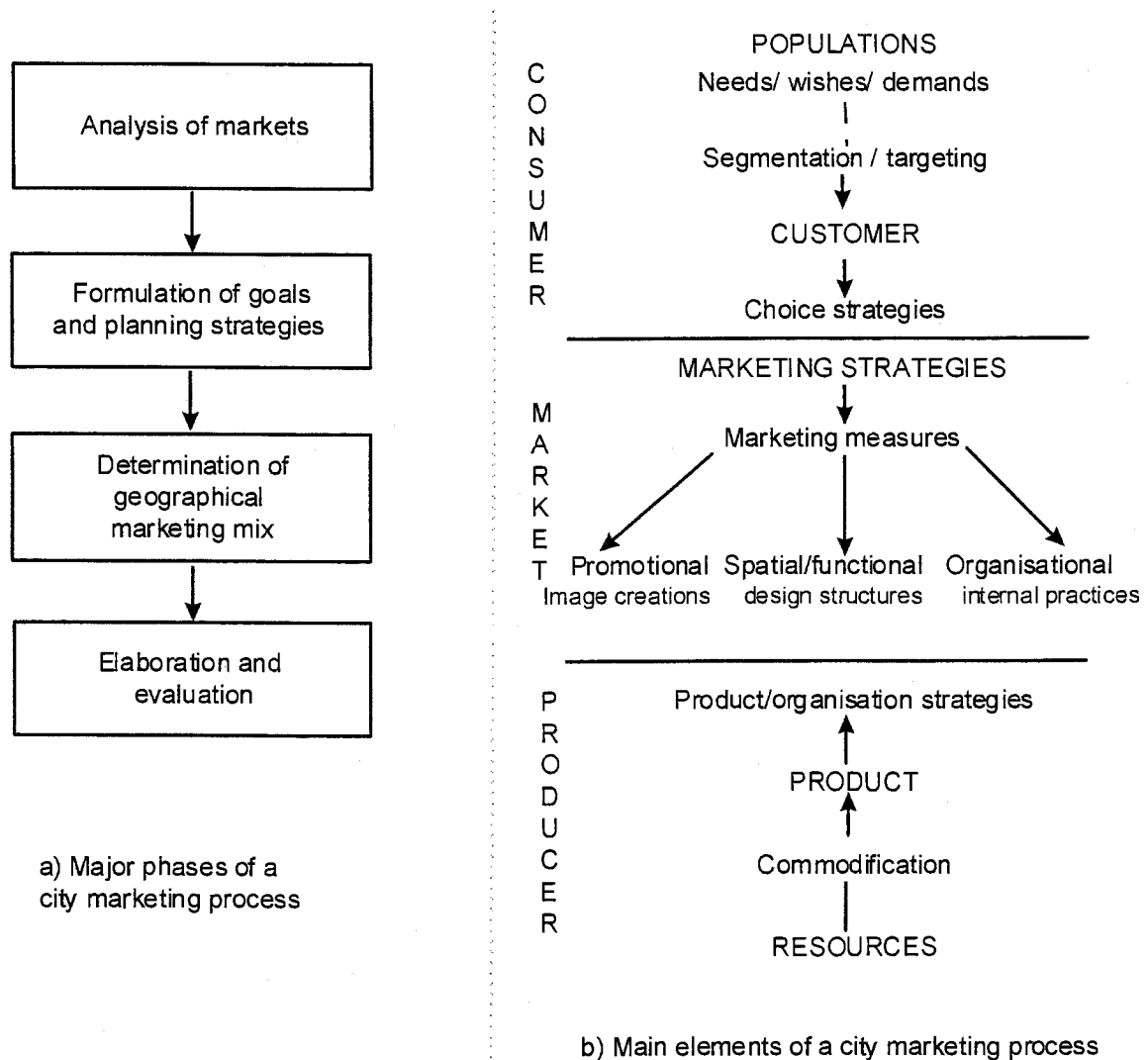
Source: Lyons & Hamlin 1991:20

4.2.6 City marketing

City marketing is an approach to urban development that has borrowed freely from marketing and town planning concepts. It was conceived from the urgent need of urban areas to attract development, from without or within. The city marketing process is an integrated development process that recognises different markets and groups of consumers within the urban context. These sectors can be grouped or prioritised as target markets. Strategies are designed to cater for each of these target markets. In recognising a number of target markets, the city marketing process acknowledges differences in needs, values and priorities. Thus the formulation of goals follows the market analysis and different goals can be set for different target markets. The needs, wishes and demands of customers, consisting of local communities, potential visitors and investors, constitute a central concern in the process (Ashworth & Voogd 1990:11).

Although not specifically shown in the process, monitoring is critical to ensure that the process is keeping abreast of changing consumer needs. The authors note that “progress through the successive action phases will allow, and even encourage changes in preceding phases, which are therefore logically never completed as they are continuously subject to adjustment as a result of information feedback” (Ashworth & Voogd 1990:29). The importance of determining resources and how these can be utilised to achieve the goals is also noted (Ashworth & Voogd 1990:67).

Figure 4.13 City marketing process



Source: Ashworth & Voogd 1990:28,30

Organisational structures are of great importance, particularly where partnerships are involved, as is appropriate financing. Thus, while the typical marketing strategy is based on a mix of the four 'P's - price, promotion, product and place (delivery) - city marketing

strategies are based on a mix of functional and spatial, promotional, organisational and financial strategies (Ashworth & Voogd 1990:31).

Moreover, the above 'marketing mix' ensures integration between issues and disciplines. City marketing is not just about economic, social or spatial policies: it is a combination of these dimensions. Along with town planning methodologies and strategic planning, city marketing has contributed to the process in chapter 5.

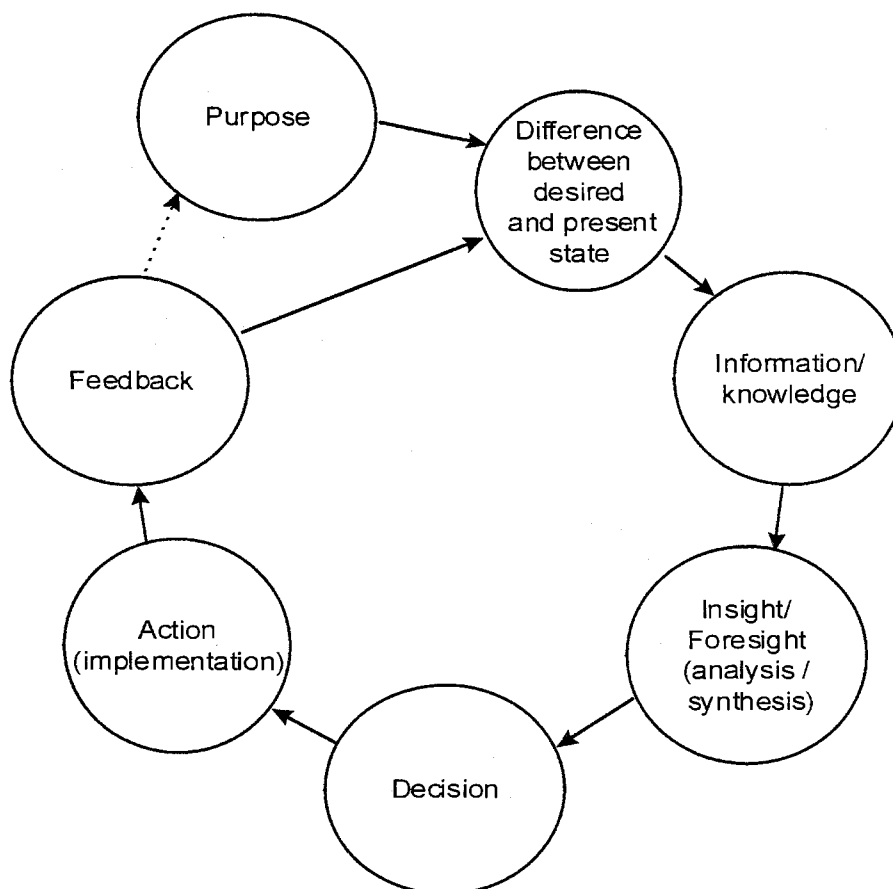
4.2.7 Bridging the gap: NLP and MAP planning strategies.

The **Neuro-Linguistic Programming (NLP) planning strategy** is a generic strategy that can be applied to many situations, from personal goal setting to corporate planning.

The process begins with recognising the need to change, and a definition of the problem. Then follows the definition of the alternative – "what in the place of" the current state. Information is gathered and analysed as part of the evaluation of ways and means to bridge the gap between the present and the desired states, ie attain the goal or vision, or solve the problem. Then a decision is made which leads to action. Feedback provides information for the next cycle of planning (figure 4. 13). The elements of this process are similar to those in previous processes, and have a great deal in common with Bergdall's process (1993:149-150). A significant contribution of this process has been the nature of the questions asked at each step, in particular, those for creating a vision or strategies.

As a generic process, it can be adapted for any planning situation, and there are no criteria limiting the application of the process, either in terms of participants or subject matter. It is equally appropriate for corporate planning and development planning at the scale of the rural village. It stresses the need for feedback and requires 'evidence' or performance criteria to indicate when goals have been reached. Such goals, and the issue of values, are important aspects of this theory, acknowledging that individuals and groups have divergent values and criteria.

Figure 4.14 NLP planning process



Source: O'Connor 1998:136,185

Methods for Active Participation

The process expounded by Bergdall (1993:184-193) was designed to promote self-development in rural communities in Africa. It is established on the conviction that rural people must participate in local development, rather than wait passively for the government or external aid agencies to initiate, manage and control development activities. Hence the name of the process: methods for active participation (MAP).

Methods for active participation focus on projects that people can accomplish by themselves and, in so doing, gain the skills and confidence to tackle bigger things. Typical skills learned are teamwork, planning, management, budgeting, and financial management.

The process, as illustrated in figure 4.15, begins with a situation analysis, the present state. It then moves on to a vision of what might be. Participants are encouraged to think realistically and to formulate a practical vision of where the town might be in a few years

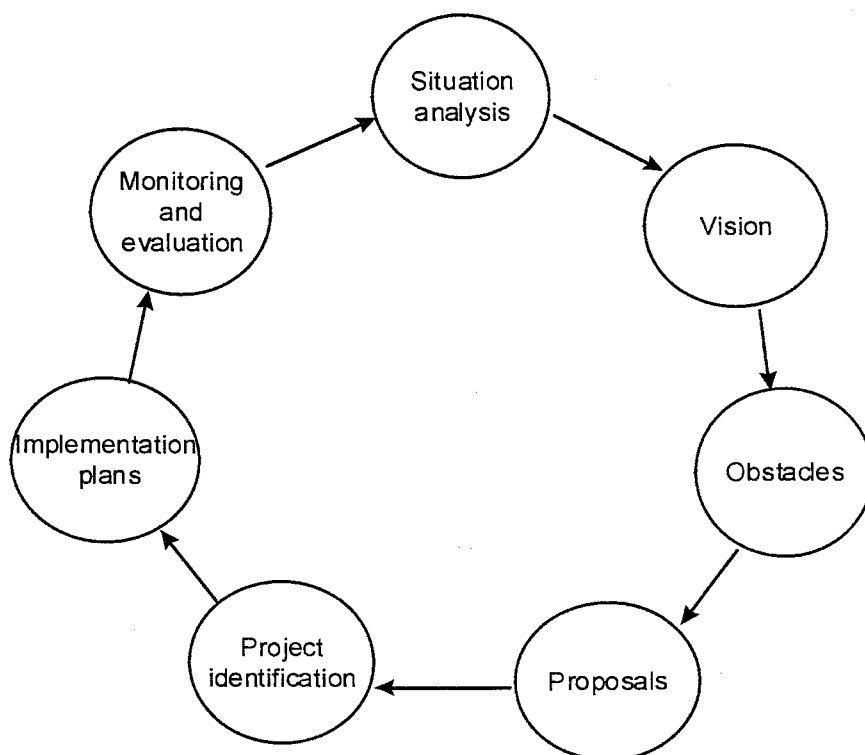
time. Then the participants must determine, very specifically, what the obstacles are that prevent them from attaining that vision. Proposals are then made to overcome the obstacles. These proposals are converted into action plans, projects and implementation plans. In preparing action plans, consideration must be given to issues such as resources, management, past experience in similar projects, organisation, and accountability (Bergdall 1993:192-193). Monitoring and evaluation provide input for the following round of planning.

Brainstorming of ideas is a central feature of this process and is used for most steps, with the exception of the evaluation and detailing of projects. All the planning is undertaken as a team, mostly in a workshop format. As the focus of the planning process is on practical, self-help projects, the workshop format is appropriate⁶. The process, although not designed for strategic, long-term planning, can be adapted to such ends. It is a flexible process, permitting a range of applications and time-scales.

Both the MAP and the NLP strategies begin with an analysis of the present state, and the gap between that and the ideal. Both then examine means of bridging the gap, and putting the plans into action. The one process originated as a personal process and has been applied to corporate planning, while the other was designed for community-driven planning, with full ownership of the process. Of all the processes discussed thus far, it provides the fullest community participation. As there is full participation (including that of women), the issue of conflicting values does not feature. There is no need to interpolate community values, as the community, through the process, determines its values, goals and priorities.

⁶ Schreiner (1994:8) whose process targets a similar communities also proposes a workshop format.

Figure 4.15 Methods of active participation planning process

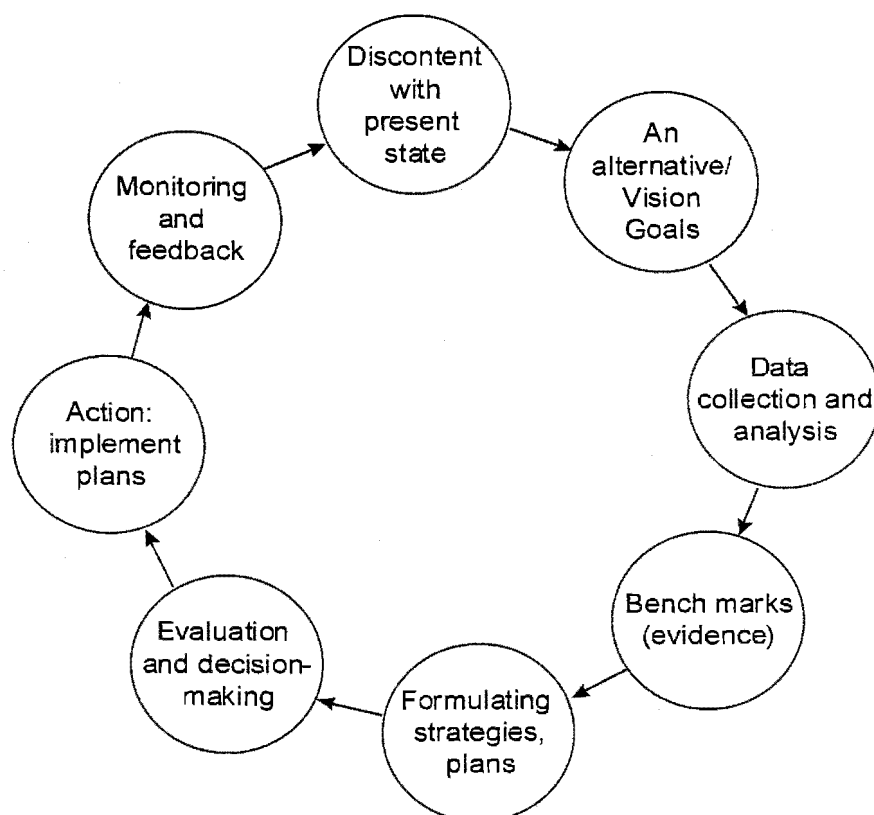


Source: Bergdall 1993:151

4.3 CONCLUSION

A number of planning processes have been discussed. From the above, it is clear that there are a number of elements common to any planning process. The first is a need to plan, usually born out of dissatisfaction with present circumstances. The dissatisfaction may arise from goals that have been set, or as a result of a problem that has been encountered. Concomitantly with the dissatisfaction is a concept of an alternative situation to replace the current situation. This is a goal or vision. In the process of moving from the present to the desired state, information is gathered and analysed, and plans are formulated. Some benchmarks, or evidence to indicate that the goal is being achieved, are also determined. Decisions are made as to which option(s) will best achieve the goals, and these are then implemented. Feedback informs the process of the success achieved. This generic planning process is illustrated in figure 4.16.

Figure 4.16 Generic planning process



A plan for local economic development should contain the above elements. As argued in chapter 1, the community itself should generate a plan for local economic development. This implies community participation in the process, either the entire community where the latter is small enough for full participation, or through representatives in large communities. The process should permit discussion regarding the formulation of a vision and goals, as this allows the community to articulate its values.

Local economic development is an integrated process: it cannot be isolated from social and physical development (Gittel 1990:526). The process should recognise this. In rapidly changing circumstances with high levels of uncertainty, such as those currently experienced, feedback and the flexibility to adapt are essential to any process.

Most of the methodologies discussed above meet the criteria, or can be adapted to do so where not explicitly stated. It must be recognised that each methodology was designed for a different purpose. Some, such as the strategic planning models, are more suited to longer term, broad planning, while others, such as the MAP process (Bergdall 1993:184-200), is more appropriate for project and implementation planning. The simplest

processes that have been examined are those proposed for local economic development, specifically in the United States of America where local business interests often have a greater stake in the local economy than the local authority. Table 4.1 is a brief evaluation of the methodologies in terms of the above-mentioned criteria.

Table 4.1 Evaluation of planning processes

Process	Criteria			
	Explicit values, goals and objectives	Public involvement	Provision for change (monitoring and review)	Comprehensiveness: Integration Resources
Bendavid-Val	Yes	Yes	Yes	Yes
Roberts	Yes	Yes	Yes	Potential
IDP process	Yes	Yes	Yes	Yes
Kotler & Andreassen	Yes	Not specifically	Yes	Yes
Scheidner	Yes	Yes	Yes	Potential
Cinnéide & Keane	Yes	Yes	Yes	Yes
Malizia	Yes	Not specifically	No	Potential
Lyons and Hamlin Dynamic planning	No	Not specifically	Yes	Potential
O'Connor NLP process	Yes	Yes	Yes	Yes
Bergdall Methods of active participation	Yes	Yes	Yes	Potential

Each of the processes has merit and can add value to local economic development planning. Elements from these methodologies have contributed to the proposed local economic development methodology expounded in the following chapter and depicted in figure 5.1.

5 A MANAGEMENT PLAN

This chapter comprises the proposed management plan. It will expound on a local economic development planning process designed to guide a city, town or village through the formulation of local economic development strategies, their implementation and monitoring. A wide range of techniques will be introduced to provide options. However, not every place requires, or can afford, the detail set out in the following sections. Each area must, therefore, exercise discretion in applying the process and determining the level of detail appropriate to the situation.

Many of the processes utilised are borrowed from Neuro-Linguistic Programming (NLP), which concerns the structure of thought, mental processes, language patterns, and replication of those activities in top performance and excellence (Dilts, Epstein & Dilts 1991:xvii). The applications of NLP are numerous, and include: encouraging creativity; improved management and effectiveness within organisations; leadership development; and psychotherapy. Techniques pertaining to creativity and goal-setting have been utilised and have been blended with town planning and city marketing processes to develop the process outlined in figure 5.1.

5.1 THE PROCESS IN BRIEF

Any journey begins with a decision and commitment to make that journey, along with an idea of a destination. Then the planning begins. How can one get there, what are the alternative routes and modes of transport, and what can one afford? Other aspects such as comfort, journey time, and safety may also be considered. Thereafter, arrangements must be made, eg applications for passports and visas, reservations made and purchase of tickets, and finally packing for the trip. Ultimately, the actual journey begins, and, eventually, one reaches the destination.

Planning for development is much like planning for a journey. It commences with a decision to do something, and some idea of the outcome (destination). Thereafter, the alternatives to get there must be considered together with their resource implications, followed by preparations to implement the chosen course of action. Once the groundwork is in place, implementation can begin, and steps can be taken to reach the goal. Here, however, the analogy with a journey breaks down as one seldom reaches the ultimate

destination in development planning. Furthermore, development planning is a cyclical process, with constant reviews to determine if the goals, actions and outcomes are still relevant and desired. The process is stillborn without acknowledging the need for a plan for locally generated development and without a genuine vision of where a place could go. While the place may go through the motions of setting land development objectives or preparing an integrated development plan, these have little chance of true implementation leading to change and development, without the commitment of the community which should be encapsulated in the vision.

Once consensus has been achieved on the need to plan and the desired outcomes, then the analysis phase can begin. The purpose of analysis is to identify the most critical issues, the main stumbling blocks, and principal resources of an area - in essence to provide sufficient information on which to base sound strategies. Too little information and analysis may lead to poor decisions and strategies, while too much may create 'analysis paralysis'. From the analysis goals and objectives can be set. Goals define areas of activity and must be related to the vision. Objectives are the criteria by which attainment of the goals can be measured. Strategies flowing from the goals and objectives can have varying levels of detail down to action plans and projects. The latter are a useful means of dividing a broad strategy into smaller, manageable components, each with their own time, resources and financial budgets. Completion of each project is a step towards attaining the goals and objectives.

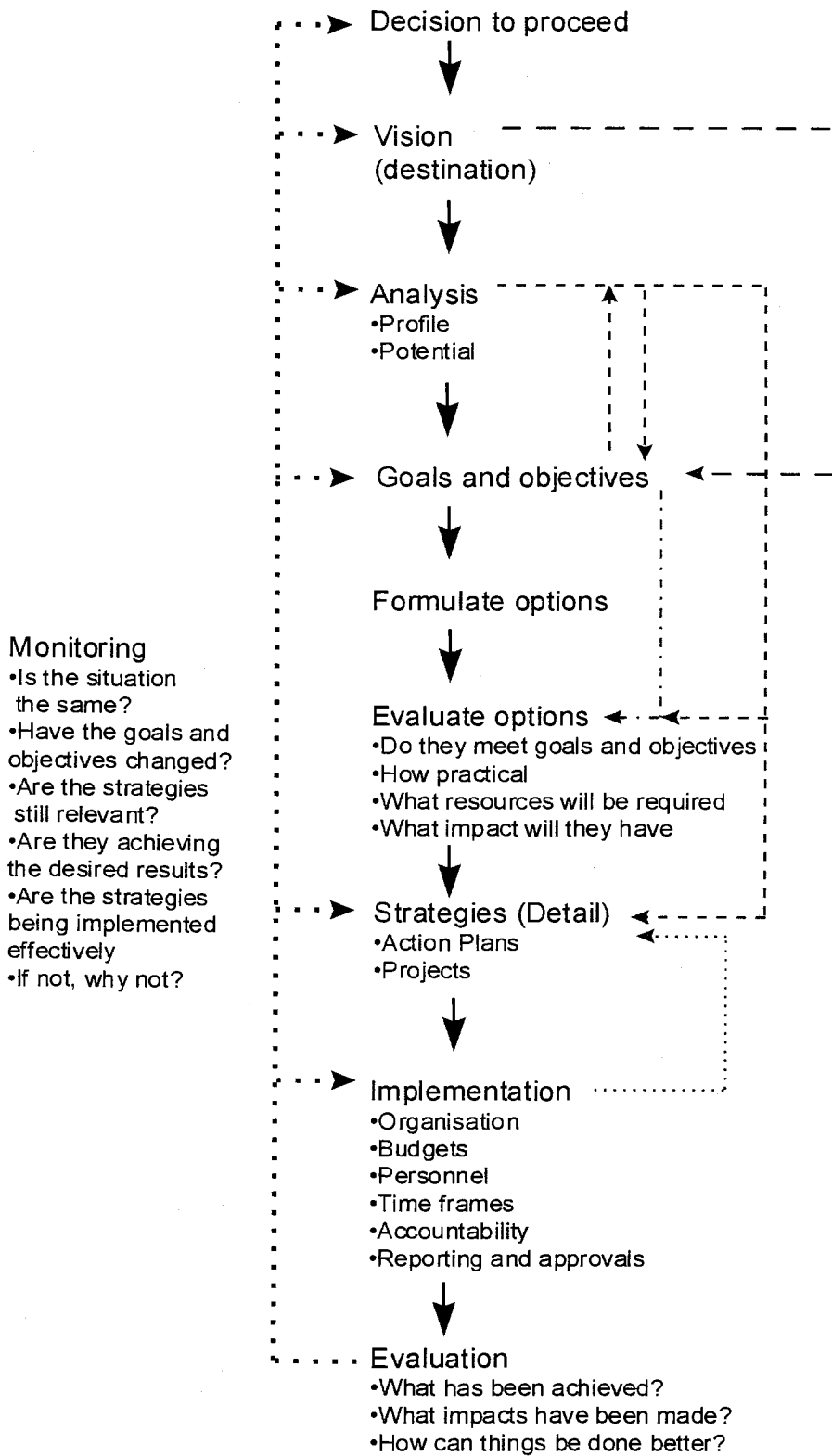
Continuous monitoring is essential to ensure that the plan is on track and to keep abreast of changes. Review and evaluation enable the place to discern how well the goals have been attained, where and why things went right (or wrong) and to make appropriate adjustments.

The process, as described above, is a generic planning process (and a composite of the strategic planning and town planning processes) and must be iterative, as nothing remains static, with constant changes requiring regular adjustments. Thus one can talk of a planning cycle, with sub-cycles within it.

The remainder of this chapter will deal with the following in detail: the vision, analysis, goal setting, strategy and policy formulation, implementation, and evaluation.

Figure 5.1 The planning process

ECONOMIC DEVELOPMENT PLANNING PROCESS



5.2 THE FIRST STEPS

The first step in planning is a decision to move from where one is, to another, more desirable place. The impetus for planning can be derived from many sources. It can arise through a local crisis situation, eg where a large local employer is leaving town, or as a result of the slow decline of the town's economic base. An inadequate economic base with high leakages can motivate the community to action.

This stimulus for action can arise from many sources. Directives from another sphere of government, in the form of legislation such as the Development Facilitation Act (DFA) that demands Local Development Objectives (LDOs) (refer to chapter 1) can compel a place to undertake planning (but not necessarily develop). The local authority can, as a result of its broader functions and a new developmental approach (South Africa 1998), initiate local economic development planning processes. Local politicians or pressure groups can provide the impetus for development planning. Whatever its source, such an impetus is essential to get the process rolling. It is essential that there is a 'driver' of the process throughout, although the person or body may change from time to time.

Unless there is a widely recognised need for change, with commitment to the process - including the dedication of resources - no action will be forthcoming. Resistance to change from large or powerful sections of the community may undermine all efforts for development. It is imperative to obtain support from the community from the outset. To ensure widespread support, it may be necessary to elucidate the benefits to each section of the community and thus to obtain consensus on the need to proceed.

5.3 PLANNING FOR PLANNING

Not only is a decision to plan necessary, but a plan to guide and manage the process must be formulated. In this management plan the main actions envisaged must be set out, how they are going to be undertaken, and who will be responsible for what. The roles of the politicians, officials, community leaders, and community organisations should be clarified. In determining each party's role, there must be clarity regarding accountability, authority and decision-making. If consultants are to be appointed, their briefs and terms of reference must be determined.

The nature and format of public participation must be determined. The purpose, dates and venues for public meetings must be set, so that this information can be timeously communicated to the community and politicians for appropriate arrangements to be made.

Where necessary, appropriate organisational and institutional structures must be put in place. If the local authority is co-ordinating or managing the process, it must ensure that there are dedicated personnel to drive the process (refer to section 5.6.1 regarding organisational capacity).

The management plan thus examines what work is intended to be undertaken, the time-frame for that work, responsibility, relevant budgets, and community involvement in the process. Such a plan should not be set in concrete, but should be flexible enough to accommodate the unexpected.

Once the preliminary work has been completed, the process can begin in earnest by clarifying the destination. This is the vision.

5.4 VISION

A vision is future-orientated. It is a sense of what can be, a long-term direction, a chosen future, or a future self-image (Bendavid-Val 1980:12). A vision reflects a desirable future state (Campbell et al. 1990:32). Goals define the areas of the mission and objectives detail the goals.

5.4.1 Elements of and criteria for a vision

Since a vision must attract the community and be the focus of attention and resources, it must be mutually agreed upon and reflect common values. If there is no agreement on the vision, agreement on other issues within the process will be difficult to attain.

A vision must always be stated in positive terms - what is desired as opposed to what is not wanted, eg 'ensure employment for all who can and want to work', as opposed to 'reduce unemployment'. A vision should pull the community towards it, by creating a picture of something positive and aspired to, rather than moving away from something that is unpleasant or undesirable. It must create hope and optimism: this cannot be achieved if the vision includes the words and images of despair.

A vision should focus on the future, not the past - it must look forward to what can be achieved, and not dwell on the problems of the past.

The vision must be credible, ie the community must believe that it is at least partly attainable. Throughout the process, a fine balance must be achieved between wild, unrealistic dreams with their associated unrealistic expectations, and new, innovative ideas that can place the town on a new path to development and prosperity.

As a vision must apply to the entire community, including all sectors and geographic areas, it must be broad. Thus a vision should neither be too detailed nor should it be too restrictive. The goals and objectives permit more detail and specifications in terms of sectors, particular sections of the community, or geographic areas.

Finally, the vision statement should be succinct so that it can be easily remembered. If the vision statement is too long or complicated, it will be difficult to grasp or memorise, and thus people may have difficulty making it their own, and being committed to it.

Once agreement has been reached on the need for a vision, then work can begin on creating that vision and encapsulating it into a concise vision statement.

5.4.2 Formulating a vision statement

There are several techniques in formulating a vision. As the objective is to reach consensus on the destination - a new, better self-image of the place, the common elements and mutually agreed priorities form the core of the vision.

Where there is conflict, higher levels of mutual agreement must be sought. The following example serves to illustrate the technique. Picture a community where one group insists on development, while another demands that the natural environment be preserved. If asked about the purpose of such development, the first groups may respond that it is necessary to create new jobs and generate income for the community. When then second group is asked why the environment should be preserved, they may respond that it is to retain the existing resource base on which eco-tourism can be established to create new jobs and bring money into the community. Each group seeks new employment and income in the region - the higher level of common agreement. By asking "why?" and "what will the benefit be?", these higher levels of agreement can be found on which to base a vision. The technique can be used to resolve conflict throughout the process.

Most techniques are variations on brainstorming. Ideas are first generated by the community and only once all the ideas have been noted, are they be evaluated. Attempting to evaluate or criticise ideas as they are generated stifles the creative process, and may belittle certain groups or members of the community. Where there are several small groups, or a large group that can be subdivided into several smaller groups, each group can be asked to list the elements, or key phrases, of the vision.

Alternatively, the small groups (or a large group that can be subdivided into several smaller groups), can be asked to list the elements, or key phrases, of the vision. When each member of the group has had an opportunity to contribute, then, and only then, can the individual contributions be evaluated.

The list can be generated:

- through verbal responses from the floor (although this may result in only the most confident or powerful members of the group participating)
- through a single response from each person in turn
- through written responses on cards that are handed in to the facilitator. This allows all members to participate equally, and contributions to remain anonymous, but cannot be used in communities where large sections are not literate (Gosling & Edwards 1995:200).

If there is a strong probability that one group or other parties or individuals will ridicule an individual's ideas, then the lists (if generated through verbal responses) can be swapped between groups after the first list of elements has been generated. Lists generated by different groupings, eg residents' associations, local business chambers, and various political parties can be amalgamated and then redistributed to the various groups for their comments and prioritisation. The common elements are then utilised to write a vision statement, which is circulated for comments and, hopefully, approval.

If there is a wide range of opinions and conflict between groups, it may be valuable to ask each group to contribute what it believes to be its single most important element or phrase. The vision statement can then be built up from each group's contribution. This may be less time-consuming than other techniques, but may not have the support of the entire community. Only when all the contributions have been received, only then can the individual contributions be evaluated. The first phase of evaluation can be in terms of the criteria (ie future-orientated, relevant, etc.). The second phase is the listing of phrases on

which there is consensus or that have been repeated. The remaining elements are discussed until there is consensus on most elements, which are then written into an acceptable format.

Instead of working from phrases, one can ask the following questions:

- What would you like the place to be like in ten years time?
- Where do you want to go?
- What do you want?
- How will you know that that the vision has been attained?

These questions should focus attention on the medium to long-term future of the town, and the direction and destinations envisaged. Again, individual responses can be listed, then discussed, and when consensus has been achieved, the responses can be summarised in a few sentences.

These techniques can be utilised, along with others presented in this chapter, throughout the process to obtain consensus.

The vision, and the more specific goals, should be the yardstick against which all strategies, policies, programmes and projects are measured and thus should form a golden thread throughout the planning process.

5.5 DATA COLLECTION AND ANALYSIS

The purpose of data collection and analysis is to provide the information necessary for sound decision-making. Thus it does not entail collection and analysis of data for information's sake, but rather determining what information is really necessary, what exists, and obtaining or processing the information required. According to Blakely (1989:95), the purpose of analysis is to determine the climate for economic development, identify potential for co-ordination between authorities, collect data on which goals can be based, and develop milestones (objectives) for measuring progress.

The analysis phase is divided into two main sections, the place profile (the present situation) and a place potential, to identify the opportunities and resources of the place. The level of detail adopted for this phase depends on several factors, such as available data, size of area and population, and hence the expected diversity, and the resources (time, money and manpower) at hand to undertake the analysis.

Consultants can be effectively employed for many facets of the plan making process, and the analysis phase perhaps lends itself more to the use of external consultants than any other. Consultants can provide expertise and skills, additional capacity lacking in the local community, or specialist advice that would be costly for the community to develop internally. Furthermore, consultants can perform an important role in bringing new, fresh viewpoints into a situation, or acting as impartial mediators where there is mistrust between sectors of the community.

Before appointing consultants, there must be clarity regarding what the consultant is required to do (clear terms of reference), and whether the consultants have the capacity and expertise to undertake the work. It is preferable that the consultant should have experience in similar work under similar circumstances, and thus an appreciation of the purpose and context of the work.

If there is to be genuine community participation, there must be continuous communication with the community during the entire process. Although large portions of the analysis phase may be given to specialists to do, the community should be kept up to date on progress, and their inputs obtained where necessary.

Where community opinions and perceptions on matters need to be obtained, this can be done in community meetings, or through smaller sub-committees for various sectors or geographic areas. Where there is a strong possibility of dominance by one group, or where minority opinions may not be reflected, other methods must be used. Surveys or opinion polls can be undertaken, with the emphasis on ensuring that minority groups are targeted. Letters can be distributed to the entire community, asking residents and businesses to forward their comments on issues or to identify issues that must receive attention. Where literacy levels are low, 'hearings' can be held, where members of the public have their opportunity to put forward their opinions, and comments and to raise their issues before a small panel. Such a panel should comprise impartial or independent persons to encourage minority viewpoints to be raised and noted. Another form of panel discussion can be utilised where people are selected from various residential areas, socio-economic groups or interest groups to form a panel representing a wide range of interests. Workshops and detailed discussions can be held with this panel and then report backs can be made to plenary meetings where there is a large population of divergent groups.

Depending on the detail of the analysis, there should be report backs to the community regarding progress and milestones achieved.

As mentioned previously, this section will discuss a number of possible studies and techniques for conducting an analysis. The level of detail and range of analyses presented may be superfluous in many cases where more superficial analysis would be adequate. However, for this document to be widely applicable and to meet the very diverse needs of local authorities in South Africa, it is necessary to include this level of detail and a range of alternatives. Furthermore, the techniques and analyses will be introduced from a town planning or integrated development plan (IDP) perspective, as it is usually the town planning division that is tasked with formulating land development objectives (LDOs) or an IDP.

5.5.1 Sources of data

Before undertaking detailed analyses, the following points should be considered:

- What information is required, and why?
- What information exists, where, and how current is it?
- What is the best means of obtaining the necessary information (under the circumstances)?

Unlike some European and American states, South Africa does not have many sources of secondary (ie existing data) on economic issues, and much of the existing data is not as current as would be desired, nor is it in the format required. However, given the cost of collecting data, potential sources of secondary data should be consulted before embarking on a survey.

The Central Statistical Services (CSS) holds census data and should be the primary source of socio-economic data. Data is available for magisterial districts (the boundaries of which have not changed much over time)⁷ and enumerator districts that can be aggregated to yield data for new local authority boundaries. The CSS also has economic data, but this tends to be aggregated on national and regional levels. This data is essential if one wants to undertake shift-share analysis or to compile input-output tables.

⁷ At the time of writing, the Demarcation Board was investigating magisterial and other district boundaries, to possibly bring them in line with new local authority or metropolitan area boundaries.

Depending on the type of data required, more detailed data, eg on certain industries or sectors may be obtained from the CSS.

Local authorities themselves are perhaps one of the best sources of data. Although this data may, on the face of it, not be easily accessible, with a little effort, a great deal of information can be obtained from local authority records. Examples are listed below:

- Council reports, including monthly and annual reports of departments, which may highlight issues or indicate tendencies and changes.
- Valuation roll: property values (over time) and transactions (eg subdivisions and transfers) can provide an indication of local property markets.
- Electricity usage from accounts can indicate what sectors and industries are growing and declining. (If the local authority is not the electricity provider, then Eskom can be approached for the information.)
- Account payments (or non-payment) can be used as an indication of the relative prosperity of a town. A drop in the level of account payments and an increase in the number of debtors may be an indication of worsening financial circumstances among residents, and possibly growing unemployment.
- Applications for building plans, particularly for new plans, will indicate what sectors are growing, and for which land-uses there is a demand. Numerous plans for conversions of residential units to offices are an indication of transitions from residential to non-residential land-uses.
- Applications for change of land-use are also indications of the property market, as are the number and nature of applications for new township establishment.
- Clinic records regarding the number and nature of ailments treated can give an indication of the economic and health status of the population. High levels of malnutrition or related illnesses will reflect high levels of poverty.
- The City Engineer's Department may have data on traffic movements and trip generation. Information regarding water usage, wastewater generation and the quality of local water sources can also be used to evaluate growth and demand in certain sectors, and the quality of the local environment.
- The metropolitan and district councils (which took over the Regional Services Council levies) have records of employment and turnover of most enterprises in the region as this is the basis for calculating the levy. This database can be adapted for economic planning purposes.

Universities generally have a number of institutes that undertake research and may have the data, or access to the data, required. Examples include Unisia's Bureau of Market

Research and Statomet (Bureau for Statistical and Survey Methodology) at the University of Pretoria. Local organisations and NGOs, including Chambers of Commerce and Industry or 'Sakekamers' may also have access to useful information. Local newspapers, in the case of rural areas, the local co-operative (*Korporasie*), and local conservation groups may have data that may supplement existing data or shed new light on issues. Other sources of data are listed in column 2 of table 5.3. While some of the information may be confidential, it may be possible through aggregating the data to have access to data without prejudicing individuals or organisations.

Private market researchers often have access to large banks of data that are constantly updated. The cost of this data may be considerably less than the cost of survey, making this a worthwhile alternative.

If the data required cannot be obtained from secondary sources, then surveys should be considered to obtain new data, verify existing data, supplement existing (incomplete) data, and extend existing time series.

5.5.2 Surveys

There are a number of ways of approaching a survey, but careful planning is essential to ensure the cost-effective collection of necessary data. The nature of the information required, the time and budgets, and skills of the enumerators (interviewers) must all be considered.

Surveys can either cover the entire population (ie all the households, enterprises, persons in the specific category to be surveyed), which would then make it a census, is usually recommended only when resources are available or the population is relatively small. In most cases, a representative sample of the population is used, and the results applied to the entire population. In a sample survey, the computation of the sample is critical to the entire survey and, therefore, the utmost care must be taken to ensure that the sample is representative of the entire population under consideration.

The first step in determining the sample is to define the population, ie the total number of units. In the case of a household survey in a town, it would be the total number of all the households within the pre-determined boundaries of the town. Without this clear definition of the population, it is impossible to apply the results to the remainder of the set. For example, if responses are obtained from 100 firms regarding employment, but there is no

indication of how many firms there are in the area, the information from the survey cannot be applied to the area to determine the total employment.

Next a list of all the units (addresses, or telephone numbers depending on the nature of the survey) is necessary to enable the selection of units to be surveyed. Depending on the nature of the information required, various sampling methods can be used.

With the quota method, the sample must meet predefined characteristics. If 30% of all the enterprises in a town are industrial, 40% are retail, and the remainder fall into the business and personal services categories, then 30% and 40% of the sample would comprise industrial and retail firms respectively. A systematic sample draws every n th unit, while random sampling usually requires the use of random numbers. Stratified sampling divided the population into groups (*strata*) from which a specified percentage is drawn randomly or systematically (eg every 10th unit) (Nel, Rädcl & Loubser 1988:291-300). No matter which method is used, it is essential to ensure that the sample is not biased, but is representative of the population (refer to Nel, Rädcl & Loubser 1988:266-314 for details pertaining to sampling and sampling methods).

The nature of the survey influences the manner in which the sample is drawn. Postal, telephone, individual and group face-to-face surveys can be undertaken. Each has its benefits and drawbacks (see table 5.1). Generally face-to-face interviews by experienced enumerators (interviewers) are recommended for detailed, complex or sensitive information. Such surveys are, however, generally more expensive than telephonic or postal surveys.

Table 5.1 Advantages and disadvantages of various forms of survey.

Form of survey	Advantages	Disadvantages
Postal	<ul style="list-style-type: none"> ➤ Cheap ➤ Wide coverage ➤ Minimises bias by interviewers ➤ Respondents have time to respond to questionnaire or to consult records ➤ High level of anonymity (if no follow up planned) 	<ul style="list-style-type: none"> ➤ Low response ➤ Only appropriate for literate population ➤ Must be relatively short to ensure a response, and must be easy to return ➤ Must be simple and easily understood questionnaire ➤ Cannot confirm uncertain responses ➤ Many important questions may be omitted ➤ Time required to send and receive questionnaires ➤ Reliability of SA postal services ➤ May not meet sample requirements (ie only response from a specific sector) ➤ May need an incentive, eg a gift/prize to ensure a reasonable level of response
Telephone	<ul style="list-style-type: none"> ➤ Relatively cheap ➤ Rapid response ➤ More complex questionnaire possible than with postal survey ➤ Can confirm uncertain responses ➤ Can go back and check responses and interviewers ➤ Relative anonymity permits more accurate answers to sensitive subjects 	<ul style="list-style-type: none"> ➤ Only suitable for population with telephones and listed in directories ➤ Limited number of questions possible ➤ Not appropriate for questions with long or complex responses ➤ High refusal rate (low response) ➤ Requires relatively skilled interviewers ➤ Unlikely to gain accurate and financial personal information ➤ Need to retain attention of respondent while recording responses
Personal interviews	<ul style="list-style-type: none"> ➤ Higher response rate ➤ High volume and variety of data ➤ Can confirm uncertain responses ➤ Longer and more complicated questionnaires possible with qualified enumerators ➤ Can go back and check responses and interviewers 	<ul style="list-style-type: none"> ➤ Expensive ➤ Time consuming ➤ Can introduce bias in manner of asking questions ➤ Requires skilled enumerators
Group	<ul style="list-style-type: none"> ➤ Can rapidly obtain opinions from groups ➤ Useful for perceptions and attitudes 	<ul style="list-style-type: none"> ➤ Requires experienced interviewers ➤ May only obtain dominant individuals' opinion and thus introduce bias. ➤ Unlikely to obtain accurate information on personal details, eg income or expenditure in group context.

Source: Nel, Rädcl & Loubser 1988:144-196, Gosling & Edwards 1995:42-45 and author.

In designing a questionnaire, it may be valuable to draw up a table with three columns (eg table 5.2). The information required can be noted in the first column, the reason for the information (why it is needed and how the information will be used) in column two, and the questions to be incorporated in the questionnaire in column three. This methodology ensures that one remains focused on the information required.

The questionnaire must also be carefully designed to avoid bias in the manner in which questions are asked. Both factual information (quantitative data) that is amenable to statistical research, and opinions and perceptions (qualitative data) can be obtained through surveys (Gosling & Edwards 1995:42-45). The latter is useful to gain insight into how the community sees matters, what guides their decision-making, and their attitudes to current issues. Quantitative information provides an overview of the population and identifies similarities and differences, characteristics peculiar to specific groups, and relationships between variables where patterns emerge. The nature of the information required determines the approach and questionnaire format.

Where possible, the questionnaire should be designed so that the data obtained can be compared with existing data, eg previous data on the area, or national or regional averages. Thus the categories utilised, such as occupations, or industrial sectors should conform as closely as possible to the national norms that are available from the CSS or local researchers.

Table 5.2 Example of schema for preparing questionnaire.

Information required	Purpose	Question
Distribution of enterprises per sector	Determine the town's economic base, and strength of each sector	What are your main products?
Employment per sector	Determine changes in employment per sector and hence changes per sector (employment growth/ decline)	How many employees are there in each of the following categories? 1. managerial 2. professional 3. technical 4. clerical/ administrative 5. sales 6. production workers 7. delivery 8. cleaner/ messenger 9. other

Where sensitive information (such as financial information) is required, it is advisable to place such questions towards the end of the questionnaire. Thus, even if there is a refusal, most of the information will already have been recorded. Some confirming questions can be included to check on previous questions, thus revealing misleading information, or verifying sensitive data.

Once the questionnaire has been designed, it should be tested in a small pilot survey. This reveals how well respondents understand the questionnaire, and exposes any problems in the construction and wording of questions. If telephonic, personal or group interviews are planned, enumerators or interviewers must be selected and trained to ensure that they understand the purpose and content of the questionnaire, and are able to elicit responses without introducing bias. After the preparations are completed, the actual survey can commence.

Depending on the interviewers used, checks on the validity of the responses must be made, usually by again contacting a proportion of the respondents and confirming that an interview was indeed held with them, and that the information is correct.

Once the survey has been completed and all the questionnaires returned, the data must be processed and analysed to give the answers to the questions posed when originally designing the survey. Generally, the results are published in a report, illustrated with graphs and tables and other graphics, where appropriate. It is recommended that the results be published. In this way respondents can have feedback so that they feel they have made a valuable contribution.

(For further detail on surveys refer to Nel, Rädcl & Loubser 1988.)

5.6 PLACE PROFILE AND PLACE POTENTIAL

The purpose of the place profile or situation analysis is to understand the present circumstances, issues and problems in the area. Among the aspects that can be covered in a situation analysis (or status quo report) are the following:

- historical background: how and why the place came to be in its present circumstances
- the place's role in the region
- existing land-uses
- a socio-economic profile of the population
- the existing economic base

- infrastructure, environmental and physical aspects
- political, institutional, financial and legal aspects.

5.6.1 Elements of a place profile

These aspects are summarised in table 5.3 below.

In each case the context determines the content, which of the issues are pursued, and in what detail. The information obtained should be critically examined, with certain questions in mind such as:

- What does this mean?
- What change is happening?
- Why?
- What are the implications of this?

The purpose of the place profile is to understand the local situation and dynamics, and thus facilitate sound decisions - analysis is not an end in itself.

Table 5.3 Place profile

Table 5.3.1 Place profile: historical background

Information required	Sources of data	Purpose of information
<ul style="list-style-type: none"> ➤ Origins and reasons for establishment of town ➤ Original function (eg mining, administrative centre, dormitory suburb, etc.) ➤ Changes over time (eg growth, stagnation, decline, change in function) ➤ Changes in population and economic base 	<ul style="list-style-type: none"> ➤ Public libraries ➤ Council archives and municipal records (eg Minutes of Council Meetings, building plans, licence permits) ➤ Community leaders ➤ Local universities / research institutions ➤ Newspaper reports and archives ➤ Business organisations ➤ Census data ➤ School attendance records 	<ul style="list-style-type: none"> ➤ To understand why the community is in its present situation ➤ To gain insight into what are the perceived problems ➤ To gain insight into processes at work in the community

Table 5.3.2 Place profile: Role in region

Information required	Sources of data	Purpose of information
<ul style="list-style-type: none"> ➤ Location in region: ➤ Relationship to other towns/ communities ➤ Transport links to other places 	<ul style="list-style-type: none"> ➤ Maps of region with location of surrounding towns and transport links ➤ Traffic counts and trip origin and destination surveys ➤ Existing LDOs and structure plans 	<ul style="list-style-type: none"> ➤ Insight into roles and inter-dependencies between places ➤ Identification of potential functions
<p>Functions provided to the surrounding region eg:</p> <ul style="list-style-type: none"> ➤ Administrative centre - seat of national, provincial or local government ➤ Headquarters of national or multi-national firms ➤ Recreation or tourist centre ➤ Central place for local resource based industries ➤ Other 	<ul style="list-style-type: none"> ➤ Land-use surveys, business organisations, council records ➤ Existing planning documents 	<ul style="list-style-type: none"> ➤ Identification of existing and potential functions and opportunities ➤ Identification of potential sources of investment
<p>Provision of facilities to the surrounding region eg:</p> <ul style="list-style-type: none"> ➤ Employment ➤ Banking and business services ➤ Education (schools and tertiary facilities) ➤ Shopping and entertainment ➤ Medical ➤ Recreation and sport ➤ Other 	<ul style="list-style-type: none"> ➤ Trip origin and destination surveys ➤ Surveys of people using local facilities, or data from medical, educational, recreational, entertainment and business facilities ➤ Existing planning information from eg public transport authorities, road planning authorities, and existing structure plans 	<ul style="list-style-type: none"> ➤ Determine sphere of influence of place and market for local facilities ➤ Determine potential for provision of local facilities
<p>Access to and dependence on region: where does the community go for:</p> <ul style="list-style-type: none"> ➤ Employment ➤ Banking and business services ➤ Education (schools and tertiary facilities) ➤ Shopping and entertainment ➤ Medical facilities ➤ Recreation and sport ➤ Other 	<ul style="list-style-type: none"> ➤ Trip origin and destination surveys ➤ Household survey to determine which facilities the local community uses, where they are, and why ➤ Existing planning documents 	<ul style="list-style-type: none"> ➤ Determine dependence on regional facilities and leakage of local income ➤ Potential for provision of facilities not currently in local area

Table 5.3.3 Place profile: Land-use profile

Information required	Sources of data	Purpose of information
Location of existing land-uses (the level of detail will depend on the level for which planning is being undertaken)	<ul style="list-style-type: none"> ➤ Existing land-use maps ➤ Land-use surveys 	<ul style="list-style-type: none"> ➤ Insight into spatial distribution and relationships between land-uses: relationship to major transport routes is important
Land use trends eg blight, transition, gentrification, new development, densification, redevelopment and investment.	<ul style="list-style-type: none"> ➤ Previous planning documents and land-use surveys ➤ Building plans and records of applications for land-use changes ➤ Land-use surveys ➤ Aerial photographs 	<ul style="list-style-type: none"> ➤ Insight into changes, nature of change, reasons for change to ensure that strategies address causes and not symptoms
Residential land-use: <ul style="list-style-type: none"> ➤ Nature, quantity and quality of housing, ➤ Backlogs ➤ Housing markets ➤ Serviced land for housing ➤ Floor space rates per person 	<ul style="list-style-type: none"> ➤ Land-use surveys ➤ Aerial photographs ➤ Housing waiting lists ➤ Newspaper advertisements for housing ➤ Local estate agents ➤ Council records regarding serviced land ➤ Building plans ➤ Sales and transfers registered at Deeds Office 	<ul style="list-style-type: none"> ➤ State of local residential market: whether it is growing, declining and if there is housing to accommodate development ➤ In-migration will create demand, out-migration will result in a buyers' market
Retail land-use <ul style="list-style-type: none"> ➤ Existing, let and vacant retail floor area ➤ Quality and nature of local retail (ie only local general dealers or high order centres and goods) ➤ Relationship between residents and shops (accessibility) ➤ Local authority attitude towards development of new retail facilities 	<ul style="list-style-type: none"> ➤ Land-use survey ➤ Property managers and owners ➤ SAPOA* data ➤ Estate agents ➤ Local authority records including valuation roll 	<ul style="list-style-type: none"> ➤ Evaluation of retail market and demand for retail space ➤ Indication of buying power ➤ Potential for expansion and gaps in the market ➤ Identification of problem areas
Office market <ul style="list-style-type: none"> ➤ Existing floor area ➤ Quality of office space ➤ Vacancy rates ➤ Rentals and land prices ➤ Local authority attitude towards development of new office space 	<ul style="list-style-type: none"> ➤ Land-use survey ➤ Property managers and owners ➤ SAPOA data ➤ Estate agents ➤ Local authority records including valuation roll 	<ul style="list-style-type: none"> ➤ Demand for office space ➤ Potential for attracting and accommodating development ➤ Suitability for information technology (IT) users

Table 5.3.3 continued

Information required	Sources of data	Purpose of information
<p>Industrial market</p> <ul style="list-style-type: none"> ➤ Existing floor area ➤ Serviced industrial land ➤ Quality of industrial premises ➤ Vacancy rates ➤ Rentals and land prices ➤ Local authority attitude towards development of industrial land 	<ul style="list-style-type: none"> ➤ Land use survey ➤ Property managers and owners ➤ SAPOA data ➤ Estate agents ➤ Local authority records ➤ Valuation roll 	<ul style="list-style-type: none"> ➤ Evaluation of existing and potential demand for industrial development. ➤ Range of premises available to meet needs
<p>Transport</p> <ul style="list-style-type: none"> ➤ Existing road, rail, and public transport routes ➤ Quality of infrastructure ➤ Capacity of system ➤ Nature of users 	<ul style="list-style-type: none"> ➤ Municipal engineering departments ➤ Other transport planning and management agencies 	<ul style="list-style-type: none"> ➤ Determine accessibility ➤ Potential for existing systems to accommodate development ➤ Identify critical issues
<p>Social amenities</p> <ul style="list-style-type: none"> ➤ Location, nature and quality of schools, hospitals, clinics, libraries, theatres, cinemas, sports fields and stadiums etc. ➤ Capacity and level of usage if appropriate 	<ul style="list-style-type: none"> ➤ Land use survey ➤ Household survey ➤ Managers of facilities 	<ul style="list-style-type: none"> ➤ Evaluate 'milieu' ie attractiveness of social environment for investors ➤ Identify shortages or gaps and potential

* SAOPA: South African Property Owners Association

Table 5.3.4 Place profile: Social and demographic profile

Information required	Sources of data	Purpose of information
<ul style="list-style-type: none"> ➤ Demographic profile: household size and composition, ages of members, and educational level ➤ Occupational profile: nature and location of residents' employment ➤ Unemployment levels ➤ Participation rates ➤ Income and expenditure ➤ Dependency rates ➤ Religious and ethnic aspects that could influence development 	<ul style="list-style-type: none"> ➤ Census data ➤ Socio-economic household surveys ➤ Existing data eg retail surveys and other market research for area ➤ Welfare organisations ➤ Community leaders 	<ul style="list-style-type: none"> ➤ Determine level of skills and resources in community ➤ Skills and human resources in area will impact on and determine strategies selected ➤ Can be used in marketing or to attract government or aid funding ➤ Ensure that proposals are acceptable to community

Table 5.3.5 Place profile: Economic base

Information required	Sources of data	Purpose of information
Total employment	<ul style="list-style-type: none"> ➤ Central Statistical Services ➤ Regional or District Services Council/ metropolitan levy data base ➤ Research institutions ➤ Survey 	<ul style="list-style-type: none"> ➤ Determine economic base and level of economic activity ➤ Baseline information for monitoring and evaluation
Total number of firms / enterprises	<ul style="list-style-type: none"> ➤ Regional or District Services Council/ Metropolitan levy data base ➤ Research institutions ➤ Survey 	<ul style="list-style-type: none"> ➤ Determine economic base and level of economic activity ➤ Baseline information for monitoring and evaluation
Per economic sector (use SIC)* <ul style="list-style-type: none"> ➤ Employment (number and occupations (use standard classification for comparison)) ➤ Salaries and wages ➤ Number and nature of enterprises ➤ Floor areas per firm/ employee (to later calculate employment) ➤ Reasons for establishment ➤ Turnover 	<ul style="list-style-type: none"> ➤ Regional or District Services Council/ Metropolitan levy data base ➤ Research institutions ➤ Survey 	<ul style="list-style-type: none"> ➤ Determine economic base and overview of local economy ➤ Baseline information for monitoring and evaluation ➤ Determine strengths and opportunities in local economy ➤ Identify problems and gaps
Sphere of influence <ul style="list-style-type: none"> ➤ Local market area ➤ Leakages 	<ul style="list-style-type: none"> ➤ Surveys ➤ Previous market research 	<ul style="list-style-type: none"> ➤ Strength and influence of local economy, opportunity and threats
Nature of ownership of local enterprises (ie internal or external, local residents, multi-national companies etc.)	<ul style="list-style-type: none"> ➤ Survey of local enterprises ➤ Levy data base 	<ul style="list-style-type: none"> ➤ Dependence of local economy on external decision-making ➤ Vulnerability of local economy ➤ Potential to involve local enterprises in planning and ➤ Potential for local enterprises to make resources for development available
Linkages and networks between local firms and surrounding areas	<ul style="list-style-type: none"> ➤ Survey of local enterprises ➤ Business organisations 	<ul style="list-style-type: none"> ➤ Potential for industrial districts and just-in-time networks ➤ Cohesion between local firms ➤ Opportunities for 'import substitution'

Table 5.3.5 continued

Information required	Sources of data	Purpose of information
Land and floor area available for development (refer to land use profile)	<ul style="list-style-type: none"> ➤ Refer to land-use profile 	<ul style="list-style-type: none"> ➤ Refer to land-use profile
SMEs and home based businesses <ul style="list-style-type: none"> ➤ Nature and Number ➤ Contribution to local economy (employment and turnover) ➤ Reasons for establishment ➤ Financial status and health ➤ Needs 	<ul style="list-style-type: none"> ➤ Survey ➤ Levy data base ➤ Municipal records for applications 	<ul style="list-style-type: none"> ➤ Determine the contribution of home based businesses to local economy ➤ Baseline information for SME strategies including needs and problems experienced by the SME sector
Technology and innovation <ul style="list-style-type: none"> ➤ Contribution to research and development ➤ Level of local technology ➤ Innovations from the area 	<ul style="list-style-type: none"> ➤ Patents office ➤ Survey ➤ Research institutions ➤ Financial institutions (applications for venture capital) 	<ul style="list-style-type: none"> ➤ Potential for innovation, entrepreneurial spirit ➤ Familiarity with leading edge technology
Plants and equipment <ul style="list-style-type: none"> ➤ Age and condition of plant and equipment ➤ Capacity of local plant and machinery ➤ Cost and demand for state-of-the-art technology 	<ul style="list-style-type: none"> ➤ Business leaders ➤ Financial institutions ➤ Research institutions ➤ Labour organisations 	<ul style="list-style-type: none"> ➤ Familiarity with leading edge technology ➤ Capacity and potential for increased productivity
Labour <ul style="list-style-type: none"> ➤ Literacy rates ➤ Employee training - facilities and funding ➤ Health and productivity of local labour ➤ Labour travel times ➤ Housing for labour - location and quality, cost and affordability 	<ul style="list-style-type: none"> ➤ Business leaders ➤ Business organisations ➤ Labour organisations ➤ Health authorities ➤ Training and education institutions ➤ Research institutions ➤ Local authority records 	<ul style="list-style-type: none"> ➤ Identify potential and constraints to improved productivity
Capital available for investment	<ul style="list-style-type: none"> ➤ Financial institutions 	<ul style="list-style-type: none"> ➤ Determine whether financial institutions will support loans and investment in area, and if not, why not ("red-lining").
Issues and perceptions	<ul style="list-style-type: none"> ➤ Business leaders, business organisations ➤ Journal and newspaper reports 	<ul style="list-style-type: none"> ➤ Investment is based on perceptions: marketing can then address perceptions ➤ Identify issues

* SIC: Standard industrial classification

Table 5.3.6. Place profile: Infrastructure

Information required	Sources of data	Purpose of information
<p>For each service: eg water, sewerage, electricity, roads and storm water</p> <ul style="list-style-type: none"> ➤ availability ➤ capacity ➤ reliability/ quality ➤ costs of service and costs of extension of services ➤ Demand 	<ul style="list-style-type: none"> ➤ Municipal engineering departments ➤ Eskom ➤ Water authority (eg Rand Water Board) ➤ Water Affairs ➤ Local roads authorities 	<ul style="list-style-type: none"> ➤ Determine what services exist, and can be utilised for development ➤ Opportunities and costs
<p>Telecommunications</p> <ul style="list-style-type: none"> ➤ availability ➤ capacity ➤ reliability/ quality ➤ costs of service and costs of extension of services ➤ Demand 	<ul style="list-style-type: none"> ➤ Telkom ➤ Private service providers ➤ Internet service providers 	<ul style="list-style-type: none"> ➤ Determine what services exist, and can be utilised for development ➤ Indicate nature of activities that could be attracted to area
<p>Public transport (see also land-use profile and role in region)</p> <ul style="list-style-type: none"> ➤ What services and routes are there ➤ Capacity ➤ Reliability/ quality ➤ Costs of service and costs of extension of services ➤ Demand 	<ul style="list-style-type: none"> ➤ Municipal engineering department ➤ Transport authorities and companies ➤ Local taxi associations 	<ul style="list-style-type: none"> ➤ Determine accessibility of low income users to employment opportunities ➤ Influence nature and location of potential uses
<p>Waste disposal, including hazardous waste</p> <ul style="list-style-type: none"> ➤ Availability of sites and location relative to place ➤ Capacity ➤ Costs of service ➤ Demand ➤ Potential for recycling 	<ul style="list-style-type: none"> ➤ Local authority ➤ Department of Environment ➤ Department of Water Affairs and Forestry 	<ul style="list-style-type: none"> ➤ Influence nature of activities that can locate in the area

Table 5.3.7 Place profile: Physical and environmental aspects

Information required	Sources of data	Purpose of information
Built environment <ul style="list-style-type: none"> ➤ Quality and level of maintenance ➤ Attractive and / or historical buildings ➤ Unique developments 	<ul style="list-style-type: none"> ➤ Survey ➤ Local conservation groups ➤ Local architects ➤ Universities ➤ Local leaders 	<ul style="list-style-type: none"> ➤ Indicate potential, problems and quality of life factors
Natural environment <ul style="list-style-type: none"> ➤ Quality of natural environment ➤ Presence of areas of scenic beauty ➤ Unique flora and fauna ➤ Nature reserves or botanical gardens 	<ul style="list-style-type: none"> ➤ Survey ➤ Local conservation groups ➤ Universities ➤ Local leaders ➤ Provincial and national departments of Environment 	<ul style="list-style-type: none"> ➤ Potential for recreation, leisure and tourist activities ➤ Indication of quality of life factors
Natural resources <ul style="list-style-type: none"> ➤ Agriculture ➤ Forestry ➤ Minerals ➤ Fishing ➤ Other 	<ul style="list-style-type: none"> ➤ Relevant national and provincial departments ➤ Business / farmers associations ➤ Surveys ➤ Conservation agencies and groups ➤ Research institutions 	<ul style="list-style-type: none"> ➤ Identify potential
Physical factors that can influence development eg <ul style="list-style-type: none"> ➤ Climate ➤ Topography ➤ Geology 	<ul style="list-style-type: none"> ➤ Existing maps ➤ Council for Geo-science ➤ SA Weather Bureau ➤ Provincial and national departments of Environment 	<ul style="list-style-type: none"> ➤ Identify development constraints

Table 5.3.8 Place profile: Political aspects

Information required	Sources of data	Purpose of information
<ul style="list-style-type: none"> ➤ Strength of political groupings ➤ Level of participation or apathy of community ➤ Other organisations that may have de facto control of the place / power to veto proposals 	<ul style="list-style-type: none"> ➤ Community leaders ➤ Local newspaper reports ➤ Opinion surveys ➤ Residents associations ➤ Business and labour organisations 	<ul style="list-style-type: none"> ➤ Determine nature and success of community participation ➤ Will affect the time needed to consult / involve the community ➤ Can affect the success of entire plan
<ul style="list-style-type: none"> ➤ Vision and leadership in community ➤ Initiative of local organisations ➤ Community morale (eg positive, defeatist, survivalist?) 	<ul style="list-style-type: none"> ➤ Community leaders ➤ Opinion surveys ➤ Local residents, business and labour organisations 	<ul style="list-style-type: none"> ➤ Leaders are essential to initiate and drive the process ➤ Determine nature and success of community participation

Table 5.3.8 continued

Information required	Sources of data	Purpose of information
<ul style="list-style-type: none"> ➤ Willingness to change and commitment to development ➤ Attitude of community to local economic development, and presence of opposing factions ➤ Conflict and co-operation between groups and organisations 	<ul style="list-style-type: none"> ➤ Community leaders ➤ Local residents, ➤ Business and labour organisations ➤ Community organisations 	<ul style="list-style-type: none"> ➤ Unless there is a willingness to change, and a commitment to the process, there is no point in planning ➤ Influence strategy and time needed to get consensus from all groups
Competency of local administration <ul style="list-style-type: none"> ➤ Corruption ➤ Ease of obtaining permits ➤ Decision-making capacity ➤ Capacity for strategic planning 	<ul style="list-style-type: none"> ➤ Community leaders ➤ Local residents, business and labour organisations 	<ul style="list-style-type: none"> ➤ Determines roles of local government and other agencies, and institutions needed
Capacity of local organisations	<ul style="list-style-type: none"> ➤ Community leaders ➤ Local residents, business and labour organisations 	<ul style="list-style-type: none"> ➤ Indicates the role and level of support in implementation
Relationship to provincial and national government	<ul style="list-style-type: none"> ➤ Local leaders ➤ Officials and politicians in provincial and national government 	<ul style="list-style-type: none"> ➤ Where provincial and national authorities' approval of plans is required, or funding is sought a sympathetic and co-operative attitude to the place is necessary.
Stability of region <ul style="list-style-type: none"> ➤ Political and labour unrest ➤ Taxi violence 	<ul style="list-style-type: none"> ➤ Local leaders ➤ SAPS ➤ Business organisations 	<ul style="list-style-type: none"> ➤ Influences levels of investment in area
Local crime levels	<ul style="list-style-type: none"> ➤ SAPS 	<ul style="list-style-type: none"> ➤ Influences levels of investment in area

The above table lists various aspects that can be considered when compiling a place profile. The detail required varies from place to place, and many aspects may not be relevant. The following paragraphs will elucidate on the table, with emphasis on the purpose of the information.

Historical background

The purpose of the historical background is to gain an insight into the origins and development of a town: why it was established and why it has changed over time (Gittell 1990:528). This need not be a long description, but provides a rationale for the planning process and actions taken. Attention can be given to changes in the economic base, as

well as the composition of the population. Has there been depopulation as young people have moved to the large towns? Has there been migration of people seeking jobs and a better life? Has the population aged so that the town now has a large retirement community? What is the impact of the changes in population in terms of demand for education, health and welfare services. If people are moving to or from the town, why is this? If the town has changed its function, why is this, and who are the users or clients of the town's functions? Some of these questions can be answered by examining the role of the place in its region.

Role in region

The purpose of this section is to obtain insight into the relationship between the place and its surrounding areas. The spatial relationships, including distances and transport links, can be indicated on plans. The functional relationships between a place and its surroundings - ie what services a place provides to its hinterland (if there is one) and what services are not locally available making it necessary for local residents and businesses to obtain these elsewhere. Does the area have a specialist function, eg as a tourist destination or farming service centre? In considering the role of the place in its region, problems can be highlighted and opportunities identified. What services or functions not currently provided and sourced externally could be provided in the area? What additional services could be provided to strengthen the existing functions? A strong unique function could become the focus of a marketing campaign. Does the place lie on one of the national corridors making it eligible for state funding?

Land-use profile

The primary purpose of a land-use profile is an inventory of the land-uses and functions in an area. The level of detail depends on the area under consideration, the nature of existing information, and the cost of obtaining additional information. The nature of the area under consideration determines the detail required pertaining to housing shortages and housing, retail, office and industrial markets. If all or any of these markets are important to the place, more detail may be required to ascertain the nature, extent and source of demand, or lack of it, in that particular market. As the nature, capacity, quality and reputation of social amenities plays a major role in private sector investment decisions, an evaluation of these facilities is important. Where they are found to be good, the information can be used in marketing the place. Transport links and their location relative to national routes and corridors are important in assessing the potential of a place.

Social and demographic profile

The social and demographic profile is essential to evaluate the human resource base, as well as any existing and potential problems. The social and economic profile of the community profoundly affects certain economic activities, eg retailing. Without this information policies concerning retail retention or development may flounder. Policies and programmes for employment creation, for example, incentives or industrial attraction, must take cognisance of the existing level of skills and needs in the community. This implies that the relevant information is available. The social structure of the community influences the decision-making processes and acceptability of the plan to the community and must, therefore, be taken into account throughout the planning process. Without the necessary information, a homogeneous community may be falsely assumed and differing lifestyles, cultural values and priorities overlooked. Ignoring these differences can derail the planning process.

Economic base

If one is to plan for economic development, then it is essential to understand existing economic processes in the place. To this end, an analysis of the current economic base is required. Additional information may be necessary if analyses such as shift-share or input-output tables are to be conducted, and care must be taken to ensure that the format of the data obtained is suitable for the purposes required.

It is impossible to set realistic objectives relating to employment growth, or new firm creation, if there is no indication of past performance, or no means of evaluating progress towards attaining that objective. The data on linkages and networks between firms can form a basis for industrial district or just-in-time strategies. The level of technology, condition of plant, along with the education and skills levels of local employees and residents can influence high technology strategies. As perceptions play a vital role in investment decisions the perceptions and opinions of major decision-makers, including financial institutions, is important. It may be that most of the elements for development are in place, except for a negative impression of the area. A marketing or lobbying strategy, addressing that impression and aimed at the most critical decision-makers, is probably the most effective plan of action under such circumstances.

Infrastructure

Development is dependent upon adequate infrastructure. Without suitable computer and telecommunication linkages, a high technology policy may never get off the ground. Adequate transport linkages, electricity, water, and waste disposal facilities are essential

for many manufacturing activities. Accessibility, including public transport is important for many office functions, despite the move to tele-commuting. An inventory of the infrastructure available, coupled to costs of improving or providing infrastructure where needed, informs the goal-setting and policy-formulation processes and enables sound decision-making. (The Mabopane Centurion Development Corridor is centred for the most part on the construction of the PWV9 route to open access to the north-western part of greater Pretoria. Thus much of the marketing has been focused on lobbying for the construction of the route.)

Physical and environmental aspects

An inventory of the physical, historical and cultural aspects of a place, including quantity, quality and uniqueness or novelty of these features, is essential in determining possible resources and opportunities, such as tourism and resource based activities (eg fishing, forestry and agro-industries). The environmental quality of a place is important to attract investors: well maintained streets, parks and buildings testify to a community that cares for itself and will thus care for an investment. An environmental scan can, on one hand point to unique features of a place and, on the other, highlight areas that are under threat or are subject to damage. The physical profile identifies areas of potential and constraint. These can be major inputs in formulating goals and strategies for local economic development.

Political aspects

While this area needs to be handled sensitively, the institutional and political framework is cardinal to the implementation of the plan. Leadership is essential: and co-operation between all sectors of the community is necessary to ensure development. If there is division and conflict, planning is exceptionally difficult, with groups vying for resources and their control, and possibly undermining the efforts of opposition groups. Some commitment to the process is important - little may be achieved in an apathetic, disillusioned and pessimistic community.

Together with leadership and a willingness to work towards development must come the institutional resources to do so. The local authority should be competent to facilitate the planning and implementation processes, with powers to approve and administer projects, and there must be financial resources (budgets) to fund the process. However, for commitment by all role-players and a positive climate for investment, there must be confidence in the ability of local government to administer the process competently and honestly.

If there is dependence on support (including financial support) from national or provincial government, or aid agencies, then a good relationship with these organisations is important. The converse is equally true: if there are strained relations between provincial or national government and the place concerned, then funds and approval could be particularly slow for local projects.

The stability of a region is vital for investors, and high levels of political, labour or social unrest, or high crime rates will probably act as a deterrent to incoming investment and may result in the withdrawal of existing investment, with a concomitant loss of employment.

Organisational capacity

An analysis of the competency and capacity of the organisation undertaking local economic development is important. If there is no local capacity, then either a very modest plan, with only modest success may be possible, or the capacity must be brought in from outside. Among the issues that can be considered are:

- Does the organisation have the skills and resources (capacity) to undertake local development planning?
- Does the organisation have an understanding of its role in development and a commitment to that role?
- Does the organisation have the financial resources to implement proposals?
- Does the organisation have the trust and co-operation of the community and its leaders?
- Who drives the organisation - a few influential persons or consensus by the majority?
- Is there a formal structure for economic development? Does this comprise a portfolio, a section, or an entire department within the local authority? How effective is the structure?
- Does that local economic development (LED) section or division have adequate resources and authority to promote locally generated development?
- How well does the LED section communicate with the remainder of the organisation, and, in particular, with the land-use planning section. How well does the organisation communicate with the community? What regard have the organisation and the community for the economic development sections?

The evaluation of the above aspects provides a good understanding of the local situation, while pointing to strengths and areas of potential, as well as disclosing problem areas and

their origins. For many places such an analysis may be adequate, but other localities may require further, more detailed analyses. Two such tools, input-output tables and shift-share analysis, are discussed briefly in the following paragraphs.

5.6.2 Input-output models

This form of analysis examines the linkages between sectors and the impact that changes in one industry may have on the entire economy. It is a model that can be used to assess the local economic structure; indicate where investment will have the most leverage; or evaluate the effects of the decline or closure of a major sector on the local economy (Blair 1995:162). As such, it is a valuable planning tool for simulating and evaluating impacts, particularly if local government or other authority is considering investing heavily in certain sectors.

However, the model requires very specific and detailed information that is expensive and difficult to collect, given the nature and sensitivity of some of the financial information required. Furthermore, such a model can be compiled for a large area only. The more open and interrelated an economy, the more difficult it is to ascertain the source of purchases or the point of sale of products that are the foundation of the model. The input-output tables are static in the sense that they are based on existing relationships between sectors, purchases and products, and existing technologies - should these relationships or technologies change, then the model may lose its validity.

Data collection must be undertaken with the data needs of the model in mind. While information on all sectors is important, detail regarding manufacturing sector is essential. Such detail must include all the backward and forward linkages, the nature of the activities undertaken, the products produced (output), and all the inputs required (supplies), as well as their source per sector or area. Employment and financial data are also required. Obtaining reliable, detailed data is expensive, and the format of the data must be correct. It is, therefore, strongly recommended that consultants be utilised for this form of analysis.

5.6.3 Shift share analysis

In this form of analysis, local development is compared with national development to determine what proportion of local growth is attributable to national growth, and what proportion to unique local conditions. Differences between local and national growth rates can be attributed either to the specific composition of the local economy (the local mix) or

a local competitive advantage (or disadvantage), such as a higher proportion of fast-growing (or declining) sectors (Blair 1995:148).

The tool can be used to understand economic performance, and to identify growing or declining sectors for attention. As with the input-output model, it requires data on national economic performance as well as that of local industries. While the former is readily obtainable, the latter may not be so easily available and may require an expensive survey to collect the relevant information. Data pertaining to local employment, production, capacity and productivity changes over time (past and predicted) are required. As the data requirements of this model are similar to those of an input-output model, the data can be collected simultaneously. If the sectors of interest within the town or region are homogeneous, a sample survey can be used, lowering costs. Furthermore, if only certain sectors are to be analysed, data need only be collected on those sectors.

This form of analysis is useful for indicating what has occurred, but cannot be used in predicting the future. Nor can it reveal why the changes have occurred.

In evaluating the potential of a place, the information gathered from the place profile must be used along with other analyses to determine what the strengths and opportunities are, and what problems or threats are facing the town. An evaluation of place potential can comprise several phases, ie

- impact of external factors and events including actions of other towns (competitors) - the external audit
- how investors - existing and potential - view the place (investor confidence - table 5.4)
- how potential residents perceive the place - residents' perceptions (table 5.5)
- other perceptions of the place
- resources and strengths identified in place profile.

As with the previous section, discretion must be adopted when undertaking these analyses - not every aspect is relevant to each town, and other aspects may be important. The level of detail also differs from place to place. The sections below may overlap but this is merely to ensure comprehensiveness.

5.6.4 External audit

The external audit examines the impact of events and trends external to the town, over which it has little or no control. This analysis or audit can encompass several dimensions'

such as changes in the economic, social, legal, political and technological spheres as well as market and environmental issues. The discussion below is partially adapted from Wooton & Horne (1997:12-20).

Economic trends

The questions below are designed to examine external factors that can influence the town economically and which could pose opportunities or threats to its wellbeing.

- How do the major economic indicators (eg Rand, Pound and Dollar exchange rates, gold price, stock exchange, interest rates, unemployment) affect the town?
- What is happening in the larger region? Is it growing, declining, or stagnating - in terms of employment, new enterprise creation, population, standard of living?
- Is the region attracting or losing skilled people - which sectors and skills and why?
- Which sectors of the local/regional population have spending power (government, NGOs, multinational corporations) and how does that spending affect the town?
- How does government spending affect the town, and what impacts do cuts in spending or downsizing have?
- How do local labour costs and productivity compare nationally?
- What is happening in major markets for local products - are they growing, declining, stagnating, or changing?
- What are the effects of any contraction in these markets- severe or minimal?
- Is the profitability of local firms related to the size or their market areas? How vulnerable are the various sectors?
- Does the town provide goods and service that are unique in the region / nation?
- Could another town take over the role of this town? Are there aspects or areas that these places are better at than this town?
- Where are the town's major suppliers located? What is happening in those places and how does this affect the place?

Social aspects

To prepare the town for changes originating from outside its boundaries, certain social and demographic aspects should be considered, such as those set out below.

- What will the impact of the changing social and demographic structures of the region and nation be on the town (eg dependency levels, unemployment, poverty, migration, population growth rates, housing shortages)?
- What changes in social structure within the town may impact on development (eg more single parent families or smaller households, high participation rates)

Political changes

Few places can influence policies on national level, but these policies can have a major impact on the place and must be evaluated. Among the more pertinent questions are:

- What changes may occur on national, regional levels and how do they affect the place?
- How do government policies and priorities affect the town?
- What assistance or aid could the place get from government?
- Where does it stand in relation to the spatial and economic initiatives of the government?
- Are there specific influential individuals in government that may support or obstruct the community's efforts for political or personal agendas?
- What is the attitude of local residents / enterprises to existing governments?
- What is the effect of national and regional procurement policies on the place?
- What is the potential for foreign aid?

Legal environment

Closely associated with the political environment, is the legal environment in which the town functions. New legislation and government policies impact on the town and its development strategies and priorities.

- How does existing legislation affect the town? What will the impact of impending legislation be?
- What government policies are relevant to the place?

Technology

Although, on the face of it, technology may have a more limited impact on a place than, for example on a firm, the impact can be significant, eg the impact of the internal combustion engine on the structure and functioning of cities.

- How do changes in communication methods affect the town?
- What are the implications of new technologies for employment and employee training?
- What are the implications of new technology on the manufacturing, office, retail or other sectors of the town?
- How do the firms undertaking research and development in the town compare to firms using leading-edge technologies?
- How will changes in transportation affect the town (eg roads, airports, increased air-freight, access to ports for export)?
- What influence could home-based offices and tele-commuting have on the town and local property values?

Environmental issues

Attitudes towards the environment are increasingly affecting investment and aid decisions, and must be considered.

- How do international attitudes towards the environment affect major industries in the place and the place itself?
- What external pressure groups are actively involved in local development issues and what is their impact?
- What are the long-term prognoses for water resources, waste disposal, power, etc.?
- What is the current water and air quality of the town?

Competition

There may be places 'competing' in the same arena as the place by offering similar locational advantages, or producing similar products. If a business attraction and retention strategy is under consideration, the impact of these places must be considered (see section 5.6.7 for more detail).

5.6.5 Investor confidence

There are a number of factors that can influence investors in their decision regarding investments (new enterprises, the expansion or retention of existing enterprises, new houses, offices or other developments, etc). Some of these are financial, such as return on investment and anticipated profits, but others are far more closely related to their perceptions of the area and its amenities ie the 'milieu'. Table 5.4 lists some of the latter and one means of measuring them.

In the table, the second column registers perceptions, obtained from surveys, while the last three columns are a more objective evaluation of the place. Large discrepancies between perceptions and the more objective evaluation indicate either a marketing effort where perceptions are lower than reality, or improvements in the town to bring it into line with these perceptions where they exceed the evaluation (Ashworth & Voogd 1990:55). (The criteria in the last three columns can be tested empirically and refined, and modified for multi-criteria analyses.)

Table 5.4 Evaluation of investor confidence

	Perception Investor's rating Excellent ☺ Average ☹ Poor ☹	Existing situation Possible criteria		
		Excellent	Average	Poor
Growth potential				
Perception that area is a growing region		new enterprises, new homes, new shops, offices and factories	limited growth, shops, offices and factories occupied	vacant shops, factories, offices and homes
Perception that area is prosperous		above national average incomes, or more than 60% of households have income above national average	income about national average	incomes below national average
Productivity and skills of labour		skilled, motivated labour	literate, semi-skilled labour	unskilled, illiterate labour
Absenteeism		low absenteeism	absenteeism about national average	above average absenteeism, high incidence of disease eg TB or social pathology eg alcoholism
Militancy of labour		co-operative, few disputes	occasional disputes	militant and uncooperative, many disputes
Training		meets industry's needs	only partially meets industry's needs	non-existent or inappropriate
Business services		in town	in town or within 50 km	few in town, most more than 50 km
Land		mortgage bonds readily available	only a few areas 'redlined'	more than 30% of area 'redlined'
Demand for properties		properties on market sold in less than 3 months	properties on market take over 3 months to sell	properties not saleable

Table 5.4 continued

	Perception Investor rating	Existing situation Possible criteria		
	Excellent 😊 Average 😐 Poor ☹️	Excellent	Average	Poor
Regional accessibility				
Shipping		port / harbour	less than 100 km to port	over 100 km to port
Air		international airport within 1 hour	national airport within 1 hour	only airfield
Road		national freeways linking town to other centres	national and regional routes	only regional or local routes
Rail		freight and passenger rail within 10 km	station within 50 km	over 50 km
Telecommunications				
Coverage		dense cellular phone coverage	limited cellular phone coverage	no cellular phone coverage
Quality		automatic exchanges	automatic exchange	manual exchange, farm lines
Capacity		connection within 7 days	connection within 15 days	over 15 days for connection
Reliability		reliable: less than 3 faults per year	less than 12 faults per year	unreliable, frequent faults
Public transport				
Nature		municipal bus plus taxis	taxi	none
Frequency		bus or taxi every 30 min.	bus or taxi every hour	only at peak hour
Coverage		wide coverage of most of town	main routes and employment centres	only long distance
Power: connection		connection within 14 days	connection within 30 days	over 30 days for connection
Power: reliability		reliable: less than 3 power failure per year	less than 12 power failures per year	unreliable, frequent power failures
Water		high quality water supply	municipal water supply	no municipal water supply

Table 5.4 continued

	Perception Investor rating	Existing situation Possible criteria		
	Excellent ☺ Average ☹ Poor ☹	Excellent	Average	Poor
Educational facilities				
Reputation of local schools		95% matriculation rate	above 70% matriculation rate	less than 70% matriculation rate
School: class size		less than 25 pupils per class	26 to 40 pupils per class	more than 40 pupils per class
Presence of tertiary institutions		University or Technikon in town	University or Technikon within 100 km	Over 100 km to tertiary institution
Reputation of local tertiary education / training facilities		internationally recognised	nationally recognised	limited recognition
Research institutions		more than one internationally recognised research institution	at least one recognised research institution	none
Medical facilities				
Reputation of local hospitals		specialist functions	general functions only	minimal functions
Quality of private medical facilities		range of specialists and specialist facilities	only general practitioners	none
Housing				
Availability of housing		Wide range of homes and residential stands on market	Some homes, but limited variety	Few homes or even on market
Availability of mortgage bonds		Bonds readily available from all institutions	Bonds available for some areas	Much of the area 'red-lined'; few bonds available
Cost of housing		Average home over R300000	Average home between R70000 and R300000	Average home less than R70000
Choice of housing type (flat, house, townhouse) or tenure (rent, buy)		Range of housing types for sale and rent	Only a few options of housing type or tenure	No choice regarding housing type or tenure

Table 5.4 continued

	Perception Excellent 😊 Average 😐 Poor 😞	Existing situation		
		Excellent	Average	Poor
Quality of environment				
Air quality		no air pollution	smog some evenings	smog and odours most days
Public places (roads/parks)		roads and public spaces attractively landscaped and maintained	roads and public spaces neat	roads and public spaces unkempt, litter, long grass
Maintenance of buildings		well maintained buildings	some buildings need attention	buildings need paint and repair
Attractive, interesting built environment		high quality architecture, cohesive streetscape	some attractive, interesting areas	sterile, chaotic or monotonous streetscape
Attractive natural environment		mountains sea, lakes, or exceptional natural environment	mediocre to interesting natural environment	damaged, scarred or polluted natural environment
Nature reserves and botanical gardens		well known, large and attractive nature reserve or botanical garden	botanical garden or nature reserve	none
Personal safety		low incidence of crime	about national crime rate	above national average crime rate
Violent crime		few violent crimes	below national violent crime rate	above national crime rate
Entertainment and leisure facilities				
Range and quality of sports facilities, including golf courses		high standard golf courses, indoor arena, stadiums and sports clubs	a range of sports facilities and clubs, one stadium or 18 hole golf course	few sports facilities - only school sports grounds
Variety and quality of restaurants and bars/pubs		a wide range of restaurants and pubs	only a few pubs or restaurants	only the local hotel(s) and bar, backyard <i>shebeens</i>
Quality and range of theatres and cinemas etc.		theatre with professional productions, cinemas	cinemas, theatre only for amateur productions	neither theatre nor cinemas
Arts		more than one art gallery, regular drama, dance or music performances	only one or two galleries, occasional performances by touring companies	local school performances

Table 5.4 continued

	Perception Excellent 😊 Average 😐 Poor 😞	Existing situation		
		Excellent	Average	Poor
Historical buildings and places		many historical buildings, museums, or site of major historical events	few historical buildings few museums, site of minor historical event	few historical buildings, not more than 1 museum
Local bureaucracy				
Competency		experienced, effective local government	officious, unconcerned bureaucracy	corrupt, unreliable, inefficient local government
Financial status		Local authority competent and viable	Local authority struggling financially	Local authority incompetent and bankrupt
Speed of decision-making and issue of permits		land-use applications approved in less than 4 months buildings plans approved in less than 14 days	land-use applications approved in less than 6 months buildings plans approved in less than 4 weeks	land-use applications take over 12 months for approval buildings plans take over 4 weeks for approval

5.6.6 Residents perceptions

A similar analysis can be conducted to evaluate how the place rates as a residential area. A set of criteria is given in table 5.5. These criteria can be tested for existing residents and potential (desired) residents, and evaluated against criteria similar to those in table 5.4. Instances where the town is rated 'poor' are areas that can be improved in order to attract residents. It may be that the town is growing too fast to accommodate new residents, and the results from the analysis can then be utilised for de-marketing, ie to dissuade prospective residents from settling there.

Table 5.5 Evaluation of residents' perceptions

Criterion	Perception	Reality
	Excellent ☺ Average ☹ Poor ☹	(compared to perception) Better than + The same ≈ Worse ×
Availability of housing		
Availability of mortgage bonds		
Cost of housing		
Choice regarding form of housing (flats, townhouses, detached house on erf)		
Age of buildings and maintenance		
Personal safety (murder, assault, robbery, hi-jacking, etc.)		
Safety of possessions (housebreaking, car theft etc.)		
Availability of employment		
Access to employment		
Access to public transport		
Access to schools		
Access to shops and related facilities		
Choice of educational facilities		
Quality of educational facilities		
Range of choice of sports facilities		
Quality of sports facilities		
Choice regarding medical facilities		
Quality of medical facilities		
Prestige of place and land values		
Noise and pollution		
Scenic beauty		
Competence of local government		
Costs of rates and taxes		
Similarity of lifestyles		
Presence of social problems		

A similar exercise can be undertaken where the community is asked to rate the place as they believe an investor, potential resident, tourist or visitor might see it. Not only will this yield interesting results from different sectors of the population, but it highlights areas of strength and weakness as perceived by the various sectors of the community.

5.6.7 Competition analysis

If the town is facing competition from other towns with similar products and location, then a competition analysis can be undertaken to determine how the town compares to competitors. The following issues can be evaluated, or a comparative analysis carried out, as per table 5.6.

- What places are competitors in the same markets as the major producers, industries or sectors of the town? These could be national or international competitors.
- How are they faring compared to the town: growing or declining - and why?
- How are they approaching the issues of locally generated development?

Table 5.6 takes some of the elements in table 5.4 and compares the town with competing places. This gives an indication of the town's comparative advantages and weaknesses *vis-à-vis* its 'rivals'. It should also answer the questions; "what is this town best at?" and "is there anything unique (and positive) about this place?"

Alternatively, a semantic differential scale can be developed for the main criteria pertinent to the town and its competitors. Here criteria and their antitheses are contrasted on a five or seven-point scale, and each place is evaluated in terms of the criteria. Figure 5.2 illustrates the use of the semantic differential for three fictitious towns. The choice of criteria for the vertical axis is dependent on the nature of the towns and their competitive strengths.

Table 5.6 Format for comparison of town with competitors.

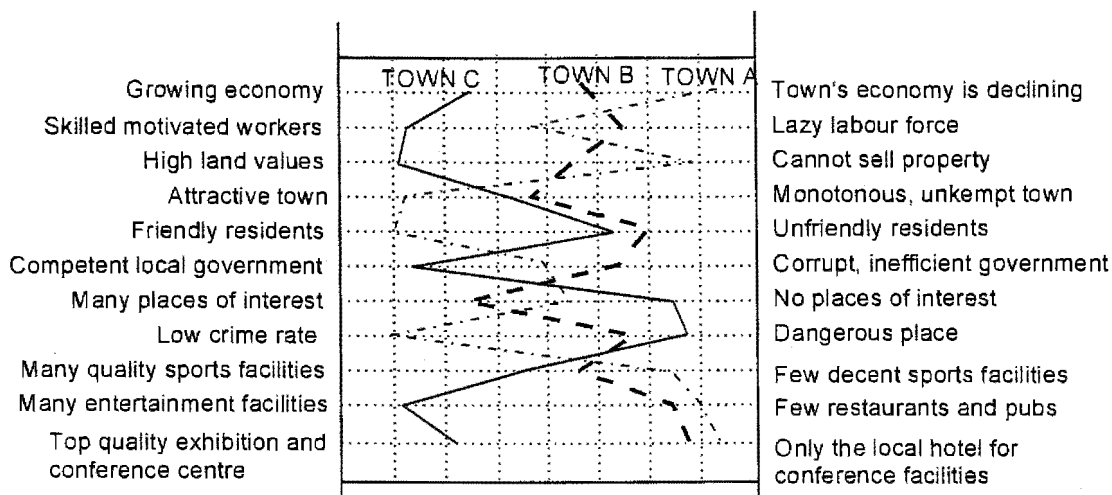
	☺ = better ☹ = same ☹ = worse			
Criteria	Town	Town x	Town y	Town z
Head office of government department or multi-national corporation				
Location in relation to main centres: regional or sub-regional centre				
Location in relation to ports: less than 100km to port				
Location in relation to airports: national airport within 100km				
Location in relation to rail routes: station in town				
Location in relation to major freeways: national route passes through town				
Economic base diversity: at least two prominent sectors or employers				
Economic base strength: existing enterprises are doing well				
Employment steady				
Quality and diversity of business services: legal, accounting and other business services are in town				
Availability of office space: modern office space is available for sale or for lease				
Availability of factory space: modern space is available at (regional) average rentals				

Table 5.6 continued

Criteria	☺ = better ☹ = same ☹ = worse			
	Town	Town x	Town y	Town z
Availability of retail space: little space available in new modern centres				
Availability of land for development: stands are available in newly proclaimed, or shortly-to-be-proclaimed townships				
Quality of office space: 'A' grade office space is on the market				
Quality and extent of retail structure: attractive shopping centres with a wide range of shops and goods				
Retail space rentals: in line with regional average				
Availability of housing: a range of housing types and prices is available				
Quality and costs of housing: housing retains value in attractive residential area				
Quality of schools: high pass rate, good facilities, attractive grounds				
Quality of tertiary education institutions: good reputation				
Well known research institutions in town				
Quality of medical facilities: private hospital and specialist facilities in town				
A range of attractive museums, cinemas, theatres etc.				
A variety of attractive open spaces, range of nature reserves, or botanical gardens				
A sport stadium, indoor arena or golf courses				
Familiarity: know where it is / been there				
Perception that the town is a good place to live or invest				

Source: Ashworth & Voogd 1990:57 and author

Figure 5.2 Use of semantic differential to evaluate competitive strengths



Source: Nel, Radel & Loubser 1988:242

5.6.8 Identifying resources and potential

For a small place, some of the above analyses may not be appropriate. The listing of the existing and potential resources coupled with the exercise of evaluating the town as the community views it; and as a visitor, tourist, foreigner, government official, or business person would see it, may be adequate to identify strengths and potential, as well as problems and threats. Existing resources can be listed and whether these are being utilised. Table 5.7 can be used as a basis for this exercise.

Table 5.7 Resource evaluation

Resource	Quality excellent, fair, poor 😊 😐 😞	Utilisation full, partial, minimal ● ◐ ○
People		
Local skills: technical, scientific, professional		
Local skills: fine arts, crafts and handiwork		
Local skills: performing arts		
Literacy levels		
Support from external agencies		
Local cohesiveness and mutual support		
Attitude and self image		
Level of innovation and creativity		
Ability to communicate and articulate needs		
Active NGOs with funding		
Access to decision-makers		
Household incomes and poverty		

Table 5.7 continued

Relative health of community, infant mortality		
Resource	Quality excellent, fair, poor 😊 😐 😞	Utilisation full, partial, minimal ● ◐ ○
Physical		
Quality of housing and infrastructure		
Permanence of land tenure		
Quality of built environment		
Extent of under-utilised public-owned land		
Quality and extent of roads		
Water resources		
Fuel and electricity		
Scenic beauty		
Exceptional ecological areas (eg wetlands, rare flora and fauna)		
Quality of agricultural land		
Rainfall and water resources for agriculture		
Potential for forestry		
Fishing resources including fish farming		
Mineral resources		
Other natural resources (eg caves)		
Capital		
Local savings and earnings		
Local investments		
External sources eg aid, government transfers		
Markets		
Large markets (population and disposable income)		
Demand for fresh produce		
Demand for services		
Demand for other local products		
Export options: demand, barriers and costs		
Latent demand for goods and services (unmet demand)		
Potential for 'export substitution', ie goods bought elsewhere because not available locally		
Technology		

When considering resources, it may be valuable to view each potential resource from different angles. Among the questions that could be useful are:

- How else can this resource be used?
- What else can be done with this?
- When could this be a resource?
- Where could this be a resource?

5.6.9 Public review

Once the main body of the analysis is complete, the preliminary findings should be presented to, and discussed with, the community, inviting their comments on the findings. As this analysis forms the basis of the next phases, it is important that there should be agreement that the analysis is a true reflection of the community or status quo. It may be that there are aspects that have not been sufficiently covered, or that new developments (physical, social, economic, political, etc) that impact on the town warrant further attention. It may be that, during the process, it is discovered that some aspects initially considered important are less so, or that the information is available, and resources can be redirected.

Furthermore, agreement on the analysis implies consensus on opportunities and problem issues. With stakeholders working from the same information base, greater co-operation and support are possible (Innes 1996:467).

With each revision cycle of the plan, the status quo should also be reviewed and, where necessary, updated. If the foundation of the strategies, ie the base information is outdated or no longer relevant, the possibility of constructing sound strategies that will lead to the vision is considerably reduced.

5.6.10 Strengths, weaknesses, opportunities and threats

As stated previously, the purpose of the analysis is to gain insight into the local economy and the dynamics of the town; to determine milestones against which progress can be measured; and to establish the strengths and resources, and major threats and problems of the place.

Strengths and opportunities in this context can be defined as those aspects that can form the basis for future development. Threats and weaknesses can be viewed as obstacles to attaining the vision. Weaknesses are aspects that can be improved: they are to a large extent under the control of the community. Threats are external, and must be taken into account in order to avoid, mitigate and minimise negative impacts.

Establishing strengths, opportunities and potential, as well as threats or problems, can be done collectively on the basis of a synopsis of the above analyses. The community, or the various sectors of the community, can be asked to identify what, in their opinion, the major

strengths or opportunities are for the town, followed by the problems or weaknesses. Similar processes can be used to those proposed for creating a vision.

If there is a very long list, these can be prioritised to elicit the most important. These form the basis for goals, objectives and, hence, strategies. Priorities can be determined by the degree of impact that development of each strength, or addressing each problem or threat could have. Given the limited resources of most places, attention should first be given to those areas that will make the biggest difference, ie have the most impact. Other issues can be retained for succeeding planning cycles.

One means of prioritising opportunities, problems and threats is illustrated in table 5.8. This table enables an evaluation of the relative importance of each issue, (problem, threat or opportunity). The highest priority should be awarded to those issues that have the greatest impact, ie the critical issues that cannot be neglected. Table 5.8 proposes three levels of importance - critical, major and important - and three criteria for measuring the impact - urgency, magnitude and extent. Urgency relates to the immediacy of the impact, magnitude to the seriousness, and extent to the number of people, enterprises, sectors, etc that are impacted.

Table 5.8 Prioritisation of strengths, opportunities, problems and threats

Issue (Strength, problem, opportunity, or threat)	Impact		
	<i>Urgency</i>	<i>Magnitude</i>	<i>Extent</i>
	Imperative xxx	Critical xxx	Far reaching xxx
	Pressing xx	Major xx	Wide xx
	Serious x	Important x	Limited x
Issue 1			
Issue 2			
Issue n			

Alternatively, given the information derived from the analysis and the vision, the community can be asked to list the most important or promising resources, and the biggest obstacles to obtaining their desired outcome. This approach is more useful in a small community, and may be more easily understood in a community unaccustomed to terms such as opportunities, strengths, weaknesses, obstacles and threats.

When consensus has been obtained regarding the most promising strengths and the most pressing problems, the task of formulating goals and objectives begins.

5.7 GOALS AND OBJECTIVES

Goals are an answer to the question "given the information from the analyses, what can be done to attain the vision?" They are thus a synthesis of the vision - the future self-image - with the reality as presented in the analysis. They define areas of activity: they give direction and cement the plan together (Bendavid-Val 1980:11). As they focus on priorities, they sift the needs from the 'nice-to-haves', and direct public and private investment. Clear, mutually agreed goals can facilitate achieving the vision with the assurance that each investment in the area will contribute to attaining goals: that it represents the best option under the circumstances: that negative spin-offs will be limited: and possible opportunities will not be foreclosed, nor resources spoiled or wasted (Bendavid-Val 1980:11).

At this point, it may be necessary to briefly revisit the vision, to confirm that it is still applicable in the light of the information obtained in the preceding phases. Assuming that the vision is unchanged, attention can be turned to setting goals that will guide the following phases of the plan.

5.7.1 Criteria for goals

Goals provide the 'what' of the economic development plan, while strategies provide the 'how'.

Consequently, goals must be fairly specific, for "open-ended wishes that identify neither what is desired, nor what is to be prevented, ... provide no planning guidance" (Bendavid-Val 1980:12). They must define precisely what is desired, with objectives to act as benchmarks to measure achievement and enable focused strategies. A goal of 'promoting development' is vague, begging the question "development of what - tourism, agriculture, new town hall?"

Goals must be realistic (Bendavid-Val 1980:13, Blair 1995:311). However, a balance must be obtained between visionary goals and wishful thinking. Strategies to achieve dreams may be difficult to formulate, and to 'sell' to the community, government or investors. On the other hand, creative ideas, bold new directions along untried routes may make a far greater impact to the benefit to the community.

As with the vision, they should, as far as possible, be stated in positive terms to draw people towards them.

5.7.2 Goal formulation

The process of goal formulation must be done with the community: an external consultant may be able to lead the process, but cannot formulate goals for the process. Ultimately, the community must accept ownership of the goals and make them their own. Without a reasonable level of consensus on the goals, lack of commitment to the remainder of the process and resources may occur, and with it, distrust in the decision-makers and planners in the process. It may be, however, for personal or political reasons there are groups within the community that are opposed on principle to anything that other sectors of the community propose or support. In such circumstances, probably the best approach is to ensure that the dissident groups have had a full opportunity to participate, voice their views, and, after reasonable consideration of their opinions, the community and its leaders make their decisions.

It is recommended that the community be presented with draft goals or options flowing from the vision and analysis, including strengths, weaknesses, opportunities and threats. These drafts should be sufficiently robust to encourage discussion, but flexible enough to accommodate change. "The trick here is to walk the fine line between providing structure that will encourage open dialogue, and imposing a structure that restricts the examination of alternatives" (Bendavid-Vai 1980:13).

Goal-setting can be done in a plenary session where numbers are limited. However, if there are strong differences of opinion (observed perhaps in previous sessions), then alternative methods should be used. Goals and objectives can be elicited from the various groupings prior to a plenary meeting, or as 'break-away' groups during the meeting. Alternatively, each member of the group can be given a number of cards and requested to write one goal per card. The number of cards will depend on the organisation or classification of the goals (eg economic, social, physical), but only three to six cards should be given per person per category. The goal must be written with a verb, in the format "to ... (verb).... (object - what)" to ensure it is relatively specific (Gosling & Edwards 1995:200). The project team or facilitator will then group similar goals together. It may be necessary to differentiate between impact goals (what is to be achieved) and process goals (how the process is to be conducted)(Gosling & Edwards 1995:201-202). Later

these inputs can be consolidated to obtain a set of goals on which there is general agreement.

It is recommended that the number of goals be kept reasonably low, bearing in mind that strategies can be formulated for each goal, with projects or actions for each strategy, and each of these require some commitment of resources. The actual number of goals depends on the town's circumstances and the classification of the goals. If there are many related goals, these can be classified into main or overall goals, with more specific sub-goals under each main goal (Gosling & Edwards 1995:203-205). At this point, some overlap with objectives may occur, but this should not be a matter of concern.

Draft goals can be formulated for different dimensions that will impact on the economic development of the town. Some possible dimensions are:

- economic
- physical (land-use and infrastructure)
- social
- marketing
- organisational / institutional
- legal.

Alternatively, the various target markets or sectors identified in the previous phases can form the basis of the goals, and, hence, the objectives and strategies. A combination of the two approaches is also possible.

Another possible approach is to examine the key issues raised in the 'SWOT' (strengths / resources, weaknesses, opportunities (potential), and threats), and base the formulation of goals on these (Luke et al. 1988:46). Here the five to ten most important issues facing the town can be noted, and goals formulated for each issue.

The matrix below can be used in identifying priorities and formulating goals. The headings can be adapted to include other issues, for example, political acceptance, degree of alignment with national policy, time taken for results to become evident, and potential benefits versus potential costs.

Table 5.9 Example of matrix for evaluation of issues or goals⁸

Goal *n* : To develop, improve, create, xyz

		Impact	
		High	Low
Resources required	High		
	Low		

5.7.3 Goal testing

Once draft goals have been formulated, discussed and there is agreement, they should be tested with the following questions to ensure that they remain relevant to the task at hand and that they will have the desired outcomes.

- How does the goal relate to the vision?
- How does the goal relate to the factual information in the analysis phase?
- Is the goal practical or feasible?
- How much support does this goal have from the entire community? Is it applicable only to certain sectors of the community? Does this matter?
- What will be the result of achieving the goal (immediate, medium-term and long-term)?
- Who will be affected in achieving the goal?
- What side effects could achieving the goal have?
- How serious will those impacts be, and how can they be mitigated? (This could include social, economic, physical, and ecological impacts.)
- Is there anything that the community may have to give up if the goal is achieved?
- What will happen if this goal is not achieved?

When there is agreement regarding the goals, attention can be given to setting objectives.

5.7.4 Setting objectives

Objectives are the benchmarks or performance targets for each goal against which progress can be measured: they are the evidence of progress towards achieving the goals. "(W)ithout explicit objectives as performance targets, there can be no rational basis for a goal oriented economic development action plan; and there is no way, subsequently,

⁸ This matrix is not to be confused with the goal achievement matrix that evaluates strategies or proposals in relation to the goals

to tell if it made any sense because there is no standard against which to measure progress. Actions will be arbitrary and opportunistic ... a plan that omits quantified time framed objectives set the stage for officials to evade accountability" (Bendavid-Val 1980:15). Without performance targets not only can officials evade accountability, but so can politicians and community leaders, and the entire plan could become a game of political football. A clear set of objectives greatly facilitates a review of progress made (monitoring), and audits of the use of resources. Unambiguous objectives enable greater strategic focus on the goals: they are the link between the goals (what) and strategies (how).

If objectives cannot be set for a goal, then it is too vague, or there is insufficient information about the domain, or it is an ideal that may or may not be attainable. If a goal is to increase local employment in a certain sector, then information about current employment and growth rates in that sector is essential to specify the target of 'x additional jobs per annum in the y sector'. There is thus a relationship between the information obtained in the analysis and the setting of goals and objectives. Consequently, one or more iterations of research and analysis, and goal and objective setting may be necessary.

5.7.5 Criteria for objectives

Objectives should thus be specific, measurable, achievable, relevant, realistic - taking available resources into account - and specify the time frame. The acronym 'SMART' sums up the criteria for goals (see eg Schreiner 1994:52):

S - specific

M - measurable

A - achievable

R - realistic, relevant to the goal, and taking resources into account

T - time-frame

Specific implies detailing precisely what is to be achieved, and where, if appropriate. Evaluation of improvement implies that there is baseline data against which measurement can be made, and that the objective itself can be measured, ie the performance target can be quantified in some way.

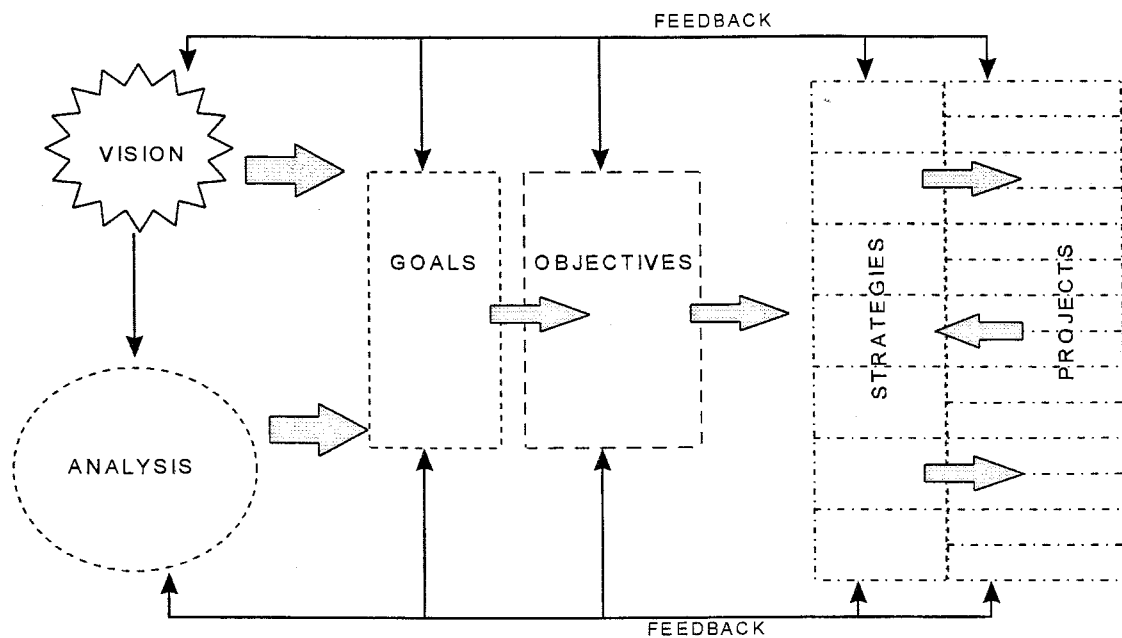
If the goals are realistic, then they should be achievable. Objectives should naturally be related to the goal, and hence the vision and each goal should have at least one objective.

The objectives should be realistic in taking available resources into account, and assessing what can be done in a given time. The time-frame is also important, for evaluation cannot be done against an open-ended time-frame. Ideally, these time frames should be synchronised with local budgets, or LDO or IDP timetables. Certain objectives may have short time-frames, while others may be medium-term, say five years, with some stepping stones in between.

Objectives can also be classified into process and impact indicators (Gosling & Edwards 1995:74). The discussion above essentially concerns impact indicators - those measuring progress towards attaining a goal. Process indicators on the other hand record if and how planned activities have been implemented, and how effectively and efficiently those activities are being done. These indicators may be less easily quantified than impact indicators. According to Gosling & Edwards (1995:76), one means of determining more qualitative performance indicators is to ask the question "if the strategy or project were a complete disaster, how would people know?" This acknowledges that it is generally easier to find indicators of failure than of success, where the same indicators could point to both. Process indicators can also relate to the time taken to achieve results, acceptance of the proposals by different sections of the community, or the level of involvement of the community in a plan of action. Process objectives are also quality objectives.

Once the goals and their performance targets are in place, then the process of devising strategies to attain them, and hence the vision, can begin.

Figure 5.3 The relationship between vision, analysis, goals, objectives and strategy



5.7.6 Example of vision, goals and objectives

The following vision, goals and associated objectives for a hypothetical town in a metropolitan region are given below to illustrate the process from vision to objectives. The objectives and the goals are interrelated and refer back to the vision.

5.7.6.1 Vision

We see our town as a place where people will want to live and invest.

5.7.6.2 Goals

- To ensure that there is a range of investment opportunities for potential investors.
- To diversify the local economic base.
- To ensure that there is adequate housing to meet demand.
- To ensure that the town is neat and physically attractive to create a good impression.
- To ensure a friendly and competent administration to facilitate development.
- To ensure that the local labour skills meet industries' needs.
- To ensure that people know about the town and have a favourable image of it.
- ...

5.7.6.3 Objectives

- To develop at least 5000m² of industrial floor space per annum.
- To develop at least 5000m² of office and retail floor space per annum.
- To ensure that at least 40 ha of land can be developed for residential or non-residential purposes within two years at any one time (ie infrastructure available).
- To attract two or more firms in pre-defined sectors each year to broaden the economic base
- To build at least 500 homes per annum for various income categories (define the number of homes per income category).
- To landscape at least one major road per annum, and ensure that previously landscaped areas are well maintained.
- To ensure that all officials in local government are trained to deal with the public courteously within the coming financial year.
- To train at least 50 persons per year in advanced skills required by targeted industries.
- To develop a targeted marketing strategy that will inform all major corporate investors of the potential of the town within the next three years
- ...

5.8 OPTIONS, STRATEGIES AND PROJECTS

The preceding sections have discussed the foundations on which a locally generated plan for economic development is based. Without a strong foundation the plan may well collapse. This foundation should be complemented by a sturdy structure of options, strategies, action plans and projects.

Given the 'what' is to be done in the form of goals, and performance targets (objectives), strategies detail the 'how' of attaining the vision as elaborated in those goal and objectives. Often the strategies may appear to be self-evident from the preceding actions, and at other times, no clear means of attaining the goals may be apparent. Either way, techniques for generating alternatives and approaching issues from new perspectives can be used to examine the existing ideas and create new ones.

This section will concentrate on the processes of generating strategies, evaluating and detailing them, and formulating action plans and projects for implementation. As in the preceding sections, the focus will be on pertinent questions to guide planners and the community in formulating strategies.

5.8.1 Community and technical input

The process of generating and evaluating proposals should entail both community and technical inputs. The community can generate initial ideas. This could occur within small groups comprising representatives of the broader community if the community is relatively cohesive, or small, or there are a limited number of goals with clearly defined priorities.

If there is a large community, with diverse interests, a wide range of goals and limited consensus on priorities, then communal option-generation may be time-consuming and fraught with conflict. Under such circumstances it is recommended that the technical team generate a range of alternatives for the most important goals and present these to the community or its representatives. Such an approach will save time and present the community with workable strategies that have been subjected to an evaluation for feasibility, with sensitivity to what is realistically achievable within the organisational, time and financial constraints. On the other hand, this approach may exclude the generation of truly innovative ideas and approaches, and restrict the range of options to tried and tested alternatives.

Where there are community groups with expertise in the formulation of alternative plans, these groups can be asked to submit their proposed strategies for debate - anonymously if there is potential for their rejection simply because they are generated by a particular group. In this manner, the community can evaluate a diverse selection of proposals and a set of strategies for locally generated economic development chosen for implementation.

5.8.2 Generating ideas

Strategies are goal-oriented processes. There is often more than one route to a destination, and there could be more than one way of attaining a goal. Strategy formulation concerns the most satisfactory means of attaining goals given the resources available and time constraints. Thus strategy formulation entails creative thinking and testing or evaluation.

The first step in strategy formulation is a brainstorm of ideas on how to attain the vision and goals. As with the vision and goals, this can be done in small groups. If there is cohesion, and mutual respect in the group, then ideas can be elicited spontaneously from members. If there are strained relationships, then each member of the group can be asked to submit an idea in turn. Once, and only once, a large number of ideas have been

received, can these be sorted, evaluated and criticised. Neither the idea, nor the person may be criticised in this phase. Generation of ideas, as many innovative, different and unusual ideas as possible should be the outcome of this task. Ideas that may not be considered practical, relevant or appropriate can be discarded at a later stage.

The following questions can be used to generate ideas:

- > How can we achieve the goal?
- > What must be done to achieve the goal?
- > If there were no financial or political obstacles or restrictions, how could the goal be achieved?
- > How else could we achieve the goal?
- > If there were a fairy Godmother, what we ask her to do (in relation to goal x)?
- > What if ... (a series of possible scenarios, actions etc.)?
- > What would happen if we did the opposite of...?

Ideas can be generated on attaining the vision, a broad sweeping strategy, as well as for the more defined goals. Different perspectives, from various sectors of the community - socially and culturally, taking age and gender perspectives into account, could lead to innovative ideas and strategies.

To encourage creative thinking, it may be beneficial to ask participants, prior to commencing the brainstorming session, to do common things differently, such as writing, or drinking from a glass with the hand that is not generally used⁹. This may also function as an 'ice breaker'. If the group gets stuck, then a similar exercise or just a break is recommended.

Ideas can be generated randomly, or under set headings. Bendavid-Val (1980:19) suggests the following categories: temporal, according to types of activities, and sponsorship (see table 5.10). Other categories can be sectoral or geographical.

If the goals have been prioritised, proposals could initially be generated only for those goals with the highest priority. Other good proposals need not, however, be discarded, and can be evaluated and implemented should the resources required be available. Strategies for other goals can be generated later when resources permit.

⁹ This creates new pathways in the brain and stimulates creative thinking (refer to Dilts, Epstein & Dilts 1991:113).

Some proposals will be strategies, ie broad, goal orientated directions, while others will be in the form of more specific actions. The strategies will require further detailing and division into action plans and projects. Not all the strategies or phases of a strategy need be implemented within a single budget cycle but may be effected over several budget cycles. As the process is iterative, new strategies may emerge, to complement or replace existing strategies that are not as effective as hoped.

Table 5.10 A classification of proposals

Time dimension	Immediate implementation (current and next budget year)	Medium term (broken down into projects for 3 to 5 budget years)	Long term implementation (many sub-strategies and projects)
Impact dimensions			
Entire community			
Economic sector			
Social sector (eg youth)			
Geographic area (local plan)			
Initiator/ source of funds			
Public sector			
Private sector			
Partnership			
NGOs			
Other			

Source: Bendavid-Val 1980:19 and author

It is essential, however, that for any proposals to be evaluated, or implemented, there must be a significant level of detail that addresses the resources required (funding, manpower, expertise), the manner in which the proposal is to be implemented (actions), and the results anticipated (deliverables). A vague statement of intent cannot be implemented or evaluated. Careful attention to detail at the outset can anticipate and prevent many problems that could later arise and de-rail the entire process. It will ensure that the budgets can cover the most essential costs and that the operational aspects have been considered so that human resources can be appropriately deployed. An implementation plan is thus a fundamental component of any strategy, proposal or plan.

Far too often attempts are made to implement plans based on good ideas without due consideration of operational aspects. This is comparable to deciding to erect a building, and then proceeding with construction, without first drawing up building plans. Just as

erecting a building without plans is a recipe for disaster, so is implementing a proposal without due consideration of the operational details thereof.

5.8.3 Strategy evaluation

From the brainstorming session, a number of ideas should emerge. Some proposals will be long term, while others can be implemented immediately. Some proposals may require additional research to evaluate their feasibility, or training of personnel to implement effectively. Others may need to be broken down into a number of action plans or projects, each with their own objectives and budgets (financial, time and personnel). Each strategy, or cluster of related proposals, should be evaluated to determine feasibility, impacts on the community and to determine if they will meet the goals, and if there may be any unwanted side effects. Lichfield (1996:40-46) lists a number of options for strategy and plan evaluation, some of which will be discussed below.

With the broader strategies, a second round of option generation, followed by evaluation may be necessary to generate a practical list of projects that answer to the question "how are we going to do this?" Ideally the result should be a list of tasks or projects that can deliver tangible results for the community (Burton and Michael 1994:31). Each project or task should have a target date or deadline, a specific budget, and be coupled to a specific implementing organisation or person. A large project could comprise a number of tasks, some that can be undertaken concurrently, and others that must be undertaken sequentially.

The impact (both positive and negative) of various strategies may differ substantially. The level of resources required for one plan of action may be greater than that required for another, but the former may be far more effective. It is thus necessary to evaluate the potential plans of action to determine which will be the most effective. Various means are possible, including a simple set of questions to identify possible impacts and thus discard options that will clearly not meet the goals. Cost-benefit and cost-effectiveness analyses can be utilised where the decisions are not so clear cut.

Basic questions for evaluation can include the following:

- > How will this proposal achieve the goal and vision?
- > How does it relate to the objectives?
- > How does it relate to the factual information in the analysis phase?
- > Is it practical and feasible?

- What are the anticipated benefits?
- What will it entail in terms of resources (financial and human)? Does the community have those resources? Could it purchase them (eg through employing consultants or contractors)?
- What are the organisational implications of this plan of action?
- How long will it take to prepare and to implement? How soon will results become available?
- How will the community know that the strategy / plan of action is indeed achieving results? (The answer to this question should relate to the objectives: the evidence procedures or performance indicators.)
- What will the community have to forego in order to implement the strategy (opportunity costs)?
- How much support does this proposal enjoy from the entire community? Is it only applicable to certain sectors of the community? Does this matter?
- What will the impacts of this plan of action be on the sectors, communities or areas targeted and other sectors, communities or areas?
- Is there any other way to achieve similar results?
- Are there any high priority goals or objectives not adequately met?

Each proposal could also be evaluated in terms of its political or social viability, economic or financial feasibility, and in terms of its practical or implementation viability, taking human and natural resources, organisational and legal implications into account (Blakely 1989:225-226).

Once all the proposed strategies and plans of action have been evaluated in terms of the above list, many may have fallen by the way, and only a limited set of proposals may remain. These can be further evaluated by other means to identify those that yield the best results for the resources available. They can be subject to various techniques, including a predetermined checklist, a comparative assessment matrix (Bendavid-Val 1980:21-22), cost-benefit or cost-effectiveness analysis.

The checklist may include many of the issues considered in the above list of questions, such as:

- economic impacts (eg employment, municipal expenses and revenue, enterprises created),
- social impacts (eg household incomes, training opportunities, quality of life),
- environmental impacts (eg pollution, traffic generation, open space utilisation), and

- cost implications (eg capital, manpower and skills, infrastructure, time aspects and further investigations needed).

In compiling a checklist both the direct and indirect elements must be included. If various proposals are being compared, then each aspect need not be quantified, but could be rated in another manner (see for example table 5.7). Sections 5.8.4 to 5.8.7 discuss a number of techniques and methods that can be applied to strategy evaluation.

Alternatively, asking relevant questions can identify patterns (Bendavid-Val 1980:22). Typical questions are:

- Which proposals make the biggest contribution to meeting the objectives?
- Which options have the most linkages to other options?
- Which options form the basis of other options?
- Which proposals can be funded internally and which require outside funding (and hence lobbying)?
- Which options are dependent on others?
- Are there any proposals that are mutually exclusive?

If there are only a limited number of strategies for evaluation, then a comparative assessment matrix can be utilised. Table 5.11 illustrates such a matrix.

Again a list of factors or criteria against which to assess the various options is required. Each option is then evaluated against each of the criteria or factors, and against the goals and objectives. In scoring the matrix the factors can be weighted to reflect importance. The options are scored according to their contribution and the total scores for each option are then compared.

Table 5.11 Comparative assessment matrix.

OPTION	EXAMPLES OF ASSESSMENT FACTORS					
	Permanent jobs	Increased household income	Increased land values	Comple-ments other projects	Contribution to objectives	Cost effective-ness*
Option 1						
Option 2						
Option 3						
Option n						

* Cost effectiveness: divide total score of factors by project cost

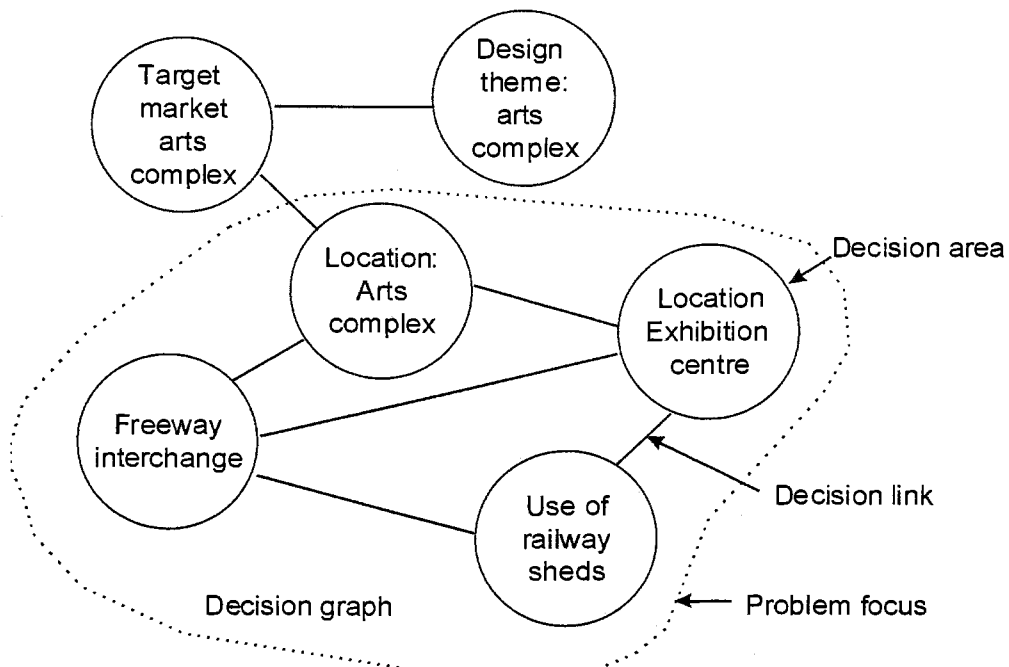
Source: Bendavid-Val 1980:24-25

5.8.4 Strategic choice approach

The strategic choice approach is a practical method of evaluating complex problems and options (Friend & Hickling 1997:27-77). Four interconnected modes are used to structure the problem, and within each mode a variety of techniques are used to first shape and define the issues, and then to compare options and chose the preferred course of action. The work is best done in small multi-disciplinary teams. (See also section 4.2.4 for a discussion on this process as a planning methodology.)

The first step in the process entails defining the decision areas - situations where there is an opportunity to make a decision. Often, but not necessarily, the decisions that must be made are linked together as they influence each other. Decision links occur where it is more advantageous to consider decision areas together rather than separately. These links can be illustrated on a decision graph. By illustrating the decision links, the structure of the problem or issue, and the relationships between related problems become more evident. Those linked decision areas that form a natural cluster comprise a problem focus. (See figure 5.4) Each problem focus can then be further explored using the *analysis of interconnected decision areas* (AIDA) methodology (Friend and Hickling 1997:37).

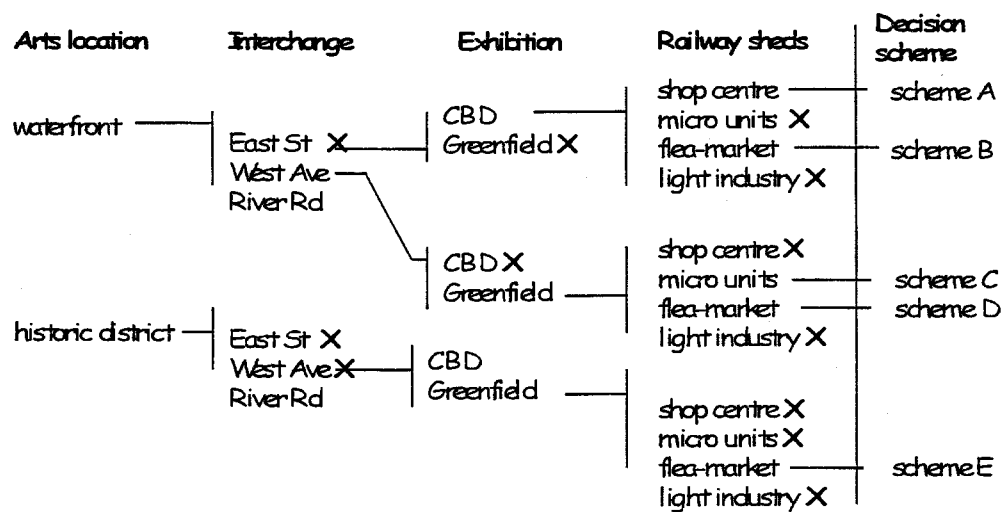
Figure 5.4 Decision areas and decision focus in decision graph



Source Friend & Hickling (1997:30,35,36)

For each decision area a set of mutually exclusive courses of action (decision options) can be formulated for evaluation. Each set of decision options is tested against every other set of decision options, and those that are mutually exclusive eliminated. (These mutually exclusive options are option bars.) The remaining options (or the option bars) can be illustrated in an option graph, again to depict the structure of the relationships between the issues. Once there is agreement on the possible options, a decision scheme, depicting any “feasible combination of options containing one from each of the decision areas within a problem focus” can be prepared (Friend & Hickling 1997:44). (See figure 5.5.)

Figure 5.5. Decision Scheme

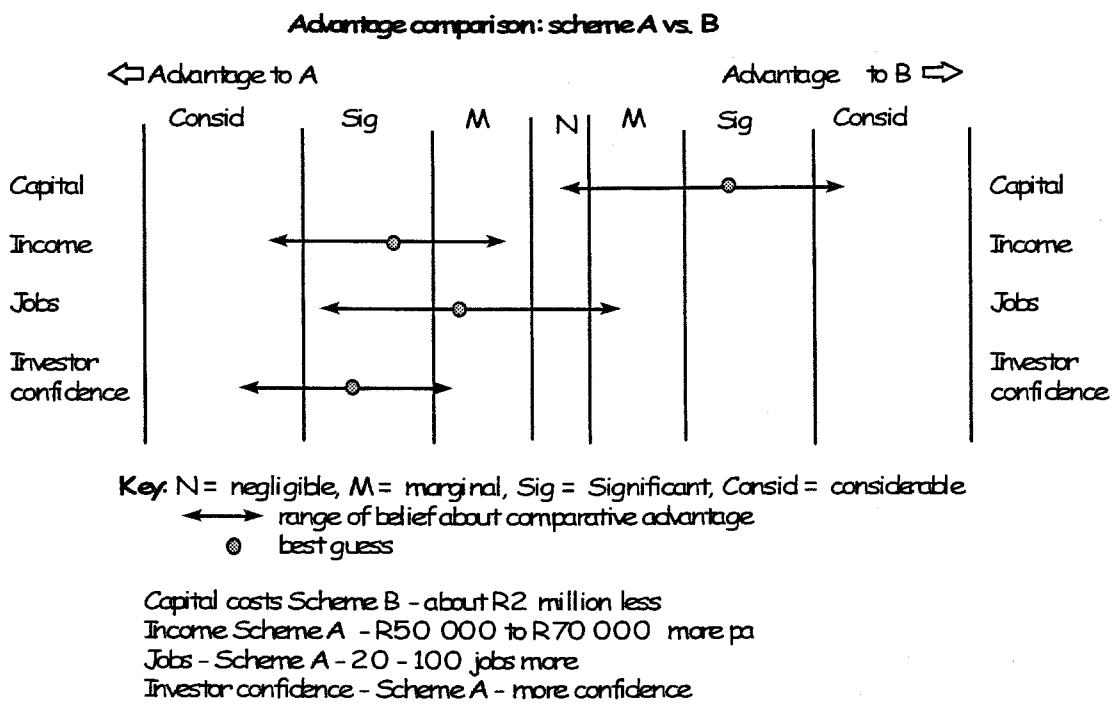


Source: Friend & Hickling 1997:44

Once the decision schemes have been defined and named, then the process of choosing between options can begin. The first step is to formulate sets of comparison areas using a multi-criteria approach (Friend & Hickling 1997:52-69). Each comparison area represents a criterion (or a composite set of criteria) against which various decision schemes can be evaluated. Each decision scheme is assessed relative to the other decision schemes in terms of the comparison areas. The measures used need not be monetary units or numerical terms, but can be expressed in terms of symbols or words. The critical terms are ‘more’, ‘fewer’, and ‘less’. Various quantitative techniques can be used in the assessment, eg discounted cash flows, but this is not always necessary. Where there is uncertainty regarding the relative advantage of one decision scheme against another, an advantage comparison can be utilised. This introduces “a non-numerical scale of scale of advantage comparison as a basis for translating relative assessments within diverse comparison areas into a common framework” (Friend & Hickling 1997:59). Again terms

such as 'extreme', 'considerable', 'significant' and 'marginal' are used, along with a range of uncertainty (see figure 5.6). On the basis of the comparisons, a working shortlist can be compiled with only those decision schemes that have the greatest advantage.

Figure 5.6 Advantage comparison



Source: Friend & Hickling 1997:58

During assessments, areas of uncertainty will undoubtedly emerge. These uncertainties can relate to the environment, values or related decisions (Friend & Hickling 1997:9). Once the areas of uncertainty have been identified, a decision must be made regarding what, if anything, is to be done about them. Certain levels and types of uncertainty may be acceptable, or unavoidable, but in other cases some form of action or research is needed or possible. Exploratory options are actions that can be taken to decrease the uncertainty. In evaluating these exploratory actions the following must be taken into account

- the change in the level confidence that can result
- the resources required for the exploratory option
- the delay involved.

However, in cases of interrelated decision areas not all decisions can, or need be deferred until the outcomes of the exploratory options are known. An action scheme is a course of action where "commitment to a specific option is indicated in one or more of a set of decision areas, while commitment in others is explicitly deferred until later in the

process" (Friend & Hickling 1997:71). The action scheme indicates the degree of flexibility and the range of choice possible if a specific decision were to be taken. Once the implications of the action schemes are known, commitment packages can be formulated. This is the sum of the proposed steps to be taken, including immediate actions, exploratory actions, and agreement regarding the manner in which deferred decisions will be handled. In this way immediate actions (including actions to reduce uncertainty) can be addressed, while future options can be listed (deferred choices). In addition proposals for addressing deferred choices and for dealing with contingencies can also be addressed.

The above process is a rigorous process for examining complex issues and formulating as well as evaluating responses to those issues. Not only can it be used to analyse interrelated issues, but when applied in a team representing different interests, it can be a valuable means of identifying varying values and conflicting interests that could later lead to the rejection of the plan and its proposals.

5.8.5 Cost-benefit and cost effectiveness

Cost-benefit analysis examines the relative costs and benefits of a project in financial terms (Gosling & Edwards 1995:193). While actual costs, eg expenses, man-hours, travel costs and overheads may be relatively easily calculated, the social and environmental costs and benefits may not be so easily quantified. In some cases, a rigorous application of cost-benefit analysis may assist in choosing between alternatives. Such an analysis is recommended for projects where large resource commitments are necessary, and which warrant the costs of the exercise.

Cost-effectiveness concerns achieving objectives at reasonable cost (Gosling & Edwards 1995:193, 195-197). Here costs are related to outputs or beneficiaries. Where the benefits to the community or target group or sector are greater than the project costs, the project is effective. Essentially this analysis comprises two elements, a cost-effectiveness ratio and a non-quantifiable benefits rating. The cost effectiveness ratio is the sum of the benefits attributable to the project or actions and the benefits without the project, divided by the project cost. The benefits rating is a set of weighted values for pre-defined benefits. The latter examines aspects such as improved skills, quality of life, sustainability of enterprises and increased employment and incomes.

Both techniques permit the comparison between different strategies and the evaluation of potential costs and impacts prior to implementation and both techniques require

considerable expertise. Furthermore, non-quantifiable benefits are difficult to measure, and approximations can be arbitrary or possibly ignored. Thus these techniques can be difficult to apply to strategies and projects without clear economic benefits.

5.8.6 Multi-criteria evaluation techniques

These techniques can handle a number of criteria ranging in importance expressed in different units of measurement. These techniques generally use matrices scoring a variety of options against a number of predetermined criteria. (Ashworth & Voogd 1990:53-64). The criteria must be carefully selected to be representative of the possible outcomes or impacts. As different groups may have different criteria or different priorities and weightings for criteria, these must be taken into account. Massam (1988:21) proposes the use of a combination of matrices, representing the options, criteria and interest groups. These are scored in various ways, depending on the nature of the proposals and criteria.

5.8.7 Community impact evaluation

Community impact evaluation (CIE) is an adaptation of impact evaluation and cost-benefit analysis for land-use and related planning purposes (Lichfield 196:146). This process acknowledges the complexity of decision-making within an urban context where different sectors of the community and different activities are affected. The process is designed to evaluate options prior to decision-making and implementation (*ex ante* evaluation), but can also be used to evaluate the results of the proposals or project (*ex post* evaluation). In line with cost-benefit analysis economic impacts are measured, but social and environmental impacts are also included.

The CIE process begins with a project description, including the planning process (methodology), the projects and proposals and their options as well as the envisaged changes. Then follows the decision framework, analysis and conclusions, which are presented to decision-makers (Lichfield 1996:109). Each step in the process is based on the previous steps, and the information builds on the preceding work.

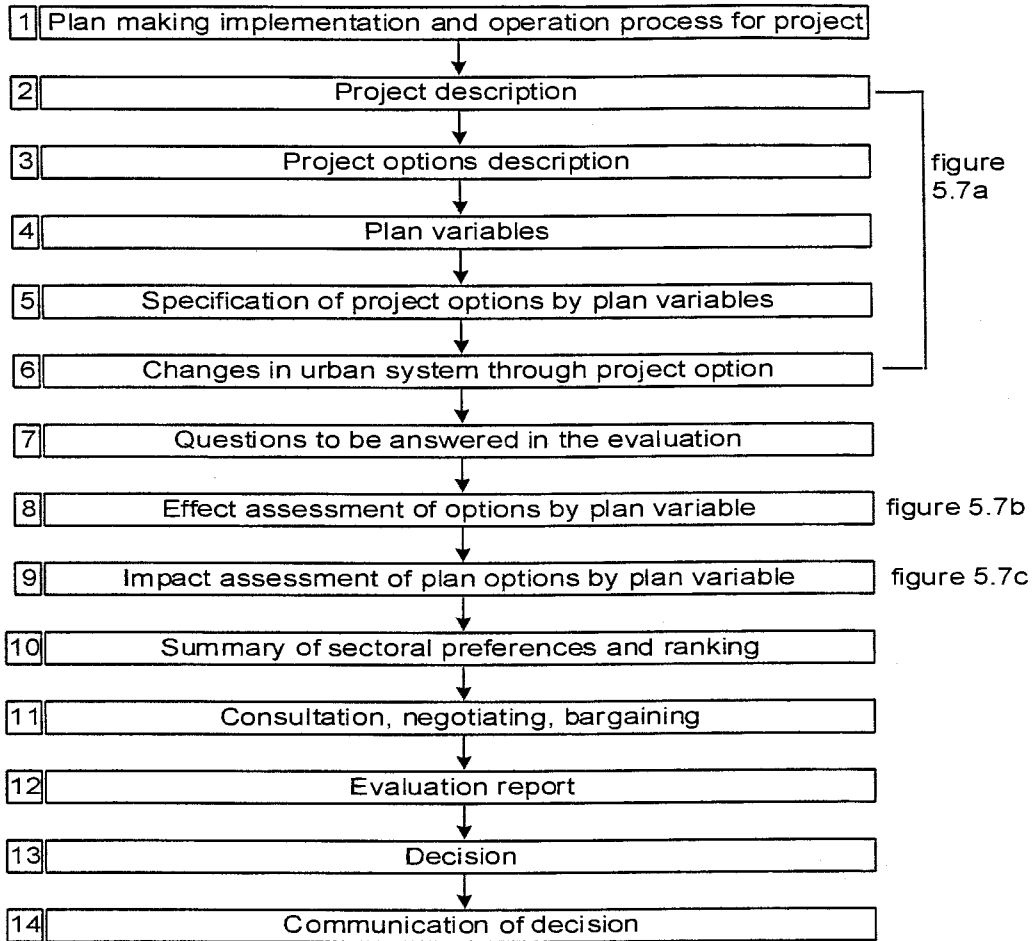
The initial stages must clarify the nature and purpose of the project or proposal, indicating whether it is a new development (physical construction), an activity, linkage (eg road) or decommissioning. In each case, basic information regarding the location of the activity and the anticipated changes must be discussed. The various options must be described, along with details of the differences between them, which implies adequate data regarding

the options. For each option, the information pertaining to the implementation, operation and management phases is necessary and the context of the decision-making must be specified. Issues pertinent to eg developers, the local authority, and various community interest groups must be noted.

Once a detailed description of the elements has been compiled, a list of indirect and direct effects is generated. Changes in the system are linked to the effects generated by the system (Lichfield 196:120). The anticipated changes from specified elements in the system (plan variables) are now considered per community sector and each option is compared with another (this can include a no change option). The nature and extent of the impact is then evaluated. Impacts can vary with respect to size, timing, probability, reversibility and significance, and the degree in which they affect the quality of life or way of life. Primary (direct), secondary and tertiary (indirect) impacts can be evaluated until the level of uncertainty limits prediction. It must be borne in mind that it is the difference in the impacts for each option that is important (Lichfield 1996:129). Once the options have been evaluated they are ranked in terms of their preference per sector or community. Conclusions are drawn from these preferences.

The process provides for community participation, and it is during the latter stages that the changes to the way of life anticipated arising from each option can be debated. Hereafter the options, their merits and the anticipated impacts of each, with recommendations are submitted for decision-making, and the decision is communicated to interested and affected parties. The process is depicted in figure 5.7.

Figure 5.7 Community impact evaluation



Algorithm of basic process

Figure 5.7a

Detail of steps 2 - 6

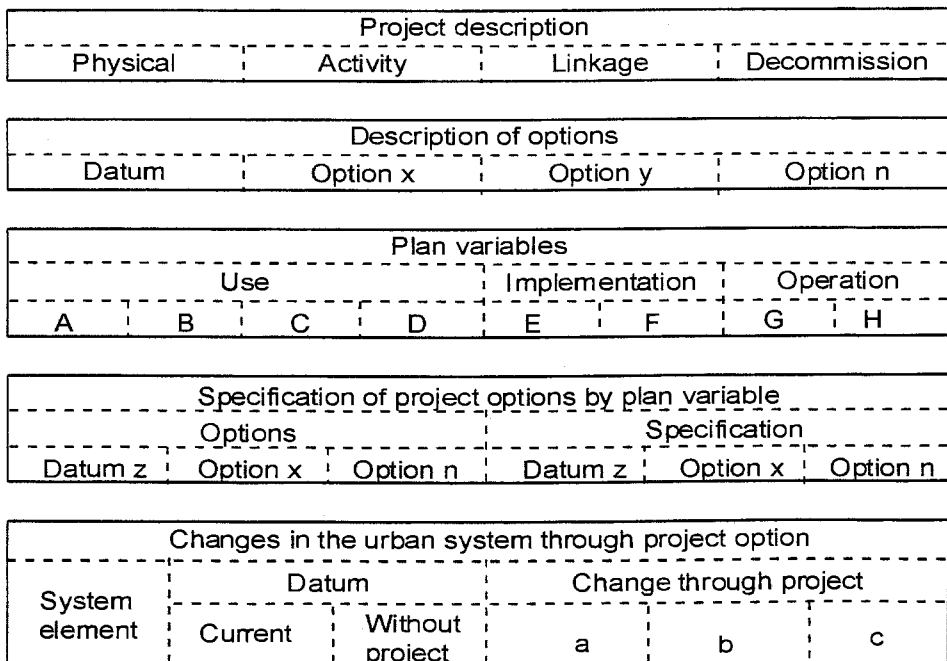


Figure 5.7b

Detail of step 8

Effect assessment of options by plan variable		
Plan variable	use ----- implementation ----- management	Summary: effect of change on sector per option
Community sector	item ----- impact ----- no.	
Size of effect	unit ----- amount	Community affected
Characteristics of effect	kind ----- type ----- timing ----- probability ----- reversibility ----- significance	

Figure 5.7c Detail of step 9

Impact evaluation of plan options by variable		
Community sector	item ----- sector ----- no.	Summary of impact change on impact sector
Plan variables	use ----- impact ----- option	
Difference in impacts between options	i (the difference ----- between ----- ii options ----- iii compared ----- with each other) iv	Sectoral objectives for impacts
Differences in net benefits of options	datum ----- x ----- y ----- n	Ranking of options
Preferences by sector on options	----- ----- -----	

Source: Lichfield 1996:110-111

Economic multiplier analysis. According to Lichfield (1996:77) input-output tables and economic base analyses (see section 5.6.2) can be used to evaluate the economic effects of policy proposals.

While appearing very rigorous and objective, it must be noted that most of these methods have a high degree of subjectivity. The criteria and weightings are generally subjective, as is the assignment of monetary values to social costs and benefits: it is merely the manipulation of the figures assigned that is objective and mathematical (Lyons & Hamlin 1991:168). Many of these techniques can be used to evaluate the results of a project once completed. At that stage the costs and benefits are far more visible and thus quantifiable.

Depending on the nature and extent of the proposals and its impacts (measured in terms of social, environmental or financial costs) it may not be possible to generate options and evaluate them within one budget year. Considerable resources may have to be expended on the planning and evaluation stages over several years before implementation.

5.9 IMPLEMENTATION

Without implementation, even the best of plans lie and gather dust in bookshelves. "In a sense, implementation planning is the ultimate test of what has gone before in the planning process. It is the place where high priority, desirable, and practicable economic development planning projects and action proposals are fit into a working framework, constrained by both the direct and indirect resources available for administering the plan" (Bendavid-Val 1980:26).

Implementation of the plans, strategies, policies and projects need not occur concurrently, but may be phased over time as resources, including expertise, manpower and funding permits. Several changes may be made to the original proposals in this process, as the lessons learned over time are applied to new projects.

According to Blakely (1989:133), the most important elements for implementing any strategy are materials (physical resources), the socio-political will, human resources, management and organisational resources, and money. Social will refers to the willingness of the community and its leaders to commit resources to the project. Physical resources include natural resources, buildings and other physical assets such as landscapes or historical settings. Human resources include labour in a community, the

level of expertise and skills within that community, and educational or training facilities available. Management and organisational resources refer to existing structures and abilities within a community through which a plan can be implemented. Without these elements and finances, the implementation of a proposal, strategy or plan will be difficult.

5.9.1 Responsibility

An essential component of implementing a plan is determining who (person or organisation) will be responsible for what (which projects, tasks or actions), by when (deadlines), with what (the resources), where (which sectors or geographic areas), and when (during which phases or times). Clear allocation of authority and accountability is essential. Ambiguity in division of responsibility will only lead to duplication of effort, or shifting the blame if things do not work out as intended. Also, the organisation structure must be considered, and created or amended where necessary. A table similar to table 5.12 can be utilised to assign responsibilities to strategies, policies and projects.

Table 5.12: Assignment of responsibility

Strategy:				
Organisation responsible and contact person (project manager)				
Key tasks	Person / organisation responsible	Due date/ deadline	Resources required	Budget
1				
2				
3				
4				
...				

5.9.2 Approval

Permission, funds and commitment from the politicians and the community are vital for implementation. To this end, authority to proceed with the implementation of the plan or its various projects may be necessary. The process, as described up till now, may have necessitated several reports to local decision-makers, including politicians and local businesses, eg elucidating the need for a local economic development plan and the proposed process, requesting permission and funds for the analysis, and goals and objectives. If the decision-makers have been an integral part of the process, approval of

the plan and resources for implementation should be forthcoming. An approval in principle of the entire plan, to place it in perspective is recommended, followed by further submissions of more detailed projects and their budgets for implementation. In this way, queries about details of a project will not lead to the rejection of an entire plan that may have taken months to prepare.

In local government, there are usually two facets to such authority to proceed - approval of the plan or project *per se*, and approval of the budget for the plan or project. Similar approvals may have to be obtained from the management of private sector organisations and members of non-governmental and community organisations involved in the plan or project. In most cases, applications for funding must be placed on budgets in good time, and with sufficient motivation to survive budget cuts. In local authority this entails estimating the cost of the plan some three to six months in advance.

5.9.3 Prioritization

Some proposals will be more important to the community than others, and some will have a greater impact than others. As it is unlikely that that all the strategies, plans or projects could be implemented simultaneously due to manpower and budget constraints, plans and projects for implementation must be prioritised and scheduled. A trade-off between community demands and budget realities may be necessary. This is generally a political decision, based on the political and financial implications of each option. It is here that the evaluation of the costs, benefits and impacts of each option (discussed in section 5.8) is so important as it can provide a relatively objective basis for decision-making. Priorities can relate to communities, geographical areas, economic or social sectors, or in terms of the overall impact or benefits that a plan of action may have on the community.

5.9.4 Allocation of tasks

Where there is more than one organisation involved in implementing a strategy, it is imperative, from the outset, to determine each organisation's role and responsibilities, and what that organisation expects in return. Formal contracts may be necessary where public-private partnerships involving millions of Rands are involved. In other cases more informal agreements for joint ventures may be appropriate. The larger the risk, or the funding, the more formal the arrangements should be to protect the parties involved.

5.9.5 Authority, accountability and organization

Appropriate organisational structures are necessary for effective implementation. This may be a partnership of various stakeholders such as local government and businesses and the community, with representatives of each on a steering committee. (If this is the case then the mandate of each member must be clarified at the outset, and their contribution, including that of resources, must be determined prior to implementation to avoid misunderstandings that can derail the entire process.)

A dedicated organisation such as a not-for-profit company (ie a Section 21 company) or a voluntary association can be established, funded and staffed by members of the partnership. The advantages of such a company are that its management can include local experts and still be representative. It can also accept donations and undertake a number of actions that local government may be precluded from doing (eg making loans to persons or organisations). Furthermore, it may be able to make decisions far more rapidly than local government. It also need not operate under the same budget constraints of a local authority where funds not spent in one budget year are 'lost'. The issues of transparency and accountability discussed previously are, however, applicable. The co-ordinating or implementing agency can be part of an existing organisation, eg local authority or business chamber, or large corporation. Ideally, the implementing agency should be placed in a neutral position, to avoid allegations of control by one partner or party.

Whatever the organisational structure employed, the following aspects must be considered in implementing strategies or projects.

- What are the personnel requirements, including technical, administrative and managerial?
- How are these personnel to be organised - within existing organisations or a new structure?
- How should be communication between decision-makers, the community and the implementing or co-ordinating organisation or division flow? How is ongoing community participation to be structured?
- To whom will the organisation report, and from whom will it receive directives?
- What are the functions of each section and person within the organisation? Who is responsible for planning, administration and management of the organisation, and the management of the process?

- Who will fund the implementing or co-ordinating organisation, agency or division? (These costs will include premises, staff, furniture, equipment, communication, travel and other running costs.)
- The financial and administrative procedures must also be determined from the outset to protect both staff and donors. The level of independent decision-making should also be predetermined and provision made for urgent matters and contingency plans.

Sufficient attention to these operational and accountability issues from the outset will prevent problems. Determining the obligations and functions of each party and staff member will enable implementation to proceed smoothly. However, if these issues are neglected, the potential for chaos will be high.

5.9.6 Resources

The implementation of any plan requires resources, and the demand usually exceeds availability. Any proposal competing for resources should be well motivated, explaining the importance and necessity of the plan, its benefits, cost-effectiveness and contribution to achieving community goals.

Sources of funding and technical assistance are numerous and include local, provincial and national government, private enterprises, non-governmental organisations (NGOs), foreign governments and international aid agencies, such as US AID. Each of these will have its own sphere of interest and criteria for funding or assistance. The nature of the projects and the beneficiaries will play an important role in the source of funding.

If local funding is insufficient, then fund-raising campaigns may be necessary. Such campaigns are strategies of their own, and will require careful planning and execution. Lobbying powerful organisations and decision-makers may be part of such a campaign.

'Resources' implies more than just finances, although funding is critical. Adequate manpower and expertise are equally important to successfully implement any plan. If the human resources are not available within the implementing or co-ordinating organisations, then consultants and contractors can be employed. Before employing consultants, there must be a clear brief setting out their terms of reference, what is expected from them (the 'deliverable') in what form it is to be delivered, and by when, as well as conditions of payment. The obligations of each party must be spelled out, as well as the penalties for non-compliance. The communications channels, including to whom the consultant or

contractor must report, must also be clear. An open-ended appointment for consultants is not recommended, as it opens the door for abuse and corruption.

When considering appointing consultants or contractors, it is recommended that, in line with most governmental departments, several firms or consultants be invited to submit proposals or tenders for a job¹⁰. These can then be evaluated on the basis of pre-determined criteria, such as:

- the capacity of the firm to deliver
- the firm's previous experience
- whether the firm is locally based or not
- the firm's commitment to empowering disadvantaged persons
- the manner in which awarding the work to the firm will assist local small, medium and micro enterprises.

5.9.7 Time frames

While some strategies, eg image marketing may be ongoing, each and every plan, strategy or project should have definite milestones or deadlines, linked to those of the objectives, by when certain tasks must be completed. This is critical for several reasons. Where projects are dependent on the completion of preceding projects or phases, and these are delayed or not completed, the entire project will be in jeopardy. Delivery on projects will assist future funding while non-delivery will cut off funding from that source. Also, with government budgets, no payment can be made for tasks not completed within that financial year, as funding cannot be 'rolled over' from one financial year to another. Completion of projects, and delivery on promises not only boosts the image of the role players (eg politicians, business men and women and the planning and implementing agencies), but can play an important part in promoting the morale of a community, and improving its image externally.

Performance Evaluation and Review Technique (PERT) or critical path analysis (Buffa 1980:354) is a technique that facilitates the scheduling and control of projects. In most projects there are activities that cannot be undertaken until other activities are completed (ie they are dependent on prior activities), and activities that are independent of prior

¹⁰ This procedure should only be followed where the value of the contract is high (eg R100 000). For smaller contracts the costs of preparing the project proposals, which is done at risk, can exceed the potential income, and consequently firms or consultants may not be prepared to submit proposals.

activities. The technique enables the identification of the critical activities and the minimum time-frames in which a project can be completed.

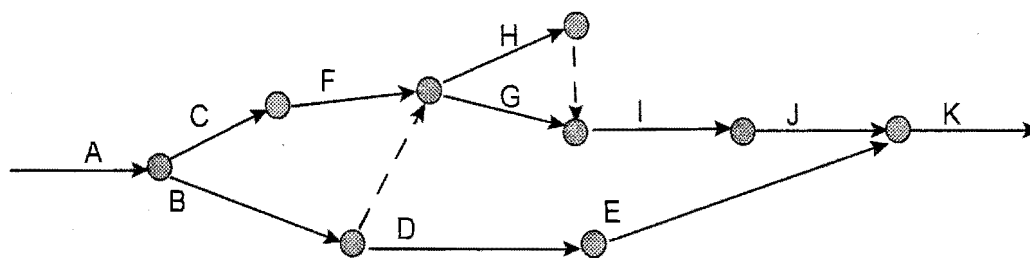
In applying this technique it is necessary to analyse the activities and events, and their relationships. These relationships can be depicted graphically on a network diagram. An activity is a small unit of the work to be done with a specified beginning and end point and required resources. An event is a milestone that marks the beginning or end of an activity (Hendrick & Moore 1981:139). Each activity thus connects two events, and no two activities may have the same beginning and end events. To avoid such instances 'dummy' activities with a zero time frame are used. This is essential for computerised applications of the technique. Estimates for the time required are based on a realistic time, or a combination of optimistic and pessimistic times (Hendrick & Moore 1981:139). These times are used to determine the earliest and latest start and finish times respectively. The critical path lies along the path of activities in which there is no slack or leeway, ie they must be completed on time if the project as a whole is to be completed on time. Figure 5.8 illustrates the application of this technique to a hypothetical marketing project.

Figure 5.8 Example of PERT network data and diagram

Activity	Preceding activity	Duration	Start		Finish		Slack
			ES	LS	EF	LF	
A Approve project and budget	-	3	0	0	3	3	0
B Obtain quotes	A	1	3	3	4	4	0
C Define theme	A	2	3	3	5	5	0
D Distribution plan	B	1	4	8	5	9	4
E Compile mailing lists	D	3	5	10	8	13	5
F Collect information and material	C	2	5	5	7	7	0
G Write copy	F	2	7	8	9	10	1
H Design layout	F	3	7	7	10	10	0
I Compile document	G,H	1	10	10	11	11	0
J Publish document	I	2	11	11	13	13	0
K Distribute document	E,J	1	13	13	14	14	0

Figure 5.8 continued

ES = earliest start, LS = latest start, EF = earliest finish, FF = latest finish



Source: Buffa 1980:360, Hendrick & Moore 1981:142, and author

5.10 MONITORING AND EVALUATION

Implementation is generally a long-term process, and it is essential to keep track of progress towards attaining the goals. The monitoring process continually checks what is being done against the objectives and implementation plans, and where there is non-achievement, institutes an investigation into the reasons for deviation. It is important, however, to monitor more than just the implementation of the policy and proposals. The environment or circumstances in which a plan is implemented is continually changing, and thus the relevance of the strategies, and even the goals and objectives, may also change. Cognisance of such change is essential, otherwise time and effort could be wasted on projects no longer of importance or value to community. Consequently, a monitoring system should be able to track:

- > progress towards attaining goals and objectives
- > changes in circumstances or the environment
- > changes in priorities, goals and objectives
- > relevance of the existing strategies and proposals.

Since changes in goals, objectives and priorities are less likely to change from year to year, monitoring of these changes can be incorporated into regular reviews of the entire local economic development plan.

The monitoring system should collect and analyse data to formulate responses to following questions:

- > What actions are currently being taken? How do these relate to the goals and objectives, approved plans and programmes?

- How effectively are those actions being undertaken, ie what impact are the actions having?
- How effectively is the plan being implemented, ie how are the resources being utilised?
- How effective is the implementing organisation?
- Are the goals and objectives being attained?
- If there is a discrepancy between the objectives and results, why?
- Are the goals and objectives still relevant, and if not, why not?
- Are the circumstances that prompted the plan still the same, and if not, what has changed, and why? Is the plan still relevant?
- What improvement in the current situation can be attributed to the implementation of the plan?

Monitoring could be said to concentrate on the process and the alignment of implementation with the goals and objectives, while evaluation concentrates more on the effectiveness of the plan, ie outcomes or results. As such it is generally conducted towards the end of the process. Most of the techniques discussed in sections 5.8.5 and 5.8.7 can be applied to *ex post* evaluation.

An effective monitoring system has two components: benchmarks or performance criteria against which to measure progress, and an effective information gathering and a processing system (Lyons & Hamlin 1991:178). These are inter-linked as the necessary information on progress is dependent on an effective information-gathering system. To ensure that the required information can be provided by the system, the data requirements must be determined from the outset as part of the implementation strategy.

5.9.8 Benchmarks

Performance indicators or benchmarks measure performance vis-à-vis the goals (see section 5.7.4). Without clear benchmarks in the form of specific, measurable and achievable objectives, monitoring will be ineffective. A monitoring process can measure both outcomes (results) as well as the manner in which they are achieved (quality). Furthermore, value for money or an evaluation of benefits gained versus costs incurred should be carefully monitored. As mentioned above, the nature of the performance criteria, and the data necessary to evaluate achievement, must be defined prior to implementation if the data necessary is to be obtained at little extra cost. Questions such as “why is this information required”, “what relevance has this information”, “what will I do

with this” and “ how can this information be most easily and accurately obtained”, will enable to appropriate data to evaluate progress to be obtained.

5.10.2 The system

According to the Urban Institute (1990:3-7) monitoring should give feedback on both outcomes and service quality. Thus a monitoring process should enable decision-makers to identify the strengths and weaknesses of their strategies and programmes. It should give frequent and timely feedback, evaluate the benefits to clients (and the local economy), with a breakdown of the data per focus area over an appropriate time series. A sound monitoring system will warn decision-makers of problems that can derail an entire project or strategy if left too long, but could be addressed if identified in time.

Monitoring expenditure is essential. At the end of each financial year, the local authority or any other authority utilising public money must give account of how that money was used, and explain any discrepancies, such as over-expenditure. It is, therefore, essential to ensure that projects are completed on time and within budget. This is possible only if appropriate processes are in place to monitor progress *vis-à-vis* expenditure on projects and programmes. The process must show results (outcomes or pre-defined deliverables) for the time and money spent on a project.

In the design of the system, care must be taken to ensure that the data requirements, over and above the normal data requirements for the implementation actions, are minimal. As far as possible, monitoring information should be extracted from operational data and reports. If staff deem the additional effort for the monitoring process is too great, or will reflect badly on themselves or their work, there will be resistance to recording the data accurately and consistently.

While frequent monitoring is ideal, this is not always feasible. The frequency with which information must be reported to ensure that the plan is implemented within the approved budgets and parameters depends on the nature of the project and the critical path. The nature and frequency of reporting should be part of the project design to enable appropriate data collection processes to be designed.

Although changes in the external environment can have far-reaching implications for the further execution of the plan, continual monitoring is expensive. The frequency of surveys such as demographic or economic base will depend on both the finances available, and

the rapidity of the predicted change. The more rapid the change, the more frequently surveys should be undertaken in order to stay abreast of such changes. Where it is important to assess opinions and perceptions, small, regular opinion polls may be more than adequate. Some aspects, such as the changing political climate, can usually be monitored through media reports or local events.

Table 5.13 contains some proposals on measuring outcomes or results of some typical programmes. Most of this data can be collected either on an on-going process through the normal record keeping of the responsible implementing organisation, or periodic surveys of clients who have utilised the services offered by the organisation. Occasional surveys of the larger target population may be necessary to determine if they are aware of the services, and if so, their attitude towards the services and the organisation. Through these surveys data can be obtained to determine what objectives are being met.

Table 5.13 Evaluation of policies and programmes

Aspects considered	Typical questions	Remarks
Quality of service		
<ul style="list-style-type: none"> ➤ Courtesy ➤ Promptness of service ➤ Accuracy of information ➤ Completeness and relevance of information ➤ Competency of staff and knowledge of field 	<ol style="list-style-type: none"> 1. Rate each of the aspects in column 1 as excellent, good, fair or poor. 2. Please expand on any aspects rated as fair or poor. 	<p>Source of information: client survey.</p> <p>Use organisation's records to determine if enquiry is repeat business.</p> <p>Collect information by place of origin, SIC, size of firm (employees and/or turnover), ownership (with respect to disadvantaged communities)</p>
Clarity and ease of application procedures	<ol style="list-style-type: none"> 1. How clear and comprehensible are application documents? <ul style="list-style-type: none"> <input type="checkbox"/> Understood easily <input type="checkbox"/> Understood with difficulty <input type="checkbox"/> Incomprehensible 2. How long the process take? <ul style="list-style-type: none"> <input type="checkbox"/> Less than 2 weeks <input type="checkbox"/> From 2 to 6 weeks <input type="checkbox"/> From 6 to 12 weeks <input type="checkbox"/> From 3 to 6 months <input type="checkbox"/> Over 6 months 	<p>Can be collected as part of application procedure.</p> <p>Collect information by SIC, length of establishment, ownership, and size of firm.</p>
Knowledge of programme		
Knowledge of local programmes	<p>Are you aware of the services offered by this organisation?</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>If, yes, how did you hear about the services offered in this programme?</p> <ol style="list-style-type: none"> 1. Advertisement in journal 2. Direct mail 3. Personal contact with staff 4. Word of mouth 5. Other 	<p>Survey of firms using services as well as firms that may consider using services.</p> <p>Collect information by SIC, length of establishment, ownership, and size of firm.</p>
Number of firms making enquiries	-	From records of enquiries
Impact of programme		
For marketing programmes: Proportion of firms making enquiries that located in area (conversion rate)	<p>No of firms making enquiries that located in area</p> <p>No of firms that made enquiries</p>	<p>From enquiries and surveys</p> <p>From records of assistance given.</p> <p>Collect information by place of origin, size of firm SIC, and ownership.</p>

Table 5.13 continued

Aspect considered	Typical questions	Remarks
Impact of programme cont.		
Policies focussing on SMEs and new start-ups: Number of new firm start-ups	New firms registered in area	From organisation records From municipal accounts or Regional Services Council levy databases
SME assistance programmes: Number of SMEs that used assistance from organisation	Number of firms that made more than an enquiry but did not start new business	From programme records. Indicate relevance of the programme to SMEs
SME assistance programmes: Impact of assistance received on the firm	Since receiving assistance have you 1. Started a business? 2. Expanded an existing business? 3. Changed your plans? 4. Changed products or markets? 5. Solved specific problems 6. Improved management methods? 7. Increased turnover/ profit?	Survey of enterprises using assistance. Collect information by SIC, length of establishment, ownership, and size of firm.
For export promotion programmes: Benefits of the programme	Did you, as a result of the information/ assistance received by this organisation <input type="checkbox"/> Take steps to export <input type="checkbox"/> Begin exporting	From survey of exporters using programme assistance
For export promotion programmes: Nature of exports	List the primary products exported	From survey of exporters using programme assistance
For export oriented programmes: Destination of exports	List the most important countries to which you export?	This information will assist in obtaining and commixing information and structuring trade missions etc. From survey of exporters using programme assistance.
Number of firms enquiring, applying and receiving financial assistance	Which is applicable to you? 1. Enquired about financial aid 2. Applied for financial aid 3. Received financial aid	Record on firms applying through organisation for financial assistance. Collect information by SIC, length of establishment, ownership, and size of firm.

Table 5.13 continued

Aspect considered	Typical questions	Remarks
For strategies aimed at SMEs and new business start-ups	Indicate the nature of assistance received: <ol style="list-style-type: none"> 1. Formulating business plans 2. Formulating marketing plans 3. Assistance with legislation and regulations 4. Technical assistance In what form did you receive assistance? <ol style="list-style-type: none"> 1. Publications 2. Seminars / workshops 3. Counselling 4. Referrals 5. Other 	Survey of firms using assistance (preferably shortly (3 to 6 months thereafter). Collect information by SIC, length of establishment, ownership, and size of firm.
Export promotion programmes: Form of assistance	Indicate the nature of assistance received from the organisation <ol style="list-style-type: none"> 1. Seminar / workshop 2. Publications 3. Export counselling 4. Lists of agents 5. Trade shows 6. Introduction to visiting buyers 7. Trade missions 8. Export financing 9. Other 	Information from survey of firms using programme assistance. Not only the nature, but the quality and relevance of the assistance can be evaluated (eg the contribution, from minimal to substantial) to exports can be determined. Collect data by SIC, firm size, ownership and main exports.
Impact of assistance on local economy		
For business attraction and marketing policies:	<ol style="list-style-type: none"> 1. How many additional jobs have been created as a direct result of the move to this area? 2. How many of those jobs could be attributed to the assistance received from the organisation? 3. What impact has the move to this area had on your sales / turnover? 4. What is the extent of your investment in this area (in financial terms or floor area of plant)? 	Survey of firms using assistance from organisation. Additional information such as increase in taxes to local authorities, or increased income through sale of services can also be calculated to evaluate the impact of the assistance received.

Table 5.13 continued

Aspect considered	Typical questions	Remarks
Determine impact of assistance on economy SME assistance or financial aid	How many jobs have been created/ retained as a result of the assistance received? <input type="checkbox"/> 1-5 <input type="checkbox"/> 6-10 <input type="checkbox"/> 11-20 <input type="checkbox"/> 21-50 <input type="checkbox"/> over 50	Additional information such as increase in taxes to local authorities, or increased income through sale of services can also be calculated to evaluate the impact of the assistance received. This should be obtained from local authority records. Collect information by SIC, size of firm (employees and/or turnover), length of establishment, and ownership
Benefits obtained through exporting	Due to increased exports due to assistance received, 1. Has there been an increase in turnover (and magnitude)? 2. Have new jobs been created? 3. Have you expanded your product range? 4. Have changed your products? 5. Have you expanded your premises/ production facilities?	Survey of firms utilising assistance based on organisational records Collect data by SIC, size, ownership, and main exports.

Source: Urban Institute (1990:10-119) and author

As stated above, the purpose of monitoring is to ensure that the plan is on track, and that the track is going in the right direction. Where there is deviation from the plan, goals or objectives, strategies must be put in place to correct such deviation. Where the goals and objectives have changed, new strategies and plans are needed. When the circumstances change dramatically, an entire new set of goals and plans may be needed. As indicated in figure 5.1, monitoring and evaluation processes can lead to adjustments to all stages of the planning process. The planning process could be viewed as a spiral moving from the present situation towards the desired state (the vision) with modifications and improvements to each stage. Thus, until the desired state is reached, planning for improved prosperity for a community will always proceed with proposals, implementation, evaluation, adjustments to the plan, re-evaluation, and so on. The process can, therefore, continue as long as the political will (with concomitant resources) exists.

5.11 CONCLUSION

This chapter has proposed, in some detail, a process for the compilation of an economic development plan by a local community. It is a process based on questions, designed to guide a community in the formulation of a uniquely adapted plan for its particular circumstances. It has not supplied a set of foolproof, clinically wrapped strategies and policies, that when applied, will relive all economic ills. It is up to the communities and their planners to evaluate the applicability of the theories and typical policies set out in chapters two and three to their circumstances, and to adapt such policies to meet their needs.

The process acknowledges not only the diversity of communities, but also the complexity of economic development, as one facet of development. It is intended to be community driven, with recognition of the vital contribution that communities can and should make in the strategies and policies that affect their lives. The process set out above can be adapted and applied to most communities, rural or urban, small or metropolitan.

Although this process is intended to be widely applicable, and to ask the questions that should be considered in preparing a locally generated economic development plan, there are several areas where additional work is necessary. The following chapter, which concludes this document, will briefly touch on some issues that need clarification and areas of further research.

6 CHAPTER SIX: CONCLUSION

This study concerns local economic development: development initiated, controlled and managed by local communities for their benefit. Although the term 'community' is used throughout, in practice, this is usually the local authority, planning and executing development strategies and actions on behalf of its residents and ratepayers. In many cases, and certainly in the Northern Gauteng region, it is town planners who are responsible for co-ordinating contributions and compiling integrated development plans, and who are called on to give input in the economic strategies of the IDP. The purpose of this management plan is to assist such professionals who are moving out of the field of land use planning into the broader arena of integrated development.

The definitions used, and parameters of this study were stated before embarking on a survey of the theory behind local economic development. This theoretical section has noted how the approach to economic development has changed over time, as have the actors and their roles. These approaches are underlain by theories, often explicitly stated but often implicitly assumed, and thus the main theories of economic development were briefly discussed. This section concluded that no one theory offers a complete explanation: accordingly, different theories can be applied in different contexts as an aid to understanding the functions of local economies and the forces that drive them.

Continuing with theory, typical approaches to local economic development were examined, each its positive and negative aspects. Although many of these were drawn from case studies in the literature, only a synthesis of the findings was presented. Each strategy has had varying degrees of success in different circumstances. Consequently, few strategies are universally applicable, and the specific context in which the strategies were initially successful, and the equally unique circumstances of a place considering their application, must be taken into account before deciding which strategies to apply. Not only should the choice of strategy be carefully considered, but also the manner in which it is applied. What may work for an Italian region characterised by strong social and family ties may not be appropriate for a South African metropolitan region.

As this study is as concerned with the process of local economic development as it is with the content or substance, it is essential to consider planning processes that can be applied. This was the subject matter of chapter four. Several processes were considered,

including the spatial planning processes, strategic planning and strategic choice, and other generic approaches. This chapter concluded that an appropriate methodology should:

- make specific provision for public participation
- recognise and accommodate different value systems through explicit vision formulation and goal setting
- be flexible to accommodate change and also provide feedback mechanisms to inform the process of change
- enable the integration of a range of development issues.

In chapter five a process for the formulation of a management plan for locally generated economic development was set out in detail. The methodology was supplemented with many techniques to enable a community to create a vision, collect and analyse data, set goals and objectives, and formulate plans. Techniques for the evaluation of strategies and plans, and hints to facilitate implementation, were also presented. Proposals on monitoring and evaluating the results concluded the management plan. Although a detailed management plan with many techniques is set out in the study, not all the detail or techniques will be necessary for, or relevant to, all communities. The onus lies on the community to select the most suitable methods for its particular circumstances and to apply these.

6.1 CONTRIBUTION OF THE MANAGEMENT PLAN

Just as no single theory or strategy can be applied *in toto*, neither should the entire process be applied without some discrimination. The purpose of the detail given in the management plan is to provide a range of options for the local community, thus enabling the plan to be applied, with the necessary adaptations, to most situations. It has been compiled with local authorities in mind, but is equally applicable to small communities.

The management plan makes an important contribution to integrated development plans and local development objectives (LDOs). Town planners usually have little trouble preparing the spatial component of these plans, but generally have less experience with the economic component (Lichfield 1996:20). This study will assist them in this regard. By following the steps set out in the management plan, a community will be able to set practical and attainable goals (rather than preparing wish-lists that merely invoke expectations that seldom can be met within resource constraints). The objectives, benchmarks or performance criteria set out in section 5.7, with their roots in the analysis,

can form the basis of realistic objectives for the LDO process. The various strategy evaluation techniques (section 5.8) will enable prioritisation of projects for the preparation of budgets.

With a process founded in a common vision, based on sound analysis and encapsulated in detailed project plans, economic development can become one of the critical functions of a local authority. This will be, for many local authorities, a contrast to the present situation where the expertise to drive such a function is lacking. The purpose of this study is to partially address that need, and empower local authorities to undertake economic development planning on behalf of their communities.

6.2 FURTHER RESEARCH

While this study/ thesis can make a valuable contribution to local economic development and the economic component of integrated development plans, it cannot pretend to encompass the entire field of local economic development. Much work remains to be done on various aspects touched on in this document.

Research on the nature of economic development and the causes of development or decline will always be essential. As economies change, new driving forces emerge that affect both global and local economies, calling for theory to predict such changes, interpret their origins, explain the structure of emerging economic relationships, and propose means of harnessing these forces for the benefit of local populations. The further development of existing theories, with their empirical foundations is also required.

Besides research into the nature, causes and effects of changing economic systems, technologies, and social conditions on local economies, research regarding strategies to deal with these impacts is important. While the theory often provides a base for action, practical development actions too, can provide a base for theory. Research is necessary to expand existing knowledge of the effectiveness of strategies in practice: which work, when and why. As much of the previous research has been Eurocentric there is a need for additional research in other contexts to evaluate the application of strategies that have been successful in circumstances comparable to those prevailing in South Africa. Similar research on local economic development in South Africa is essential.

There is scope for research in the practice of local economic development. The field of study can include the following:

- Additional techniques and methods for community participation in the process, from vision formulation to project prioritisation.
- New techniques for analysis and project evaluation. This can include the development of economic development specific criteria for multi-criteria analyses of economic projects. In particular, effective techniques that do not require high levels of mathematical sophistication, and can thus be applied by non-specialists, are necessary.
- Computerisation of the process, as part of a comprehensive information system that can inform decision-makers of the state of the local economy as well as progress made with respect to the implementation of the approved plan.

One particular area that can be developed is the determination of specific parameters for the South African situation for table 5.4 (investor confidence). The parameters in the table are based on experience, but could be tested empirically against a number of South African investors. Similarly the criteria or benchmarks in table 5.13 can be expanded and detailed to match typical South African policies and projects more closely.

Data on local economies is essential. Such data must be collected and processed so that information on existing employment, enterprises, linkages and skills is available to set realistic goals and objectives, formulate suitable strategies, and monitor progress. Local, provincial and central government, as well as research institutions can all make a valuable contribution to a comprehensive and reliable local economic database.

Although this study has noted the necessity of appropriate organisational arrangements, little has been said of the nature of a suitable organisational structure in a South African local authority. Various options for economic development planning exist, ranging from a sub-division within another department, to a separate entity. There is little clarity with respect to optimal arrangements within differing contexts. The organisation of economic development within local authorities can be a fruitful area of study. The integration of economic, spatial and social planning, as called for in integrated development plans, is a recent challenge for local authorities and calls for research both into the nature of such integration as well as the necessary organisational structure.

It is the author's contention that planning for local economic development should be closely allied to either land-use planning or community development sections within a local authority. Job creation is one of the most critical elements of community development in South Africa, as is training to ensure that the skills needed by the

economy are available. Most economic development strategies, however, involve the use of land, and require typical land-use data and can, therefore, be placed within the town planning fold.

Wherever the economic development component is located, there is an urgent need for capacity building this field, which is a new field for many, and few local authorities have the expertise to deal with it as fully as they would like. To address this need, educational institutions should prepare and present short courses in local economic development theory and practice for professionals in the field. Such courses would include techniques such as multi-criteria, costs-benefit and cost-effectiveness analysis, economic surveys and project management, that have been adapted for local economic development needs.



In the light of international economic restructuring, local economies must, more than ever, take their economic future into their own hands. Towns, cities and rural communities can no longer depend on national governments to provide for them, but must become proactive and innovative in their approach to development. This imperative has been recognised in the recent White Paper on Local Government (South Africa 1998:18) where local economic development is defined as a function of local government.

This study has provided a tool for communities and their local governments to initiate and manage locally generated economic development. It has provided a theoretical basis and an evaluation of various strategies and a management plan, replete with techniques and questions, to facilitate the process. The tools are there: it is up to local communities to use them to their benefit.

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