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SKILLS@WORK: Theory and Practice Journal

This independent, interdisciplinary journal is dedicated especially to skills development and related areas such as local economic development (LED). These are emerging fields of research and knowledge in South Africa: the journal therefore provides a forum for the publishing of scholarly articles and case studies that are of interest and relevance to researchers and practitioners. A further aim is to provide an ongoing stimulus for learning and teaching in these fields, particularly for local graduate students and young researchers in academic institutions and research centres. Although the focus is primarily on South Africa, regional and international perspectives are also encouraged.

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Guest Editorial: Regional and Local Economic Development challenges and the role of institutions

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According to Pike, Marlow, McCarthy, O'Brien and Tomaney (2015: 85), 'growing recognition of the role of institutions in economic development is animating research interest across social science disciplines'. In line with the prioritisation of researching institutions in relation to economic development, this volume of *Skills@Work* has institutions as its central theme. Within this theme, there is a sense of the importance of considering institutionalised forms of regional and local economic development, the relationships between institutions and economic development processes and the urgency for 'getting things right' in order to facilitate lasting positive change. But what are institutions? How do they work? Are there any specific characteristics of institutions, or of Regional and Local Economic Development (RLED), that should be considered when we think broadly about the inter-relationships between institutions and RLED concepts and practice? These are some of the questions inherent within the studies presented in this volume of *Skills@Work*.

As a basis for tackling these questions, it is worthwhile considering some of the characteristics of institutions highlighted in the wider economic development literature. Pike *et al* (2015) categorise local economic development institutions as either hard/formal or soft/informal. Hard institutions are the codified and written regulations which designate responsibility for economic development or which define procedures such as procurement. Soft institutions are tacit, comprising; for example, the co-operative networks of actors with strong levels of trust and established informal patterns of interaction and knowledge sharing. Hard and soft institutions intersect and overlap within the enactment of RLED. Both formal and informal institutions are seen to 'structure and constrain the behaviour of economic agents' (Farole, Rodriguez-Pose and Storper, 2010: 59). Institutions can thus play the roles of identifying and assessing the characteristics and constraints of a local economy, facilitating stakeholder engagement and fostering partnerships, needs prioritisation and strategic planning for interventions; facilitating the availability of resources, supporting implementation and providing monitoring and evaluation services (Pike *et al*, 2015). Furthermore, institutions operating at the local scale function as the interface between

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structures of governance and other multi-actor institutional arrangements that interconnect with the local from a variety of broader scales and levels of authority (Pike *et al*, 2015).

Although researchers such as those cited above have developed new insights into the role of institutions within economic development, it is argued that further research is needed to improve our knowledge of the characteristics of causal relationships between institutions and economic development within “specific spatial settings” (Pike *et al*, 2015; Farole *et al*, 2010). In particular, the specificities and embeddedness of actors that are evident at the local scale offer opportunities to better understand the role of institutions in shaping the engagements of economic actors. In addition, researching institutions for economic development at the local scale allows for insight into the ways in which external factors impact on the functioning of institutions which have a locally-focussed agenda (Pike *et al* 2015; Farole *et al*, 2010). This need to enhance our knowledge of institutions at the local scale offers an important opportunity for studies which begin at the local level, and which address the interconnections between local contexts, economic development activities and institutions. The cases assessed within this volume begin with the specific of local characteristics, the complexities of stakeholder relations and the array of individual and institutional actors within economic development. They are thus responsive to the challenges of spatially-focussed understanding raised within the wider literature.

As found within the international literature, in South Africa formal and informal institutions are viewed as critical stakeholders and their practices are essential implementation mechanisms for local economic development (Nel and Rogerson, 2016; Khambule, 2014). Institutions, therefore, contribute strongly to the degrees of success or failure of local economic development within South Africa (Khambule, 2014). Among the host of challenges facing (R)LED success in South Africa (Rogerson, 2010), institutions can be particularly pivotal in the roles they offer toward addressing the following weaknesses of (R)LED understanding and practice:

- There is a lack of consistency in the meaning of LED, which can lead to the implementation of LED being diffuse, weakly championed and having limited budget allocation.
- The role of provinces within the conceptualisation and practice of LED is underutilised and needs to be reinvigorated.
- Much of the implementation of LED is concentrated within large urban centres, creating an uneven spatial economy and its associated skewed wealth distribution; thus the gap between LED practice in cities and small towns needs to be reduced.
- Dissemination of good LED practice is limited and needs to be shared more widely to ensure that lessons from positive experiences and successful interventions can be shared.
- There is currently a dearth of the timeous and locally disaggregated data that is required to support good decision-making, business support and investment facilitation. Improved quality and availability of current data is needed in the majority of localities within the country.

- A lack of LED networks and sustainable knowledge platforms exists. These need to be built up as important aspects of the practice of RLED which typically benefits from strong, active partnerships and high levels of social capital.
- The division between the formal and informal economies in both conceptualisation and practice largely limits the scope of LED interventions to the 'first' economy and weakens the outcomes of LED interventions. Many benefits could be derived from acknowledgement and facilitation of stronger ties between these parts of the economy.

Some of the abovementioned problems exist, at least partially, because of the ways in which LED has been institutionalised within the South African context. Developmental government is entrenched within the Constitutional mandate of local government, but there is inconsistency in how the local economic development function is situated, funded and supported within the municipal structure (Nel and Rogerson, 2016). For instance, the lack of consistency in terms of adopted meanings of LED and the inherently cross-cutting nature of the approach has meant that LED responsibility within the municipal organogram has been aligned with strategic planning, procurement, and community development functions, for example. This contributes to ongoing inconsistency and insufficiency associated with the allocation of institutional budgets to achieve an LED mandate and often results in LED being marginalised or absorbed into other municipal functions with minimal empowerment of officials to take active responsibility for the outcomes of LED within an area of jurisdiction. Furthermore, with provincial government operating as a linked but differentiated institution with multiple function-related departments, the role of institutions in deriving and implementing an LED agenda is complex and multi-layered, with the potential for both duplication and a lack of focussed attention (Nel and Rogerson, 2016).

Despite their recognised limitations, formal institutions can play a role in addressing the data challenges which limit LED success (Rogerson, 2010). The documenting and dissemination of good LED practice and the establishment of rigorous, timeous data collection and sharing can be facilitated by the formal institutional arrangements and networks linked to LED forums, local economic development agencies, municipal strategic planning and community engagement. Here, existing processes which bring stakeholders together can be used creatively to gather and disseminate best practice cases, share information, and also to enable local data collection and collation.

Appropriate scaling for LED and the need to shift the imbalance between the economies of urban centres and small towns is inherently linked to institutions. Formal institutions such as a municipality or ward are spatially bounded with responsibility for a specific area of jurisdiction. Furthermore, the success of formal institutions is measured by their ability to meet needs within communities and economies that are located within the area of their jurisdiction. So often this leads to a situation where institutions deal with space and scale as a 'container' for development problems and the prospect for their resolution. It is important that softer institutional forms such as networks are brought into play within RLED in order to initiate alternative thinking of the spatiality of the economy: to consider economic space as active, dynamic and influential (Massey, 2005), and to facilitate the engagement of institutional actors across the delineated boundaries of their jurisdictions.

Despite the possibilities for a positive role in the practice of RLED, formal institutions can present barriers to economic growth (Farole *et al*, 2010). What is needed for successful partnership formation, and for stakeholder engagements across the sectors involved in economic development, are soft skills and multidisciplinary systemic approaches to grappling with much that is unknown, where complexity is a given and the solutions are multifaceted (Waddell, 2002). The social capital and more nimble characteristics associated with informal, soft institutions are thus useful in addressing the need for networks and sustainable knowledge platforms that can overcome the limitations of harder institutional practices (Waddell, 2002). This is not a unique problem facing economic development but it is visible within the multifaceted challenges of climate change and HIV/AIDS, for example, as responses to these complex problems require additions and alternatives to the capabilities and procedural reactions typical of hard institutions.

One particularly relevant manifestation of these multifaceted challenges is that of the separation between the formal and informal (first and second) economies. The so-called 'second economy' exists outside of the controls, management and protections of the formally institutionalised systems of the 'first' economy. It is, however, a vibrant part of the economy in every locality in South Africa and beyond, with much potential for entrepreneurship, job creation, and for the support of families through diversified livelihood strategies. Acknowledging the integration between these different parts of the economy and leveraging successful economic development through those parts of the economy predominantly characterised by informal institutions will require formal institutions to learn and adopt the flexible and adaptive capabilities of soft institutions (Hawkins, Hu and Feiock, 2016).

Overall, RLED needs to be locally derived and organic in the sense that it responds to the needs of local communities. Furthermore, RLED should engender a pragmatic economic development approach that leverages off the combinations of resources which are unique to localities and remains flexible in the face of a broader socio-economic and political context over which it has little to no control (Rogerson, 2010). Here, the nature of our formal institutions as fixed, as bureaucratic, as process-driven and process-limited means that often there is not enough flexibility and creativity possible within institutions to allow for disruptive change, freedom of thinking and acting, and for configurations of 'doing' which do not necessarily fit within the confines of process (Hawkins *et al*, 2016).

CONCLUSION

The articles which follow in this volume engage further with the debates and concerns raised here through rich analysis of economic development practice in a variety of settings. In the first, assessment of the implementation of the national Expanded Public Works Programme as a contributor to the Cape Town Economic Growth Strategy highlights the ways in which a formal institutional response is being utilised to address the challenge of unemployment while facilitating the systematic collection of important local data. The second article concentrates on Polokwane in the Limpopo province. Here the discussion engages with the

ways in which a strongly institutionalised focus on youth as a critical demographic requiring upliftment is enacted within LED in a secondary city, such that both formal and informal institutions come into play. A critical examination of the governance and institutional systems inherent in regional and local economic development in the Western Cape is presented in the third paper of this volume. This study draws attention to challenging institutional arrangements and gaps in governance as central to the practice of RLED in South Africa as a whole. The fourth article concludes this volume by addressing infrastructural development through city development projects. City-scale investment in transport infrastructure expansion and upgrades such as that shown within the Bus Rapid Transit system in eThekweni Municipality form a backbone for economic activity in that they facilitate efficient movement of people, goods and information. Such resource intensive developments are heavily reliant on the institutionalised resources and formal procedures of the state and are thus a useful case to consider when thinking about institutions and local economic development.

Overall, through the diverse and multifaceted viewpoints raised collectively by the authors of these papers, the centrality of institutions within the theorisation and practice of RLED is wholly evident. Well-functioning hard and soft institutions that are fit-for-purpose are thus essential to lessening or overcoming any of the challenges associated with sustainable economic development and social upliftment.

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Creating synergy between Regional and Local Economic Development at sub-national level: Towards integrated Economic Development Collaboration for local progress in the Western Cape

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ABSTRACT

This article presents a qualitative, exploratory inquiry into existing linkages in Regional and Local Economic development (RandLED) facilitation systems in South Africa. The authors argue that although a natural overlap is present between these systems, the complexity of the environment, comprising multi-stakeholders and multi-levels, represents a governance challenge. Resolving, or bridging this gap, requires the adoption of specific, innovative approaches. Three case study examples of governance interventions in the Western Cape province of South Africa are discussed, in order to gain an insight into how they attempted to create institutional synergy in RandLED. The article concludes with observations and recommendations for RandLED policy and practice, to aid in synthesising implementation processes and ultimately the delivery of improved development outcomes. The authors suggest that innovative partnerships, based on collaboration and collaborative governance between role-players in the RandLED arena, should be explored in more detail, as well as being recognised in economic development policy processes.

Key words: Local economic development, regional economic development, sub-national development, partnerships, collaborative governance, institutional arrangements

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INTRODUCTION

In the past two decades, municipalities in the Western Cape of South Africa have made considerable progress in defining and executing their role in facilitating Local Economic Development (LED). This includes the application of a variety of economic development facilitation tools to support locational competitive advantages, together with the creation of versatile local markets, by collaborating with local and regional stakeholders. A plethora of national and provincial government departments and development agencies have contributed to Regional Economic Development (RED). Although these institutions are involved in implementing initiatives with regional impact – such as strategic economic development facilitation projects in specific localities – they often lack a proper institutional framework for Regional and Local Economic Development (RandLED) integration. This represents a vacuum in economic development governance networks: furthermore, it creates challenges for the effective implementation of national and regional economic development policy in the local sphere. From the perspective of a local authority, the governance gap poses multiple challenges in attracting focused external support for local economic development priorities.

This article commences by introducing key concepts relating to an understanding of LED, RED and the associated policy context in South Africa. Thereafter, the focus shifts to collaborative governance, as well as the complexity inherent in facilitating economic development in a multi-level, multi-actor framework. In order to derive practical observations, the sub-national economic development eco-system in the Western Cape is considered. Three examples of governance interventions, or collaborative partnership approaches, are drawn upon, as these provide useful lessons for how synergy can be created between local and regional economic development in the sub-national sphere.

A SUB-NATIONAL FOCUS ON ECONOMIC DEVELOPMENT

There has been a growing criticism of the extent to which national governments have tended to focus on traditional economic development approaches, looking at macro-economic variables such as fiscal and monetary reforms, property rights and economic stability (Scott and Storper, 2003). Due to the rapid pace of modern urbanisation, local and regional development policies (bottom-up) are starting to fill voids left by insufficient national and macro-economic policies (top-down) in many countries (Crescenzi and Rodriguez-Pose, 2011; Pike, Rodriguez-Pose and Tomaney, 2006).

Furthermore, existing administrative boundaries (national, provincial or local) do not necessarily align with what is most appropriate for a locality. As early as 1973, Schumacher referred to the unsuitability of administrative or political boundaries, which were in some cases too small. The same applies today. In South Africa, this manifests in a growing number of local and regional economic partnerships (such as the examples reported on in this article), where a local municipal boundary is too broad to meet the demands of a

specific geographical area. There is also an increased incidence of neighbouring localities collaborating in the economic sphere, across administrative boundaries, in spaces that are more representative of functional economic regions. The pre-conditions and factors informing these collaborative economic partnerships require further primary research (Hamann, Pienaar, Boulogne and Kranz, 2011).

Regional economic development and regionalism defined

Definitions of regions abound across academic disciplines: for example, in international relations, a region would usually refer to a multi-national area such as the Middle East (MacLeod, 2001), or in macro-economic terms, would refer to trade blocks or supra-national regions such as the European Union, or the Southern African Development Community (SADC) in Sub-Saharan Africa (Jessop, 2013). Furthermore, a sub-national region may be considered from three main vantage points; namely economic, institutional or identity (Ellingsen and Leknes, 2012). For the purposes of this article, the definition from an economic vantage point will be applied.

A region is defined by Scott and Stroper (2003: 580) as: 'any area of sub-national extent that is functionally organised around some internal central pole'. Some authors (eg Enright, 2003) argue that historic information shows how national economies develop through the emergence of regional growth points or clusters, whilst others caution that successful regions are most often located in countries possessing dynamic national political economies (Jones, 2001). In whatever direction the causality runs, a strong reciprocal relationship remains between the national and sub-national levels within the economic policy and practice landscape.

Stimson, Stough and Salazar (2005: 25) have developed a 'virtuous cycle of regional development' (see Figure 1), which offers a useful graphic representation of the determinants of success. Regionalism offers a co-operative model for inter-local relations (ie relations between neighbouring local governments), in contrast with traditional approaches, where local governments compete to attract resources and investment, for example (Olberding, 2002). Building and using partnerships, networks and alliances to exchange information and drive a program of development is becoming more and more important (Gibson, 2011). It has been noted, however, that local actors living within a specific situation have become somewhat forgotten in this discourse on regional economic development (Pennink, 2014).

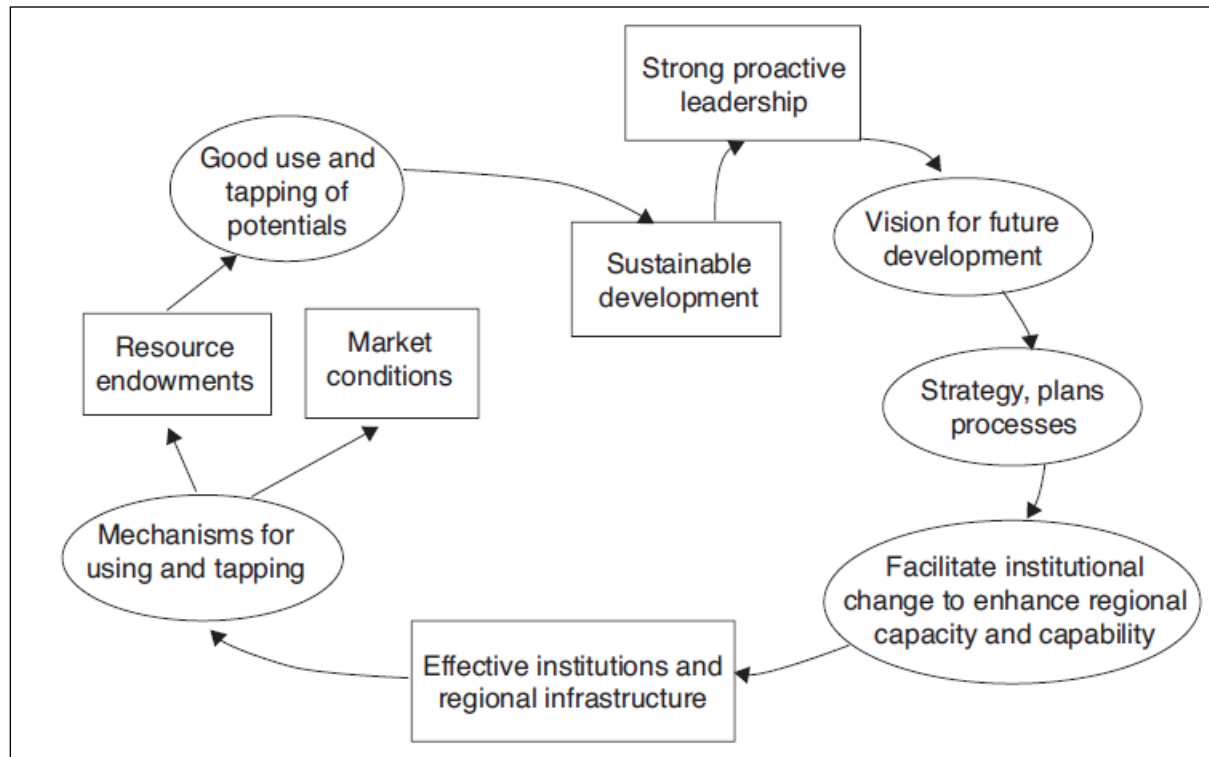


Figure 1: The virtuous cycle of sustainable regional development (Stimson et al., 2005: 25)

Local Economic Development defined

Local Economic Development (LED) has been practised in the developed world for many decades, and grew in popularity in developing countries from the 1990s onwards (Meyer-Stamer, 2006). It is defined by the World Bank (2006: 1) as: ' [...] the process by which public, business and non-governmental sector partners work collectively to create better conditions for economic growth and employment generation. The aim is to improve the quality of life for all'. More recently, the Commonwealth Local Government Conference (2011: 1) added the following: 'LED is a process which brings together different partners in a local area to work together and harness local resources for sustainable economic growth. There is no single model for LED; approaches should reflect local needs and circumstances'. Although a collaborative approach is implied, the function is generally the responsibility of, and/or executed by local governments.

RANDED POLICY CONTEXT AND IMPLEMENTATION IN SOUTH AFRICA

According to Section 152 of the Constitution of the Republic of South Africa (1996), promoting social and economic development is an object and developmental duty of local government. This places a constitutional obligation on municipalities to play a facilitative

role in promoting LED. A myriad of national and provincial policy frameworks and programmes impact on RandLED, however. Relevant policies are spread either directly, or indirectly, across most government departments, including their provincial counterparts.

The 2014-2019 National Framework for LED is the most recent in the South African context (CoGTA, 2014). Figure 2 displays the four policy pillars. Subsequently, the Department of Cooperative Governance and Traditional Affairs (CoGTA), under new leadership, released the LED Strategic Implementation Action Plan (SIAP), which aims to provide a road map (CoGTA, 2015). According to CoGTA, the LED SIAP makes provision for a national plan that gives flesh and detail to the key pillars of the 2014 LED policy framework, while clarifying the specific plans of various role players, in order to ensure effective implementation in the next five years.

Despite LED being a relatively well-entrenched concept in the South African policy environment, explicit references to Regional Economic Development have only recently emerged (see for example Gauteng City Region Observatory, 2015). Both the LED policy framework and the SIAP make reference to regional economic development and to co-ordination between national, regional and local economic development imperatives, through effective intergovernmental relations. There is clearly an increasing realisation that a functional economic region usually stretches across multiple administrative boundaries. In some cases, distinct functional regions could be contained within a larger District boundary. This supports the view that approaching RandLED as two separate practices, overlapping only when required by a particular project or programme, has resulted in less than desirable economic outcomes for localities.


LED Policy Pillars/Thrusts			
			
Pillar One: Building a Diverse Economic Base	Pillar Two: Developing Learning and Skilful Local Economies	Pillar Three: Developing Inclusive Economics	Pillar Four: Economic Governance
Sectoral Development (Manufacturing, Agriculture, Tourism, Green Economy, etc) Metropolitan Economic Development Regional Economic Development Regional Industrial Development Programme	Tackling Basic Skills Gap Developing Workforce Skills Developing an Enterprise and Entrepreneurship Culture Developing Leadership and Management Skills	Informal Economy Support Inner city Economic Revitalisation Township Economic Development Inclusive Rural Economy Broad Based Economic Empowerment Support	Improving Economic Leadership and Management Capacity Administrative Economic Development Capacity Access to Development Funding/Finance Developing Local Economies as Distinct Brands

Figure 2: Policy Pillars of 2014-2019 National Framework for LED (CoGTA, 2014)

Government departmental programmes targeting RandLED vary and have been characterised by ideological friction between pro-poor and market-oriented approaches, leaving local government in the unenviable position of having to manage alignment and tensions. These factors, together with limited capacity, have significantly contributed to the perceived failures of LED to date (Hofisi, Mbeba, Maredza and Choga, 2013).

Local Economic Development Agencies (LEDAs) were once common in virtually all provinces. These institutional arrangements are most often located outside of local government, but remain heavily dependent on government support (eg the Department of Trade and Industry's support for co-operative development, or National Treasury's Public-Private Partnership promotion). Other commonly found institutions include provincial and local investment promotion agencies. Authorities appear to view these additional governance mechanisms, or implementation agencies, as a way of engaging LED challenges through a non-partisan vehicle that is less bureaucratic as opposed to the challenges being handled purely as a government function. However, despite their widespread use both internationally and in South Africa, these alternative institutional arrangements are often still hamstrung by the fact that local political priorities determine their funding (and ultimately survival); furthermore they are not generally seen as collaborative bodies, but rather as agencies to deliver on behalf of government (Mountford, 2009).

FILLING A RANDED GAP THROUGH COLLABORATIVE GOVERNANCE

This article theorises that a recognition of the need to build partnerships, which integrate local and regional development, is an appropriate response for filling what is essentially a governance gap in economic development facilitation. Whilst economic partnerships and governance arrangements are well studied and documented (see for example OECD, 2001; Bryson, Crosby and Stone, 2006; Findlay-Brooks, Visser and Wright, 2010), there has been little investigation to date into factors for success; the pre-conditions for facilitating effective partnerships, or what could be termed 'partnership-building' in the RandLED space in South Africa (Hamann *et al*, 2011). This necessitates a brief consideration of elements relating to partnerships and collaborative governance, as well as the nature of exchange(s) therein. In turn, this will provide a theoretical frame for the evaluation that follows of three selected South African case studies.

The World Economic Forum (2011: 5) points out that in future, government alone (especially in developing countries) will struggle to deliver basic services (much less the robust growth required for economic advancement), whilst market forces will also not be able to deliver public value on their own. The future of government lies in creating a network across sectors, scales and levels; furthermore the understanding of governance in this complex ecosystem becomes a critical success factor. Jessop (1998: 29) provides a broad definition for governance as: 'any mode of co-ordination of inter-dependent activities'. Zadek and Radovich (2006: 5) suggest the following working definition: 'Governance concerns

the structures, processes, rules and traditions through which decision-making power that determines actions is exercised, and so accountabilities are manifested and actualized’.

According to Ansell and Gash (2008), in collaborative governance, public and private actors work collectively, in distinctive ways and using particular processes, to establish laws and rules for the provision of public goods. These authors identify six compulsory criteria for collaborative governance, namely:

- The collaborative governance forum is initiated by public agencies or institutions. Participants in the governance forum include non-government actors.
- Participants engage directly in the decision-making process; they are not just consulted.
- The governance forum is formally organised and meets collectively.
- The governance forum aims to make decisions by consensus.
- The focus of collaboration is on public policy or public management (Ansell and Gash, 2008: 544-545).

This narrower definition allows for a more practical comparison of cases, from which Ansell and Gash (2008) developed a model of collaborative governance. Although our article does not aim to apply their approach specifically, it uses the criteria listed above, as well as elements of their model, in order to evaluate selected examples of collaboration in RandLED.

Figure 3 depicts the four broad variables found to influence collaborative governance processes (Ansell and Gash 2008: 550), namely:

- starting conditions
- institutional design
- leadership
- the actual collaborative process.

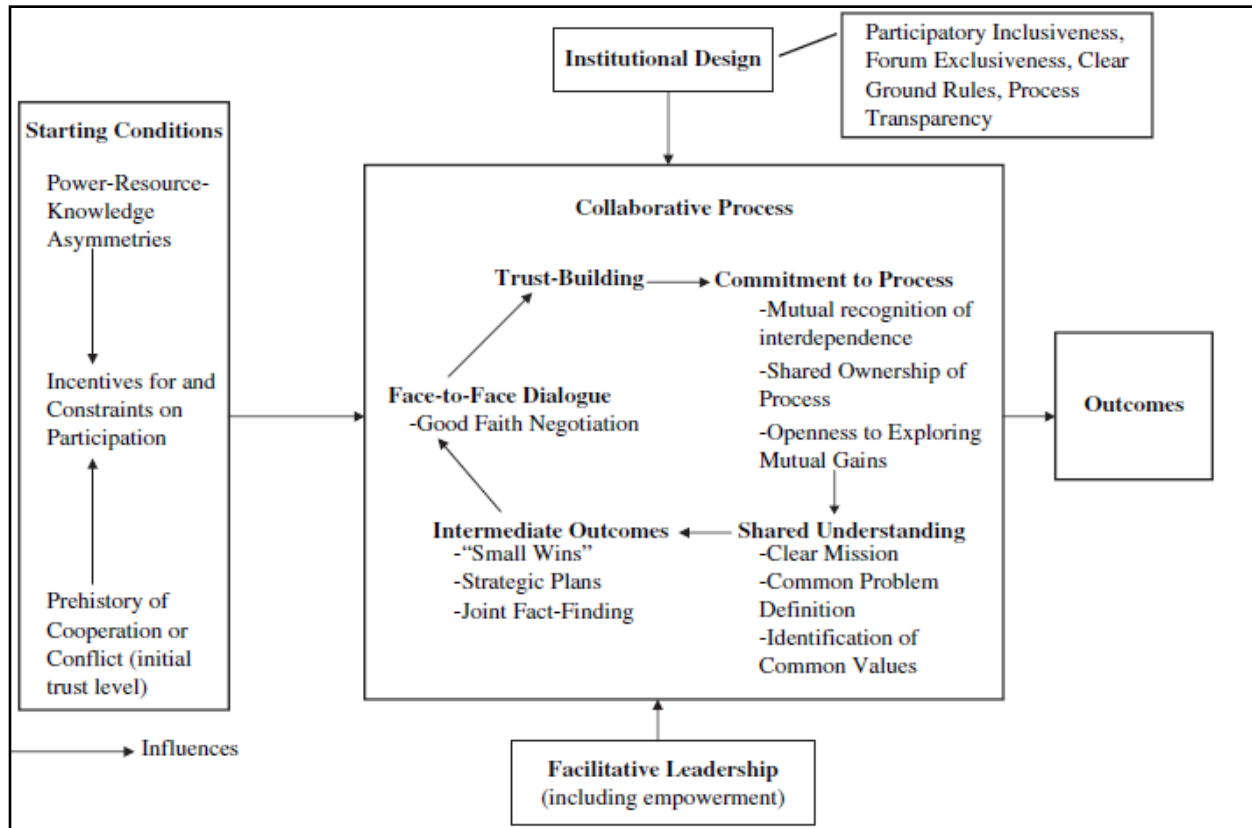


Figure 3: A Model of Collaborative Governance (Ansell and Gash, 2008: 550)

Complementary to considering various elements that provide a framework for collaborative governance, Keast and Mandell (2012) found characteristic elements of co-operation and co-ordination, as well as collaboration between role players. The first two elements are less mature versions of what could become active collaboration between parties sharing a common objective (in this case economic development). Regional and local governments, as well as non-government development actors, may share the pursuit of economic development in a specific region or sub-region; however variables at play in the collaborative governance model, as well as the maturity of interaction, may influence the likelihood of achieving positive outcomes. Pennink (2014: 47) attempted to develop a conceptual model reflecting the multi-actor, multi-level and multi-stakeholder landscape (Helmsing, 2003) of RandLED – see Figure 4 – which makes clear the challenge inherent in co-ordinating a multiplicity of interactions between various market-, government- and other developmental actors in a structured manner. This type of multi-sphere, multi-actor co-ordination and planning, aiming to effect integration between the national and specifically between the regional and local spheres, requires new and innovative governance arrangements. The next section briefly discusses three emerging examples, or cases.

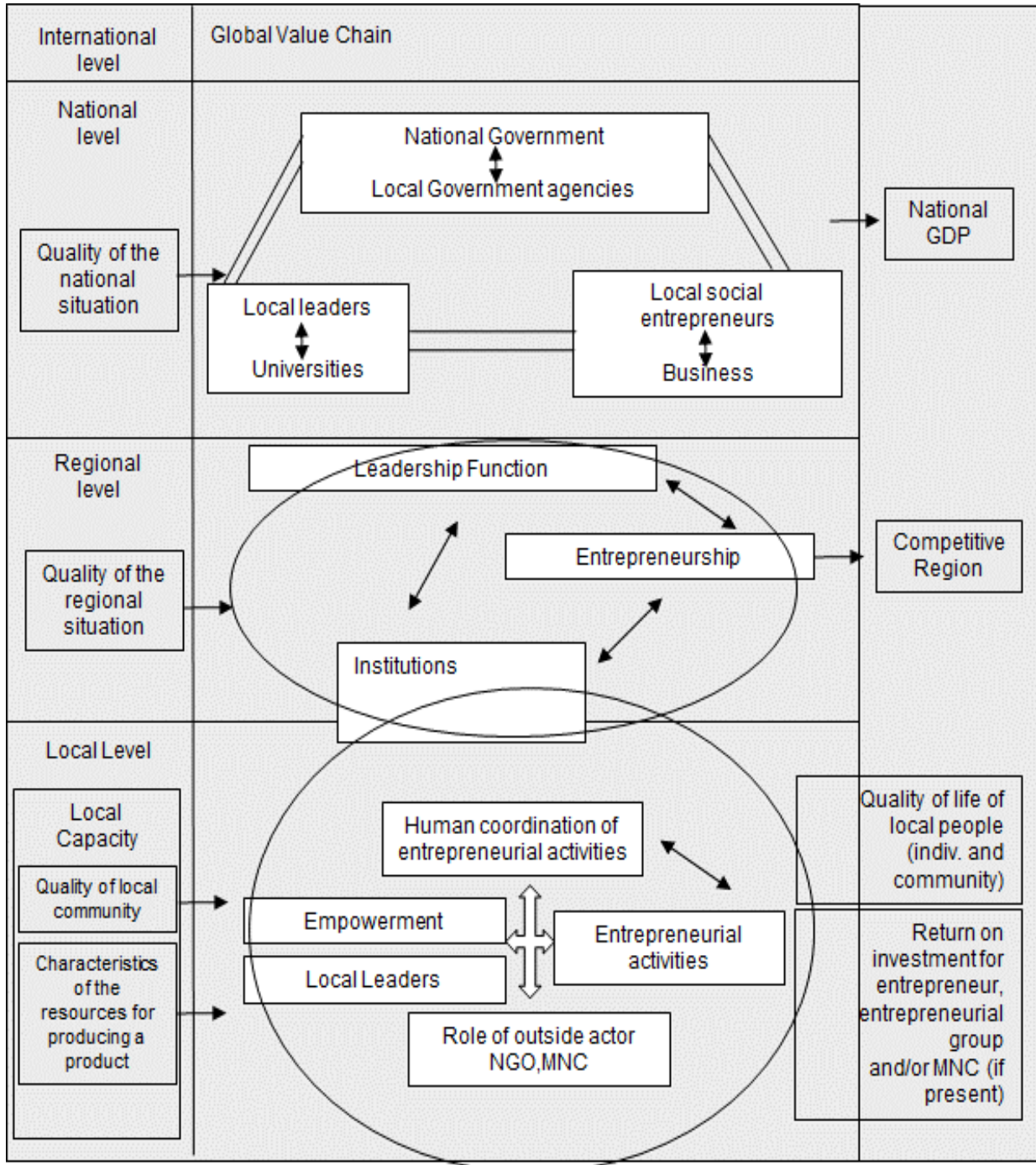


Figure 4: Multi-level, Multi-actor Model for Local Economic Development (Pennink, 2014: 47)
Key: MNC = Multi National Company

GOVERNANCE OF RANDED IN THE WESTERN CAPE PROVINCE – EMERGING PRACTICE

It is our contention in this article that emerging regionalism, together with the need for local economic planning with a regional perspective in mind, require innovative governance responses amongst role-players forming part of a wider sub-national economic development ecosystem. Integrated inter-governmental planning in economic development is needed, by virtue of the complexity involved when attempting to implement local, regional and national economic policy. Although new policy imperatives may be clearly communicated by national and regional government stakeholders, the programmatic implementation thereof – which inevitably has to happen in a particular locality in a wider sub-region – is frequently lacking in clarity for local actors.

Three different institutional arrangements, representing attempts at local and regional economic development governance collaboration in different localities in the Western Cape Province, will now be discussed. These constitute different local responses within an environment where the provincial sphere of government is actively pursuing a clear regional economic agenda. The aim of considering these cases is to deduct (albeit at a limited level) whether the underlying governance model in each case is succeeding, or has succeeded, in creating synergy between RandLED initiatives. Do the governance interventions, even with their varied institutional expressions, seek to address an institutional governance gap in the local-regional economic development nexus? If so, in what way(s); what are the dynamics at play and what are the implications for implementing economic development policy at a local and regional level? Each case is briefly described and evaluated against relevant literature, followed by a summary of similarities and differences.

Case 1: Hybrid regional partnership: the South Cape Economic Partnership

The vision statement of the South Cape Economic Partnership (SCEP) is, 'to create a platform for business leaders in the private and public sectors in the South Cape economic region to share information, collaborate and solve problems to the benefit of the greater community and with the aim of promoting shared economic growth and development' (SCEP, 2015: 1). The partnership was established in response to a need that had been identified by organised local business, namely to create a formalised platform on which issues of regional concern could be discussed and actioned. The aim is to increase interaction between business, local government and other role players, in order to ensure co-operation and collaboration in addressing challenges for the benefit of the regional economy.

In broad terms, the region corresponds with the Eden District Municipal boundary, which encompasses 7 local authorities. Participation amongst key role-players in localities varies considerably, however: in some cases, active non-participation is evident. This reflects the

competitive nature of economic development in the local government space, together with a lack of understanding of the inter-connected nature of the economies of small towns in the region. In terms of starting conditions (Ansell and Gash, 2008), the initial trust levels are considered low, with little incentive for co-operation (ie the forum would not be a decision making body with large resources).

The SCEP is not an independent legal entity, and as such cannot bind its members. Members are internally accountable to fellow members, funders and the partnership governance structure. While it is not a decision-making body, it contributes towards an enabling and conducive environment for business within the region. At the time of writing, the SCEP is being incubated by the Western Cape Economic Development Partnership, which includes both a service level agreement between members of the SCEP and the WCEDP, as well as an agreement with regards to co-funding the interim operational model until it has matured sufficiently to allow for its incorporation and establishment as an independent organisation. In terms of institutional design, this is an innovative approach, with few (if any) examples of this type of partnership existing in the sub-national economic development space. It is interesting to note, however, that although the drive for the establishment of the forum came from local business role-players and not a local authority, the financial contributions for providing some capacity to the platform have to date come exclusively from local authorities – a potential move towards improved joint ownership of the collaboration process.

Some intermediate outcomes include the appointment of a part-time project manager; the design and adoption of a logo and the drafting and adoption of a Medium-term Strategy and Programme of Work (SCEP, 2016). Exactly how this work plan (2016-2019) is to be funded, or to what extent it may leverage co-funding from multiple sources in the region towards common objectives, remains to be seen. Arguably, it may well be the watershed for the forum, as a failure to leverage resources and to move towards implementation could result in a significant loss of momentum and interest.

Case 2: West Coast Economic Development Partnership

As part of meeting the strategic objective of pursuing economic growth and facilitating job opportunities, the West Coast District Municipality (WCDM) decided to form a leading partnership to stimulate inward investment into the region, as well as identifying private sector-driven projects of a sufficient scale to have a catalytic effect on the local economies within the district. In March 2012, the West Coast Economic Development Partnership (WCEDP) was formed, with the purpose of leading, co-ordinating and driving economic growth and development. At the time, its major focus was the designation and consequent industrial development of the Saldanha Industrial Development Zone (IDZ) in Saldanha Bay Local Municipality (LM); as well as skills development, agricultural development and diversification of the local economy from the two pillars of agriculture and heavy industry.

The WCEDP formed a business-led executive leadership committee (EXCO), which identified four commercially viable Catalytic Business Ventures (CBVs) for the region (Vorster, 2014).

It was envisaged that EXCO would lead and supervise the task teams appointed to undertake the project, and that a bi-annual, broad-based report back stakeholder workshop would take place. The WCEDP set out to organise its work programme along the lines of four CBVs, which included a focus on aquaculture, artisan development, waste processing and a 'captains of industry' venture encompassing projects relating to road to rail, energy, port management and skills development (Vorster, 2014). This institutional framework expresses characteristics of the multi-level, multi-actor model proposed by Pennink (2014), in that it seeks to perform a leadership function, to develop entrepreneurship and to co-ordinate the capacity of multiple institutions for collaborating on these programmatic ventures, which are expected to benefit the region.

To date, in terms of a joint commitment to the partnership's process and participation in the collaborative process by all stakeholders (Ansell and Gash, 2008), measurable outputs by the partnership as a collective are difficult to identify, despite the fact that individual partners may have made progress by achieving some of the objectives that were jointly determined. The participation incentive was low for some stakeholders, as the initial funding for the partnership was provided through a grant, as opposed to each stakeholder contributing resources – thus securing more control over programmatic objectives. This links to the question of trust between partners (Ansell and Gash, 2008) and the extent to which it is influenced by the format of resource contribution, or the funding model of the partnership as the leading institution.

Case 3: Innovation helix approach to facilitate RLED: The Hessequa Innovation Helix (HIH) Initiative

The well-known Triple Helix Model (Etzkowitz and Leydesdorff, 1995), which sees active collaboration taking place between business, government and academic institutions in development facilitation, seems increasingly relevant for application in RandLED practice. According to Pennink (2014:45), 'In this interplay, the willingness to share knowledge is significant' and would address the need for knowledge-based governance processes and innovative responses to complex social and economic challenges at the local level'.

Hessequa Municipality, in collaboration with the Stellenbosch Good Governance Forum and Stellenbosch University, established the Hessequa Innovation Helix (HIH) in March 2015. Its launch included an ideas-matching and beneficiation process, aimed at unlocking local and regional economic potential and collectively finding ways to transform this into an economic opportunity. Eleven project proposals were presented and voted upon at the end of the session, based on their feasibility. The projects were subsequently prioritised and institutionalised to support their implementation. Thus, the HIH has set out to create and grow public value in the Hessequa community and to facilitate innovation for economic development through the growth and unlocking of value through learning projects.

The HIH incorporates a 'network governance' approach to project support and implementation and, in the words of the lead facilitators of the initiative, depends on a coalition of willing partners to co-create public value through projects in the area. Etzkowitz

and Ranga (2010: 17-18) describe how *consensus spaces* are created in the triple helix approach: these are 'a mix of top-down and bottom-up processes, where leadership is created through collaboration, providing a neutral ground where the different actors in a region, from different organisational backgrounds and perspectives can come together to generate and gain support for new ideas that promote economic and social development'. A process of 'cross-institutional entrepreneurship' between the triple helix spheres is created by this activity, with the objective of creating enabling conditions for regional development, informed by a dynamic knowledge base.

The triple helix approach creates an active linkage between regional and local economic development, as it draws external partners from the academic community, business community and government sector (including international stakeholders, due mainly to the University's strong international academic partnerships). It follows a multi-disciplinary approach and creates space for learning and experimentation, taking into consideration macro-challenges such as the energy crisis, the constrained financial resource model of municipalities and the importance of developing human capital in a locality. Figure 7 indicates a number of variables identified by Pretorius (2015: 42) as impacting on the dynamics and effectiveness of the innovation helix approach, when applied in a local government context.

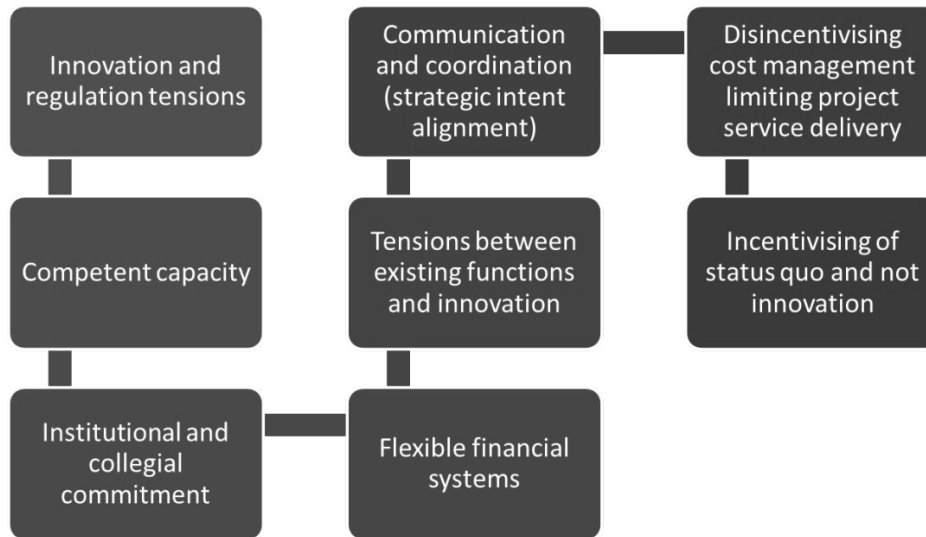


Figure 7: Variables for Innovation Helix Success (Pretorius, 2015: 42)

The triple helix example differs considerably from the first two case studies, given its strong emphasis on creating an enabling environment and partnerships for innovation as a response to complex institutional, economic and social dynamics in the local governance sphere. Similarities exist, however, to the preceding theoretical models used for comparison purposes, in that institutional and collegial commitment between stakeholders in the helix still need to be secured and trust fostered, in order for project outputs to be produced (Ansell and Gash, 2008). It is thus subject to similar pre-conditions and determinants for a successful collaborative process as the first two cases.

Case comparisons – commonalities and differences

Each of the three examples has been discussed, with reference to components of Ansell and Gash's (2008) model for collaborative governance, Keast and Mandell's (2012) continuum of collaborative relationships, and other relevant literature (Hamann *et al*, 2011; Etzkowitz and Ranga, 2010). In the section that follows, multiple sources of literature are combined in order to provide a set of criteria against which each case is evaluated, thus providing a summary comparison.

CRITERIA FOR EVALUATION/COMPARISON	WEST COAST	HESSEQUA	SOUTH CAPE
Geographical focus/scope	Regional	Local	Regional
LED, RED or aiming to bridge the gap	Bridge	LED	RED
Implementation or Innovation and Dialogue partnership	Implementation	Innovation	Dialogue
Level of institutionalisation	High	Low	Medium
Collaborative Model			
Initiated by public agencies or institutions	Yes	No	No
Participants include non-government actors	Yes	Yes	Yes
Participants engage in decision making (not just consulted)	Yes	Yes	Yes
Forum is formally organized and meets collectively	Yes	Yes	Yes
Forum aims to make decisions by consensus	Yes	Yes	Yes
Focus of collaboration is on public policy or public management	Yes	Yes	Yes
Relationship Continuum- Depth of Collaboration			
Cooperation (lowest form)	High	Medium	Medium
Co-ordination (some maturity)	Low	Medium	Medium
Collaboration (high trust, joint implementation)	Low	Medium	Medium
Helix collaboration – academic, business and government all involved	No	Yes	No

Figure 8: Case comparison (Ansell and Gash, 2008; Etzkowitz and Ranga, 2010; Hamann *et al*, 2011; Keast and Mandell, 2012; authors' observations)

IMPLICATIONS FOR RANDED INTEGRATION: POLICY AND PRACTICE

The three cases evaluated in this article share a commonality in partnership arrangements, in that their programmatic imperatives are organised in the form of a limited number of focus areas, arrived at through consensus, from which individual partners and the collective stand to benefit. To an extent, all three attempt to focus on regional competitive advantages and ways of supporting the network of industries in each cluster (tourism, agriculture, aquaculture etc).

In the WCEDP and SCEPT cases, a clear alignment exists between the focus areas of the regional economic development partnership and the strategic economic development priorities of the Western Cape Government. In this way, institutional alignment is facilitated and a governance gap is filled, which provides for inter-local and local-regional economic development collaboration in a structured manner. All three cases highlight the importance of defining clear objectives, together with an underlying value system of a partnership or collaborative governance arrangement. For example, the HIH initiative is intentional in its focus on social innovation, entrepreneurship and building an innovation eco-system that seeks to create public value.

It is the authors' view that the current LED policy framework, as provided by CoGTA, is limited to a reliance on LEDAs as the key vehicle for local government to deliver on its mandate for facilitating local economic development. As we have argued in this article, the success of LED practice is inherently linked to integrating regional economic development with LED facilitation processes. This raises the question of why LEDAs (which in the South African experience tend to be resource-intensive bodies with limited impact on local-regional planning integration), shouldn't be reviewed by policy-makers and development actors as preferred implementation mechanisms? There is clearly a need for responses to economic development facilitation that integrate local and regional planning, which demands the formation firstly of regional partnerships to co-ordinate planning between localities that are part of a wider functional economic region, and secondly, between this functional economic region and the sub-national or provincial region.

CONCLUSION: DIFFERENTIATION, COLLABORATION AND INNOVATION

The growing acknowledgement of the importance of economic development on a sub-national level serves as a starting point for a consideration of inter-local and intra-regional planning. However, the complexity associated with multiple actors sharing economic development facilitation priorities, together with varying institutional imperatives, is increasingly creating a need for new governance arrangements that facilitate partnership and collaboration.

The complex RandLED playing field described above calls for innovative and flexible responses, including the development of collaborative governance processes and hybrid partnerships to ensure regional and inter-local co-ordination, alignment and synergy. Enhanced cooperation between stakeholders, whether formal or informal, can foster trust and create 'institutional thickness' (Beer and Lester, 2015: 205). This relational convergence between RandLED facilitation actors could provide for more efficient and effective economic development outcomes, both for the participating localities, as well as the sub-region as a whole.

At the time of writing, the authors are aware of a number of municipalities in the Western Cape which are considering the establishment of economic development partnerships that will provide for dynamic participatory planning between business, civil society and government. These envisaged LED partnership arrangements are emerging as 'bottom-up' interventions. In order to be successful, however, clear planning linkages will have to be included with the regional economic and spatial development agenda of wider functional economic regions.

The authors further acknowledge the limitations of this article, as the paucity of available empirical evidence does not permit a more in-depth assessment of the three case studies that have been presented. A recommendation for future research is that economic development partnership arrangements and the sub-elements of effective collaborative governance arrangements should be studied in greater depth. For example, the bottom-up partnerships initiated by entities other than government do not seem a perfect "fit" for the current, dominant theoretical models for collaborative governance. Useful insights may be derived by studying whether this is a specifically South African peculiarity and whether it results in significantly different outcomes. Future in-depth primary research on local and regional economic development institutions in South Africa that have either failed, not made much progress or that have excelled (with measurable outputs) in local-regional economic development collaboration, will enable a detailed comparative analysis, producing specific findings on the guiding pre-conditions for success. Finally, we conclude that innovative partnerships, based on collaboration and commitment between role-players in the RandLED arena, should be explored in more detail, as well as being recognised in sub-national economic development policy and planning processes.

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Local Economic Development: Exploring the Expanded Public Works Programme as an important tool and contributor to the City of Cape Town's Economic Growth Strategy

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ABSTRACT

Through the current space in which it operates within the City of Cape Town (City), the Expanded Public Works Programme (EPWP) is proving to be a key contributor to the City's Economic Growth Strategy (EGS) and therefore Local Economic Development (LED), despite the challenges that South African municipalities face with regard to their growth and implementation. This article explores the state of the City's LED by looking at the EPWP's contribution to the EGS (its main tool for realising local economic development), based on the assumption that the latter is correctly aligned to contribute positively to the goals of a developmental local government. The authors examine the factors that would make the programme a leading contributor to the EGS, by exploring existing research and data within the City's EPWP Department, as well as a case study consisting of two projects that have been implemented by the programme.

Key words: Local Economic Development (LED), Economic Growth Strategy (EGS), Expanded Public Works Programme (EPWP)

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INTRODUCTION

South Africa's legislative and policy frameworks, especially the Constitution Act 108 of 1996 (Republic of South Africa, 1996) and the Local Government Municipal Systems Act 32 of 2000 (Republic of South Africa, 2000) both empower and require local government to provide the services and infrastructure that are necessary to meet the basic needs of the poor. Moreover, most of these legislative and policy documents try to be more specific in their declarations concerning local government. However, according to Patterson (2008), the concept of 'developmental local government' was first introduced into South Africa's democracy through the White Paper on Local Government (Republic of South Africa, 1998), where it is defined as: 'Local government committed to working with citizens and groups within the community to find sustainable ways to meet their social, economic and material needs, and improve the quality of their lives' (Patterson, 2008:7). This can easily be interpreted to mean that, in a developing country like South Africa, local government is legally required to prioritise socio-economic engagements aiming to improve the quality of the lives of citizens, especially the poor. With this in mind, it is also important to note that the same White Paper (1998) states that local government is not directly responsible for creating jobs – implying that its role is rather to ensure the establishment of [all] the necessary platforms that would ensure job creation; hence the strong focus in the Local Government Municipal Systems Act 32 of 2000 (Republic of South Africa, 2000) on service delivery and infrastructure development that is solely meant to enable other stakeholders to discharge their economic responsibilities.

Despite the above, internal government assessments of municipalities in the country, such as that conducted by the Department of Cooperative Governance and Traditional Affairs (CoGTA, 2009), reveal that much progress is yet to be made. Local government has been found to be struggling and in some instances, failing to fulfil its developmental mandate. The following have been noted as key challenges: a lack of political leadership; corruption; lack of policy coherence and skills scarcity (CoGTA, 2009). The implication is that most (if not all) municipalities in South Africa are struggling to put good LED strategies and policies in place, so as to be able to fulfil the policy-defined goals of a 'developmental local government'; despite the fact that 'Economic development has become a major local government activity in the past three decades' (Travers, 2012:23). Furthermore, to a certain extent, South African municipalities are lagging behind global standards, when it comes to LED.

As with most (if not all) socio-economic concepts,

'[t]here are of course numerous definitions for LED, most of which underline two important aspects: firstly, LED is an ongoing process and secondly, it is driven by local actors from different societal sectors, which therefore require collaboration, and even co-responsibility between the public and private sector for the successful economic development of a region or location' (Patterson, 2008:3).

Simply put, LED will succeed only when all stakeholders in the local economy are given the necessary room and platform to undertake the tasks that only they can perform; when the roles and responsibilities of each stakeholder are clear; and each takes accountability for all of their relevant tasks.

The City of Cape Town (City) is one of the municipalities mentioned in the CoGTA (2009) report in relation to addressing some of the challenges facing a prosperous developmental local government, including high levels of unemployment, estimated to be around 24.9% (City of Cape Town, 2014a:21). The inference is that, although the White Paper on Local Government (1998) clearly indicates that it is not the mandate of local government to create employment, which is a sign of a prosperous developmental local government's LED, the current employment creation platforms (created by the City to enable other stakeholders to create employment) are themselves inadequate. This is where the Expanded Public Works Programme (EPWP) comes in, and becomes critically important in shaping and influencing the manner in which challenges – such as high levels of unemployment – are addressed.

The EPWP is one of government's medium-to-long term national programmes aimed at alleviating poverty and reducing unemployment through the provision of work opportunities coupled with project based training. It covers all spheres of government and state-owned enterprises (SOEs) and spans four sectors, namely: infrastructure; social, non-state; environment and culture¹. The programme provides an important avenue for labour absorption and income transfers to poor households in the short- to medium-term; furthermore, it represents a deliberate attempt by public sector bodies to use expenditure on goods and services for the creation of work opportunities for the unemployed (DPW, 2015: iii). While the EPWP does not aim to create full-time employment, it should, when implemented successfully, help local governments in dealing with the dual challenges of unemployment and poverty. A brief overview of the EPWP is provided in a later section.

The goal of this article is to explore the state of local economic development in the City by looking at the EPWP's contribution to the EGS (City of Cape Town, 2013a), which is viewed as the instrument for growing LED – the assumption being that it is well-aligned to contribute in a positive direction. We aim to provide a more representative examination of the factors that would make EPWP a leading contributor to the City's EGS, through exploring existing research and data within the City's EPWP Department, as well as a case study involving two projects that have been implemented under the aegis of the programme.

The article is structured as follows: firstly, a brief literature review highlights the links and/or interactions that exist between LED, EGS and public works programmes. Secondly, we turn to an overview of the City's EGS and economy, showing how vital the EPWP's contribution is, regardless of whether or not this is adequately recognised at a policy level. Thirdly, we examine the EPWP in broad terms at a national level, before focusing on its implementation in the City of Cape Town. We demonstrate its importance to the City's EGS (and therefore LED) through examining two projects. In conclusion we note the importance

¹ www.EPWP.gov.za

of the EPWP as a tool and contributor to local development in the City – notwithstanding the challenges facing public works programmes in general.

LITERATURE REVIEW: THE INTERACTIONS BETWEEN LED, EGS AND PUBLIC WORKS PROGRAMMES

As noted by Zimmerman (2014:1): ‘public works programmes have the potential to be important policy tools for reducing poverty, if governments set clear goals and instil them into program design and implementation. But while the safety nets provided by such programmes often improve the quality of poor people’s lives, many schemes suffer from implementation problems that limit the welfare benefits for the poor’. Her observation is important for two reasons:

- It introduces one of the most critical aspects of public works programmes, namely ‘poverty reduction’ – an aspect that can be easily linked to LED.
- It introduces one of the most critical challenges to public works programmes, ‘design and implementation’, which can reduce the contribution of public works programmes to LED, if not carefully tackled.

The link between public works programmes and local economic development becomes clearer, however, when we consider what Rodriguez-Pose and Tijmstra (2005:3) have to say about how LED strategies arose:

LED strategies have their origins in the high-income countries of the North. The active involvement of a variety of stakeholders not only helps to develop a stronger local civil society, but can also contribute to make local institutions more transparent and accountable. Successful LED strategies can help to create an environment that stimulates the creation of more sustainable and higher quality employment opportunities.

The creation of the environment described above shows the critical importance of linking public works programmes with LED strategies in any locality. What then of EGS? How do such strategies link to LED and public works programmes, respectively?

An observation made by Akamatsu over fifty years ago (1962:3) remains true today: ‘It is impossible to study the economic growth of the developing countries in modern times without considering the mutual interactions between these economies and those of the advanced countries’. This is demonstrated in Rodriguez-Pose and Tijmstra (2005)’s earlier comment about how LED strategies originated in Northern high-income countries. Moreover, in order for any EGS to be considered a productive instrument, or a successful gauge, it must have clear indicators and tools to use in the process of a region’s development (LED). For example, an EGS for Northern Ireland is summarised thus: ‘The focus of our strategy is on developing export-led economic growth as the best means of increasing employment and wealth [...] and improving overall competitiveness’ (Northern Ireland, 2012:40). Similarly,

the Essex County Council (2012:40) declares that, 'Our EGS sets out how the County Council will lead efforts to promote economic growth, building on our proximity to London and our excellent international transport links'. In both of these cases, a clear link is made between the main EGS objectives and those of good LED strategies (which are themselves aligned to specific objectives of public works programmes, such as employment creation). In the section that follows, we pose the questions: What of the City of Cape Town's EGS? How clear are its objectives? Do they point to a progressive LED strategy, such as the two successful examples mentioned above?

THE CITY OF CAPE TOWN'S EGS, ECONOMY AND EPWP: A DESCRIPTIVE OVERVIEW

Cape Town has an estimated GDP per capita of ZAR 58 844 (City of Cape Town, 2014a:1-21), which means it falls into the middle income category, according to international standards. The same report highlights that the unemployment rate is 24.9%. This is lower than the national average of 25.7%, but is still excessively high. According to the quarterly Labour Force Survey (LFS) (StatsSA, 2015:4), a decline was evident in the absorption rates of new entrants into the job market, while the outlook for the third quarter of 2015 indicated that South African companies would not be hiring new workers. The EPWP is thus a critically important tool for job creation and skills development in the country.

The City of Cape Town's EGS states that: 'The principal objective of the strategy is to grow the economy and create jobs – the overarching objective of the Opportunity City' (City of Cape Town, 2012a:30). Significantly, the EGS recognises the importance of infrastructure development in the economic development of any region. While this strategy still does not identify the main tool which is necessary to achieve the desired economic growth (after the manner of Northern Ireland and Essex County cited earlier), it does acknowledge that, in order for proper LED to be achieved, opportunities need to be created; secondly, that the created growth must be inclusive of all stakeholders in the region. Moreover, given the brief description of the state of Cape Town's economy provided above, especially in relation to rate of unemployment, one would assume that the EPWP would be regarded as a key tool, given that it is strategically placed to contribute towards the EGS and LED of the City.

The findings we report in this article support Fourie's view that the EPWP is indeed important for inclusive economic growth that creates jobs; also that the programme '[...] is not mentioned in the context of infrastructure construction, operation or maintenance' (2013:7). This means that the challenge of proper alignment and positive exploitation of EPWP with strategic policies and frameworks is not just a Local Government challenge, but a national issue that requires urgent and ongoing [structured] intervention.

Taking the above into account, in the light of the state of the local economy, the City of Cape Town's EGS (2013) recognises the EPWP as an important contributor to achieving one of its LED objectives, namely inclusive economic growth. We will now briefly examine the EPWP at the national level, before moving to a closer look at the results from two City of

Cape Town projects, as well as the current aggregate contributions of the EPWP within the City.

THE EXPANDED PUBLIC WORKS PROGRAMME: AN OVERVIEW

The EPWP commenced on 1 April 2004, with the start of Phase 1 (2004-2009). The goal was to create one million work opportunities over the first five years (Department of Public Works (DPW), 2009), thus providing basic income, albeit on a temporary basis. The specific objective of the EPWP is to reach as many people as possible, given the large size of its potential target group. Now in its third phase (2014 to 2019), the programme aims to create more than six million work opportunities and two million Full-Time Equivalents (FTEs). The FTE indicator was introduced in 2009. An FTE is the equivalent of two hundred and thirty (230) person days of work, per annum. Phase 1 highlighted a concern with the duration of the work opportunities created in the programme (DPW, 2009); hence the focus on FTEs.

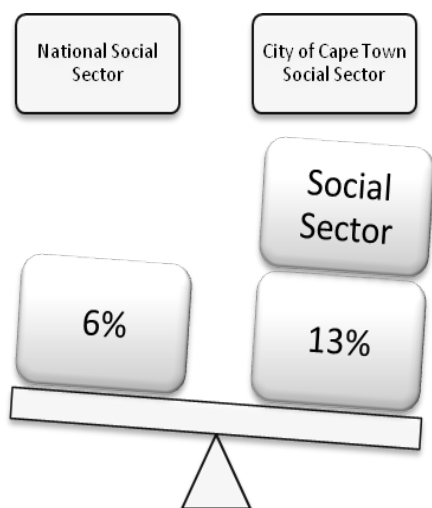
Institutional arrangements

At a national government level, the overall co-ordination of the programme continues to be carried out by the EPWP Unit in the DPW. This is also the lead co-ordinating department for the infrastructure sector, which plays an important role in the execution of the programme within other sectors, co-ordinated outside the unit (DPW, 2009). The effects of the direct co-ordination of the infrastructure sector by the EPWP Unit are visible in the ratio of work opportunities created by the three main sectors, namely:

- infrastructure
- social
- environmental and cultural.

From the sector performance comparison in Figure 1, it is evident that two-thirds of the national EPWP work opportunities come from the infrastructure sector, while the City endeavours to find a balance between the sectors. Figure 1 also reveals the extent to which the City is investing in the social sector through its EPWP, which contributes more than double the number of work opportunities, when compared with the national average. The untapped potential for job creation is evident: even the National Development Plan (National Planning Commission, 2012:333-336) finds that 'The EPWP II could provide a number of ... opportunities, mostly in the social sector'.

Other Sectors:



Sector	National	CoCT
Infrastructure	67%	52%
Enviro and Culture	27%	34%

Source: Corporate Services Portfolio Committee Minutes, 5 August 2015 (City of Cape Town, 2015:14)

Figure 1: Sector Performance Comparison

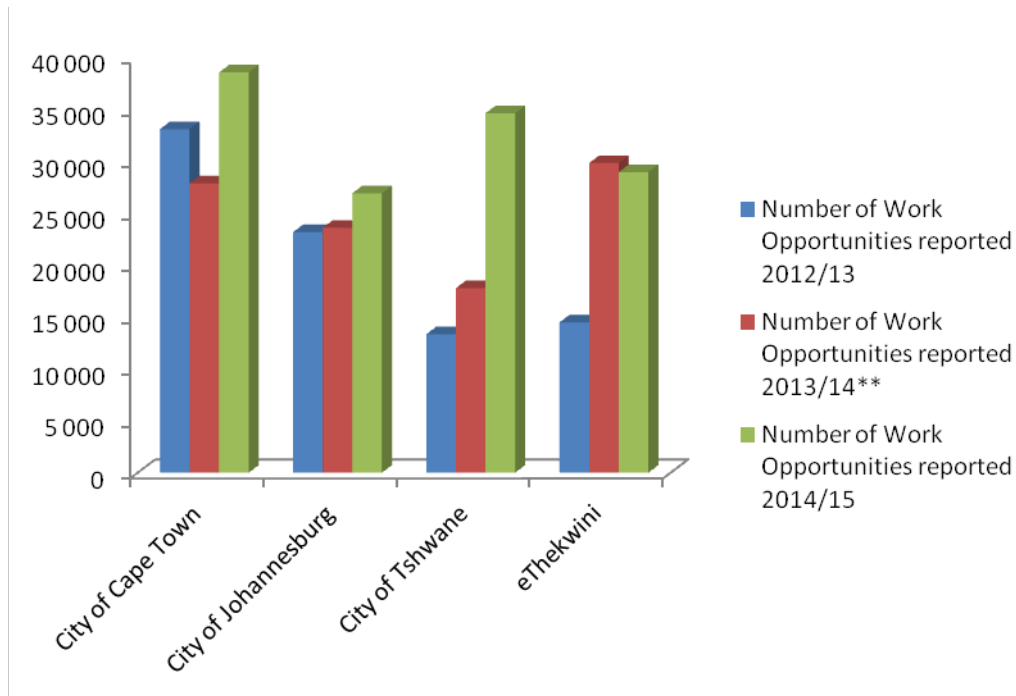
The key to the EPWP is to reach the people it targets as cost-effectively as possible; therefore its projects are characterised by the intensity to which they employ manual (rather than mechanical) labour. In this way, the DPW guides implementers in using Labour Intensive Methods (LIM) in executing EPWP projects (DPW, 2015a). These guiding methodologies are especially focused on the infrastructure sector. Importantly, evidence shows that when all of these guidelines and processes are implemented correctly, the EPWP is able to contribute positively to economic growth and development by maximising the work opportunities created (Sibanda, 2014).

The following section hones in on the EPWP in the City of Cape Town and its growth over the years, with the intention of showing how the programme has performed in relation to its mandate; together with the ways in which these performance levels can be used to determine whether or not the EPWP is indeed an important tool and contributor to the City’s EGS and LED.

THE CITY OF CAPE TOWN’S EPWP: AN IMPORTANT TOOL FOR THE CITY’S LOCAL ECONOMIC DEVELOPMENT

The City aims to have created 200 000 EPWP work opportunities over the Integrated Development Plan (IDP) five-year period from 01 July 2012 to 30 June 2017. EPWP is included as a key strategy under Strategic Focus Area 1: The Opportunity City (City of Cape Town, 2012a:30). To a large extent, the City has accepted the role and importance of the EPWP, directly paying more than ZAR100 million in wages to poor and unemployed persons per annum. On a macro-level, this links directly with the City’s EGS, as it speaks to the

creation of work opportunities in the process of growing the City’s economy. Figure 2 shows that the City has been performing above the national average when it comes to number of EPWP work opportunities created.

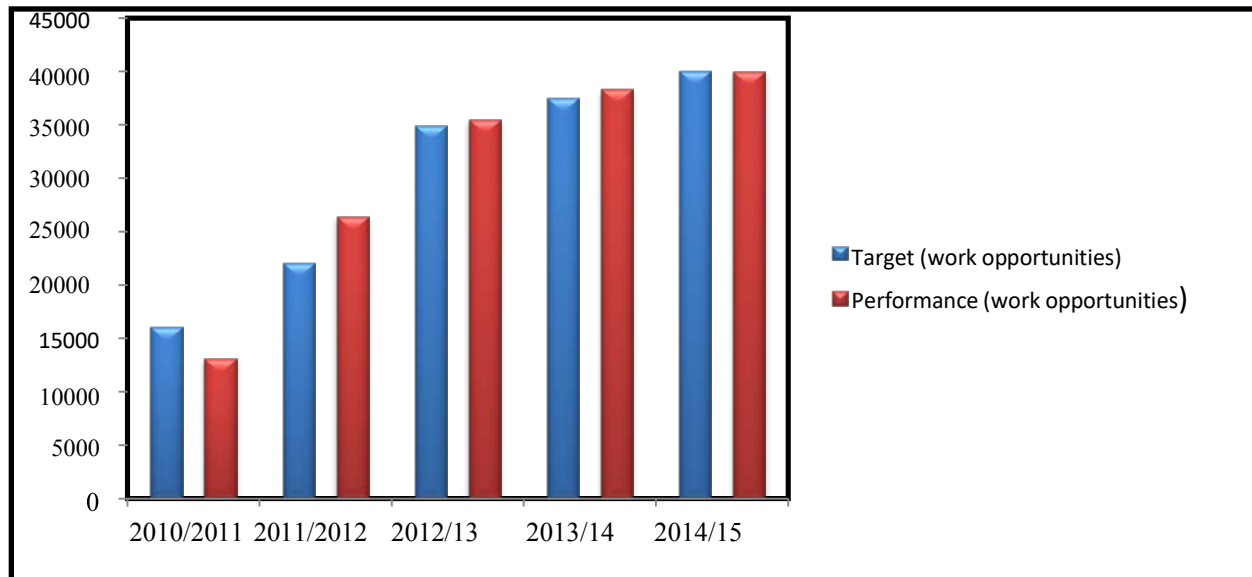


Source: Corporate Services Portfolio Committee Minutes, 5 August 2015 (City of Cape Town, 2015:14)

Figure 2: City of Cape Town’s performance against other Metros

We will now explore how the City has consistently been able to create work opportunities for its poor and unemployed citizens. This capacity can be attributed partly to institutional and structural changes that the City’s EPWP went through before and during the three financial years included in Figure 2². Figure 3 demonstrates the City’s actual performance, per annum, against its IDP targets.

² It should be noted that it is very difficult to obtain reliable EPWP data prior to the 2010 financial year.



Source: Adapted from EPWP Close-out report (Corporate EPWP office, 2015a), based on data contained in the Annual Reports (City of Cape Town, 2011:22; 2012b:11; 2013b:31; 2014b:35)

Figure 3: City of Cape Town five-year performance against its IDP target

Figure 3 shows that in the 2010/2011 financial year, the City failed to reach its work opportunities target. This is the year that preceded institutional and structural changes within the City's EPWP implementation. Below is a summary of challenges specific to the City of Cape Town, before and during 2010 (Corporate EPWP Office, 2015a:10):

- programme institutional structures ineffective
- lack of documented project methodology
- EPWP office under-resourced
- escalation processes outside of formal structures
- reporting requirements burdensome and creating organisational tension
- ad hoc reports and queries overburden EPWP office and officials
- lack of formal documented policy for classification and management of document and records
- records, such as project initiation documentation, plus contracts not centrally archived
- no central repository of required records
- lack of integration across projects
- lack of formal communication plan – impacts on effective communications to workers, line, council members, etc
- programme risk management outside of the enterprise risk management framework

These challenges required an institutional and structural change strategy from the City, kick-started when the EPWP was successfully incorporated into the City's IDP for the 2012-2017 period, which included five-year job creation targets (City of Cape Town, 2012a:1-30). In turn, this was followed by the execution of the following tasks by the City's EPWP office:

- designing a policy on the Implementation of the EPWP
- establishing an EPWP Programme Management Office
- improving a policy regulating the recruitment and selection of workers from the community to participate in EPWP related projects
- incorporating EPWP into existing corporate processes such as Integrated Risk Management
- allocating job creation targets to each department
- ensuring support direct to Line Departments (City EPWP implementers)
- creating a central database with all registered jobseekers in the City
- improving relationships and communication with stakeholders.

The above summarises the institutional transformation undergone by the City in its quest to improve EPWP participation. It should be noted that the identification of policy as a key instrument to implement EPWP successfully in the City, preceded the EGS. Furthermore, participative structural changes were required to drive the successful implementation of the EPWP, including the following (Corporate EPWP Office, 2015a:12):

- direct support from the mayor's office in EPWP (political championing)
- active participation from directorate mayoral committee members (political championing)
- implementation accountability at executive management level, including the establishment of a planning and monitoring platform (steering committee) *and*
- the creation of a departmental coordinators' forum to co-ordinate and monitor implementation at a project level.

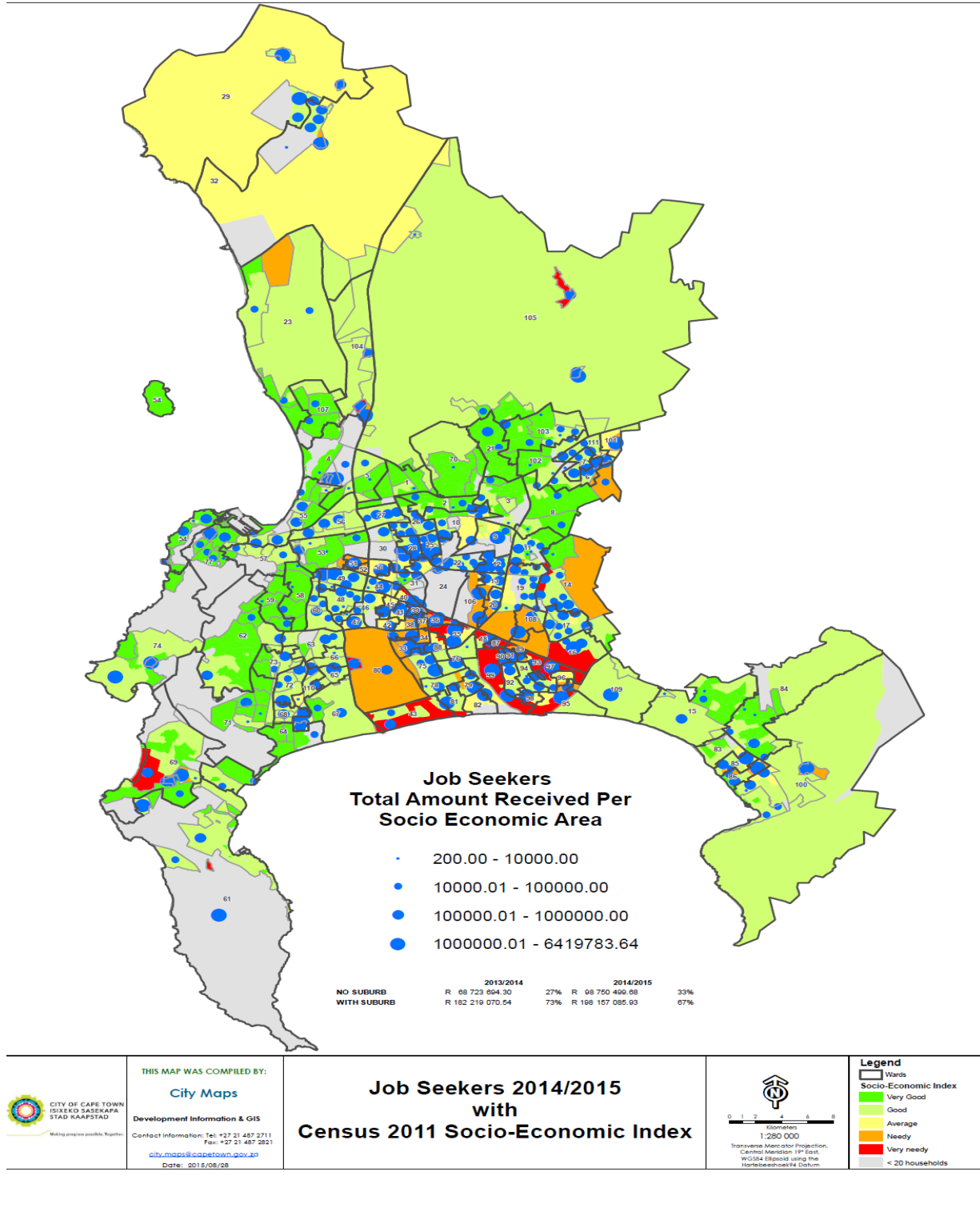
The relatively successful co-ordination of the above has enabled the City to start performing, as shown in the figures discussed earlier. While there is still plenty of room for improvement, the City has managed to give effect to the guiding documents. It is also the first municipality to have in place a centralised EPWP recruitment database; together with an EPWP recruitment and selection policy, both of which are supplementary to its implementation policy for the programme. Furthermore, the City's EPWP now has a dedicated budget allocation of ZAR122m, funded from the rates income base. This budget becomes an incentive to City implementers and supports the implementation of flagship and other EPWP projects.

Additionally, the City's EPWP is providing temporary relief to thousands of workers who cannot find jobs in the formal market, reaching an average of 38 000 people per year. This

has earned the City three national awards for its job creation programme. Based on the findings from social impact studies (Corporate EPWP Office, 2012, 2013), the average household size of an EPWP worker is three (Corporate EPWP Office, 2013:10). The direct benefit of the programme thus reaches approximately 110 000 people per annum. The average wage of an EPWP worker in the City of Cape Town is ZAR125, which is on a par with other informal labour markets and over 50% more than the current prescribed minimum wage for the programme of ZAR78.86 (DOL, 2015). These social impact studies (Corporate EPWP Office, 2012; 2013) also revealed that the top five areas on which workers spend their income are:

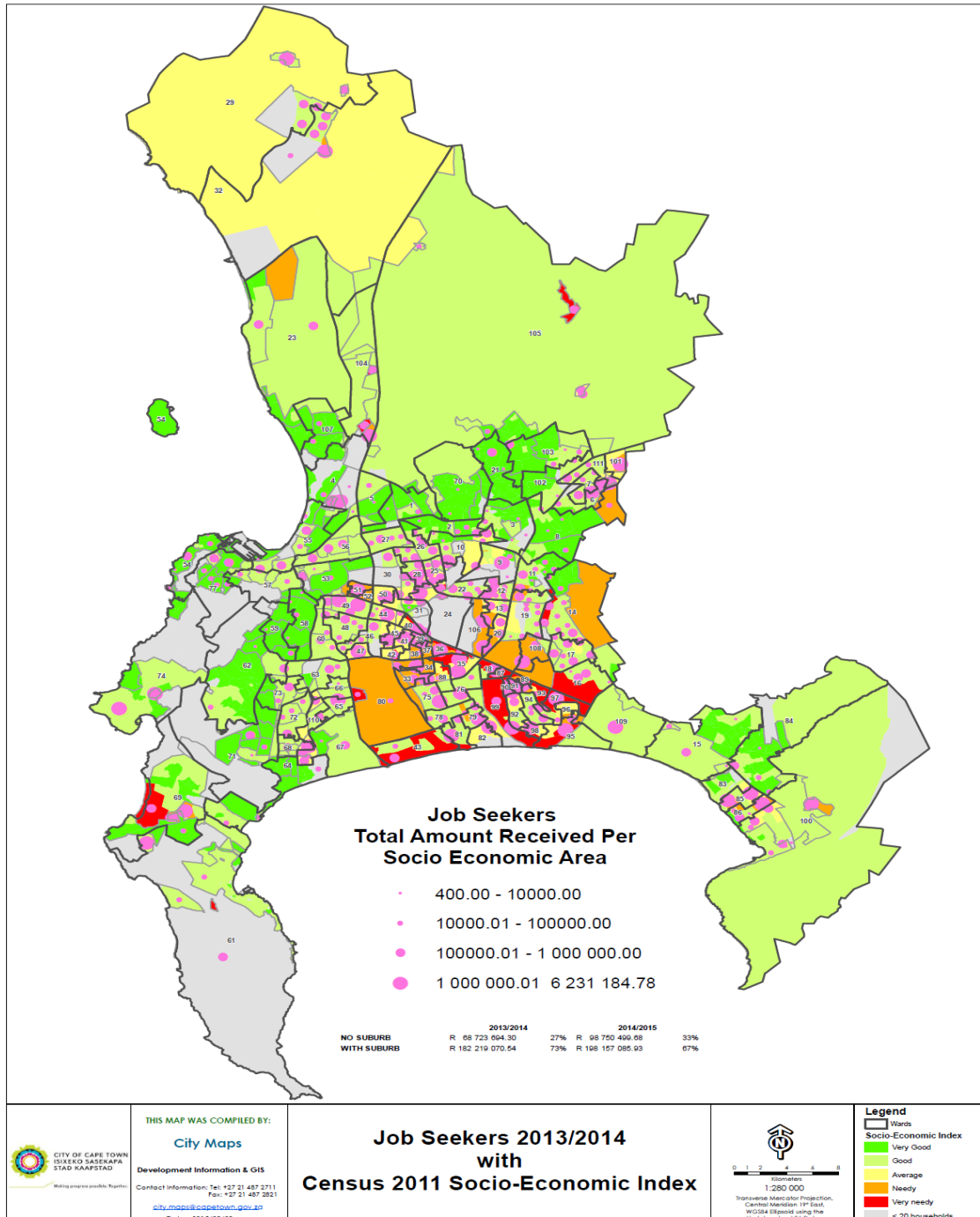
- food
- clothing
- electricity
- school fees
- debt

A further finding was that a significant majority of EPWP workers cannot find employment outside the programme and simply rely on the next opportunity (Corporate EPWP Office, 2013). This correlates with the quarterly Labour Force Survey, which stated that companies are not taking up new labour (StatsSA, 2015: 4). Noting the above, we used the City's reported EPWP data for the financial years of 2014 and 2015, cross-referenced with the 2011 Census socio-economic index for the City, in order to establish a correlation between EPWP's contribution and the EGS strategies for inclusive growth (see Figures 4 and 5). Data were derived from the jobseekers' database (audited by the Auditor General for the financial years we report upon). The socio-economic index categorises the City's areas according to the very needy (red), needy (orange), average (yellow), good (light green) and very good (green). The dots on the maps in Figures 4 and 5 represent the sum of EPWP wages paid to workers residing in a specific area, during a particular financial year. The bigger the dot, the larger the amount paid directly to the worker.



Source: Adapted from EPWP Financial Year performance analysis presentation (Corporate EPWP Office, 2015b:28)

Figure 4: Spatial mapping of City Of Cape Town EPWP wages paid with socio-economic index (2014/15)



Source: Adapted from EPWP Financial Year performance analysis presentation (Corporate EPWP Office, 2015b:27)

Figure 5: Spatial mapping of City of Cape Town EPWP wages paid with socio-economic index (2013/14)

The two spatial maps shown in Figures 4 and 5 indicate that the highest concentration of EPWP wages was paid to workers residing in the average (yellow), needy (orange), and very needy (red) areas respectively, which is a positive sign for the contribution of the EPWP to both the 'Inclusive Growth and Opportunity City' objectives of the EGS. However, there is also ample room for improvement, as the programme does not entirely prioritise the areas of greatest need.

The City requires more specific data than the relatively aggregated data displayed so far, therefore, in order to ground our findings further, we decided to select two of the City's flagship EPWP projects for closer examination: namely the Kader Asmal Catchment Management and Janitorial Services projects from the Environmental Resource Management (ERM) and Water and Sanitation (W and S) Departments, respectively. All three contractors in the Kader Asmal project were interviewed. It should be noted that the Janitorial Services project does not use contractors; instead, workers are directly appointed by the City of Cape Town. In addition, comparisons between the two impact studies (Corporate EPWP Office, 2012, 2013) were made for some of the categories described below, which helped us to understand how participant dynamics have changed.

Category 1 (Employment/Contracting history)

The data revealed that there were more first-time workers in 2015, than in 2012 and 2013. This increase in new entries into the jobs market can be correlated to the findings of the quarterly labour force survey cited earlier (StatsSA, 2015:4), which showed whether companies would/would not be hiring new workers. These confirmatory findings place EPWP in an important position as a contributor to the EGS, since it demonstrates that the programme is able to create real opportunities at a time when other stakeholders in the economy are struggling.

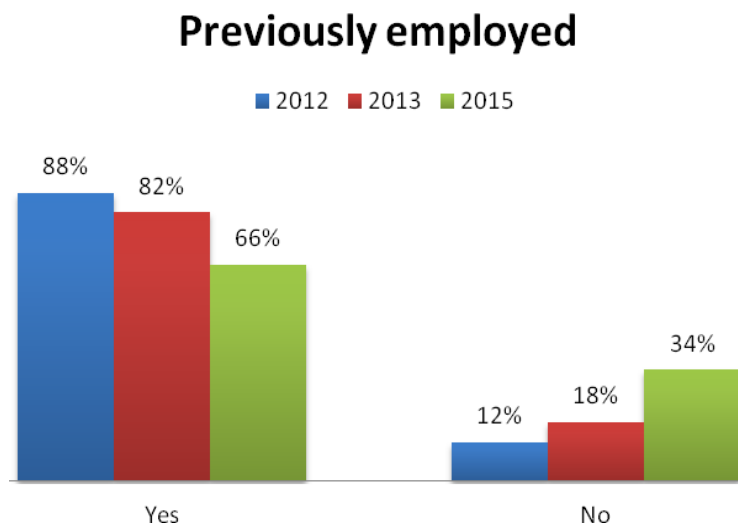


Figure 6: Employment history of EPWP workers

Figure 6 implies that new jobseekers are struggling to find work outside the EPWP, with an increase of over 100% in the number of new jobseekers over the last two years depicted on the graph.

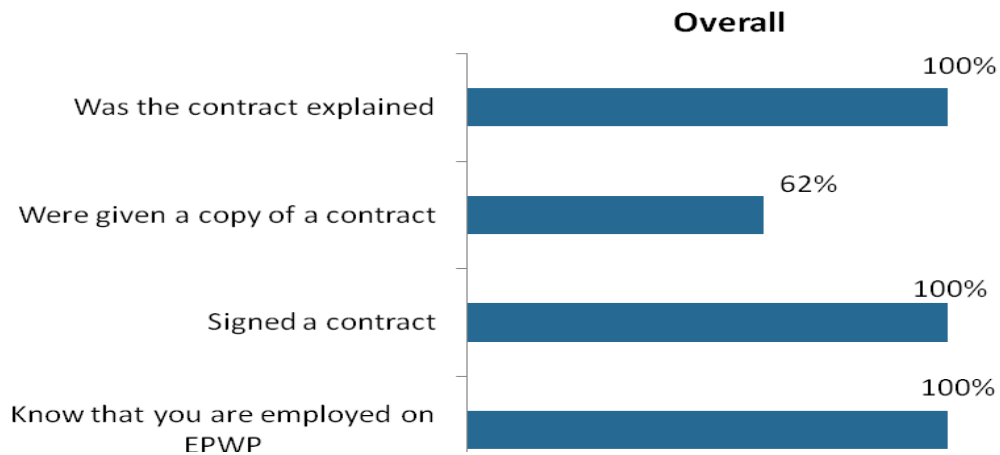


Figure 7: EPWP induction and pre-employment support

Figure 7 suggests that EPWP workers are provided with appropriate support by the City. All the interviewed workers indicated that their employment contract was explained and signed and that they had been informed that they were engaged on an EPWP project.

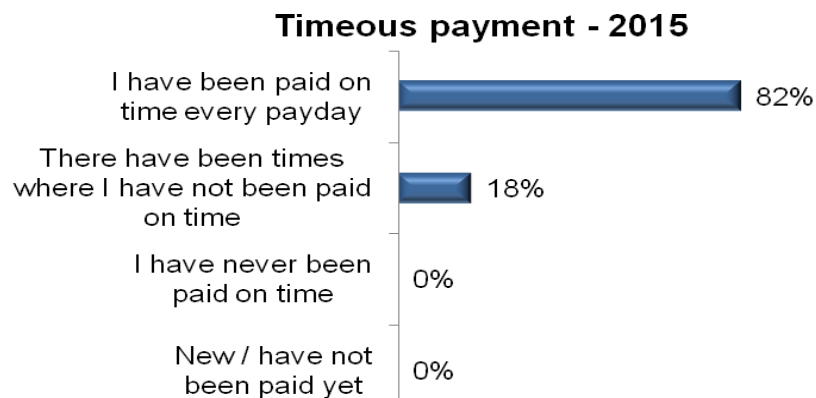


Figure 8: Timeous payment of workers

Figure 8 shows that there is still room for improvement, although the 82% confirmation of timeous payment is encouraging.

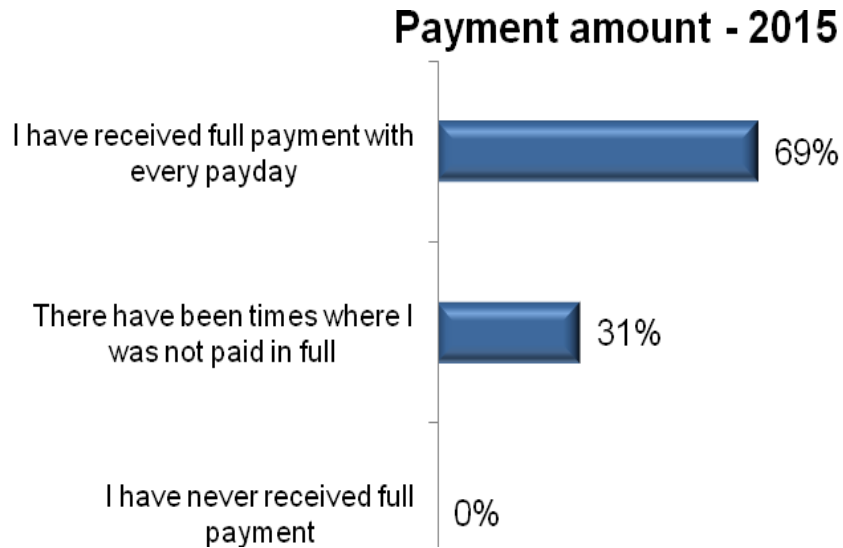


Figure 9: Accurate payment of workers

Figure 9 raises pressing concerns, since the lack of full payment hinders the ability of workers to participate in the economy. Significantly, it also suggests that there may be irregularities/improprieties within the payment authority/structure itself.

Category 2 (Economic Participation)

This category of questions aimed to explore the extent of the economic participation of the EPWP workers. When it comes to the main items participants said they spent their money on, rent replaced debt in the top five listed priorities (see Figure 10). One of the most surprising findings was the increase in the 'other' category, which (after further enquiries) was found to represent spending on sanitation/health and house-renovations. A possible explanation is that the majority of the 2015 respondents were females, which might suggest the existence of different spending patterns for males and females, especially when all the items are considered.

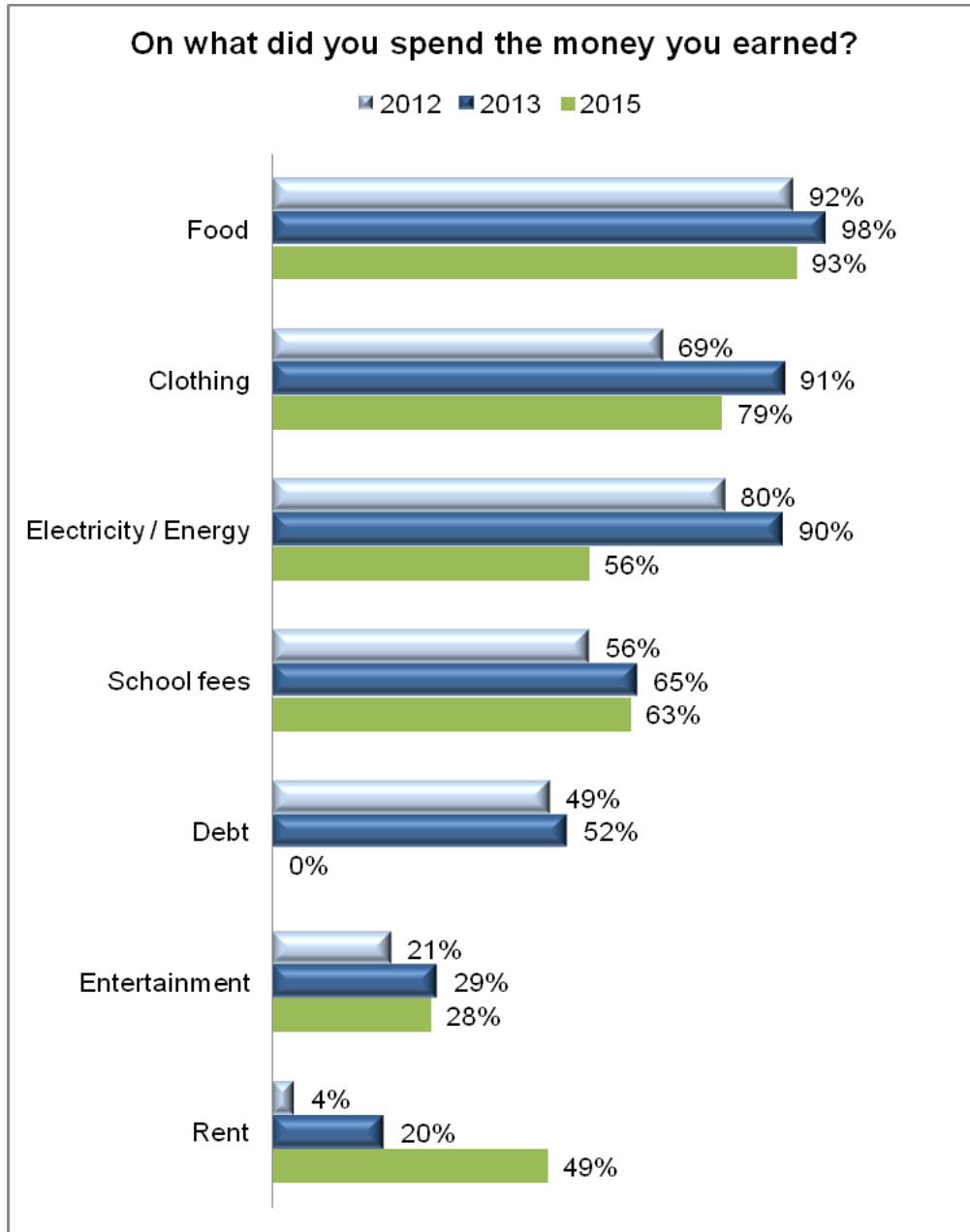


Figure 10: Top spending items identified by EPWP workers

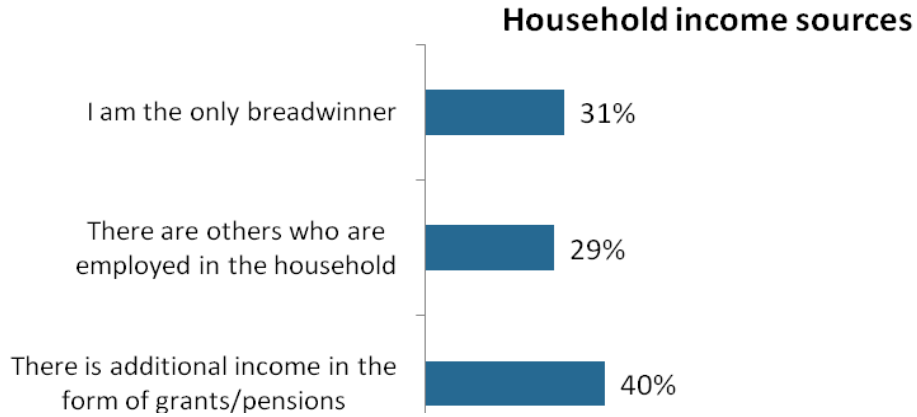


Figure 11: Sources of income in household of EPWP workers

Figure 11 amplifies the challenge of unemployment, as the majority of households are proving to be highly reliant on government-related incomes.

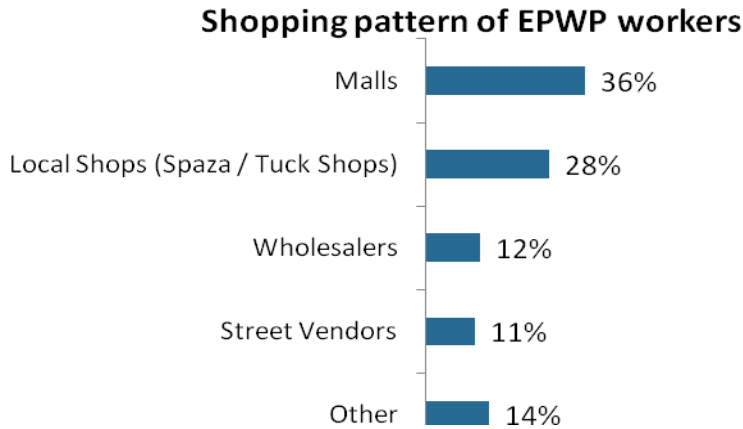


Figure 12: Shopping patterns of EPWP workers

Figure 12 gives an insight into where the majority of the EPWP-injected funds are going, after being paid as wages to the relevant workers. On one hand, the data reveal that there is still a high reliance on state-funded income (Figure 11); on the other that over sixty-percent of the income is spent in malls (36%) and spaza shops (28%), a sign that the money might not be circulating effectively within the immediate communities and creating local economic growth. This is exacerbated by the fact that most of the spaza shops are foreign-owned and do not buy from, or employ any local residents (a finding from a follow-up question to the participants). Moreover, Liedeman, Charman, Piper and Petersen (2013: 3) found that 'in a sample of six key commodities, foreigners' shops were cheaper and they clearly used price discounting as a strategy to capture the market from existing stores'. This

presents an opportunity for additional research, to further explore the EPWP workers' spending patterns and the impact thereof.

Category 3 (Skills development)

The following are the skills learned by EPWP workers who were employed on the two projects:

- financial management
- health and safety
- driver's licence
- field safety
- family support
- water safety awareness
- snake awareness
- herbicide training

Ninety-six per cent (96%) of the participants said they believed that they would be able to use their newly acquired skills outside the EPWP project (Figure 13). This is a good sign, while also presenting the EPWP and the EGS with room to expand on skills provision, with an emphasis on those that are infrastructure-related.

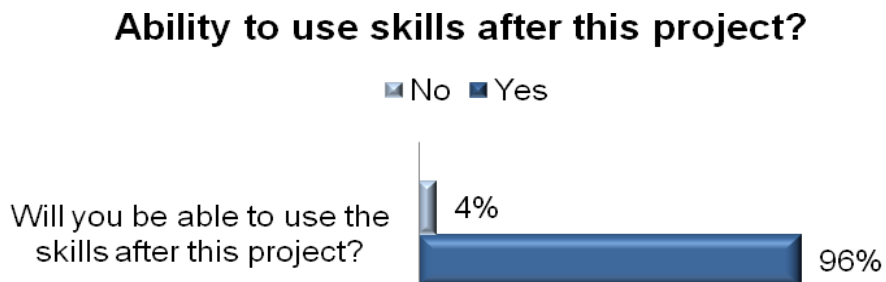


Figure 13: Usefulness of skills acquired

The findings in Figure 13 encourage the City to continue with its skills development interventions in the EPWP.

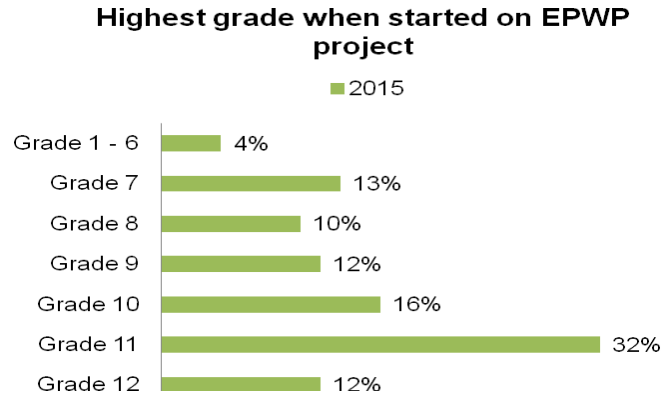
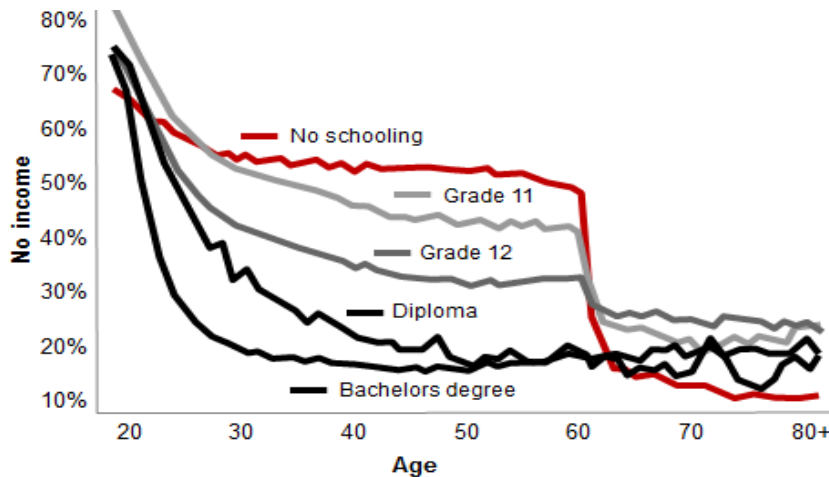


Figure 14: Education Profile of EPWP workers

Figure 14 reveals the levels of education of the City’s targeted groups. The majority did not have Grade 12, nor any additional qualifications when entering the programme, with only twelve per cent of participants having passed Grade 12. This amplifies the value of any type of relevant skill that the average EPWP worker can gain by engaging in an EPWP project. Moreover, it shows that the City’s EPWP is targeting the right group of participants.

The data on income, age and level of education (Figure 15) inform the EPWP Office’s rationale for the programme and its target group, suggesting that persons with limited skills and education have reduced prospects of earning income, prior to their becoming eligible for government pensions or other social grants. This group is therefore the target market for participation in EPWP. The need for skills development and further education of participants is consequently also critical to facilitating an exit from the programme.

Income, age and level of education



Source: DPW EPWP Engagement with the City of Cape Town (DPW, 2015b)

Figure 15: DPW EPWP Phase 3, EPWP rationale

Contractors

Figure 16 shows an exponential increase in the sizes of contractors' businesses while they were on the programme. The three contractors were still mainly dependent on the EPWP project, however: significantly, they noted that the business-related skills they had learnt were vital for use outside the EPWP. In addition, they identified an increase in their ability to source contracts outside the programme. This is important for the EPWP enterprise development approach (DPW, 2009). Critically, it suggests that there is potential for the EPWP to go beyond the creation of work opportunities.

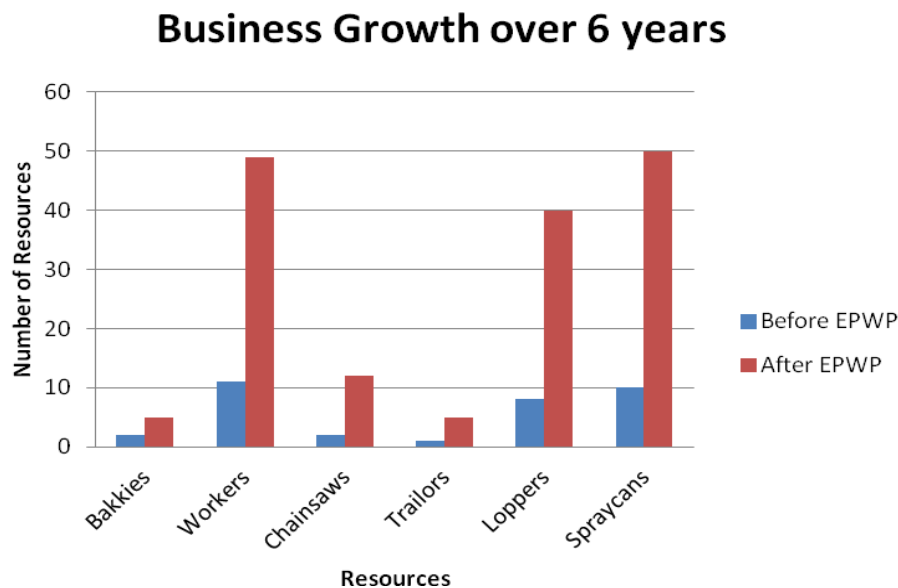


Figure 16: Contractor growth within EPWP

CONCLUSION

While LED is a fairly new focus and local government has gone through significant changes in the democratic South African era, a number of corroborating policies and policy papers advocate a specific route for achieving local economic development in South Africa, including the Constitution (Republic of South Africa, 1996), the White Paper on Local Government (Republic of South Africa, 1998) and the Local Government: Municipal Systems Act (Republic of South Africa, 2000). This 'developmental local government' approach to LED has communities, the private and public sectors working together towards clearly defined goals, where stakeholders have specific roles and responsibilities. On the one hand, there is no standardised approach to driving LED within municipalities in South Africa; on the other, the larger municipalities are taking a significantly different approach to LED from

that of the smaller municipalities. As expected, many challenges exist within municipalities with regard to local economic development.

While indeed the City of Cape Town's EGS has been found 'somewhat adequate' (South African Local Government Association (SALGA), 2010: 21), there is plenty of room for steering the specific role of infrastructure and competitiveness development towards the industries offering competitive advantage. The EPWP is given a clear role to play in the City's EGS, and there is plenty of room for strategic growth for the programme. Moreover, the EPWP seems to be overachieving on the EGS-set goals, while taking the lead in the Inclusive and Opportunity City strategic focus areas.

This involves:

- taking initiatives in bridging the skills gap within the infrastructure sector
- proving to be a key entry to the job market for first time workers
- holding the key to maximising employment opportunities in the City.

This suggests that while the EPWP is not strategically placed to take the lead in contributing to the EGS and therefore the LED in the City, it is showing signs of distinct capability in this regard. Moreover, the lack of EPWP strategic alignment and effective use seems to be a national government challenge.

The findings we have presented and discussed in this article make it clear that the featured coordinated, informed and targeted government programmes aimed at job creation – and the consequent alleviation of unemployment – can and do enjoy significant localised success/es, if systematically planned and coordinated. Further benefits follow, such as the significantly increased upskilling of participants, leading potentially to higher levels of economic sustainability. What is now critical is for the national co-ordination of such programmes to be located at a major city level, with the idea of cascading consequent successes down to smaller cities and municipalities, nationwide, on an escalating basis, resulting in unprecedented benefits for the national economy. As we noted earlier, the challenge of proper alignment and positive exploitation of EPWP with strategic policies and frameworks is not just a local government challenge, but a national issue that requires urgent and ongoing [structured] intervention.

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The contribution of youth in Local Economic Development and entrepreneurship in Polokwane Municipality, Limpopo Province

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ABSTRACT

This article reports on an investigation of the challenges facing fifty young entrepreneurs in the Polokwane municipality, Limpopo Province, South Africa (Leshilo, 2014). Data were collected by means of 10 face-to-face interviews and 40 questionnaires. The findings highlighted the following issues: unfavourable administrative and regulatory burdens; insufficient entrepreneurship education; a lack of access to finance, markets and business development services for start-ups. The key recommendations of the study are as follows: government should simplify the criteria for obtaining finance from its own established financial institutions by reviewing its current lending policies and replacing them with less stringent requirements in order to allow for equal opportunities among the youth; government and the private sector could play more of a critical role, for example by taking young entrepreneurs on international trade missions to market their goods and services; and should also ensure the provision of targeted entrepreneurship support services to this group.

Key words: local economic development; youth entrepreneurship; small businesses, youth-owned businesses

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INTRODUCTION

Despite its numerous benefits, the development of youth entrepreneurship faces numerous challenges in many countries around the world (World Bank, 2002; Chigunta, 2002). In South Africa, low entrepreneurial activity among youths contributes significantly to the poor overall rate of entrepreneurship (Von Broembsen, Wood and Herrington, 2005). Pretorius and Shaw (2004) postulate that entrepreneurship is widely recognised as the engine that drives the economy of most nations. This resonates with remarks made by Van Vuuren and Groenewald (2007) about the important role played by small businesses and entrepreneurship in stimulating economic activity, creating jobs, alleviating poverty and uplifting living standards. South Africa has one of the lowest levels of entrepreneurship in the world, however, with entrepreneurs contributing around 35% of the Gross Domestic Product (GDP) compared with 60% in countries like Brazil and India (Dlamini, 2009). The trend has continued. According to the Global Entrepreneurship Monitor for 2015-2106 (GEM, 2016), South Africa ranks 38th out of 60 participating countries.

In addition, levels of entrepreneurial activity continue to be low amongst South African youth (Department of Trade and Industry, 2013). According to the GEM report (2016), youth constitute only 9.2% of South Africa's Total Entrepreneurial Activity (TEA). This is a cause for concern, because the youth are expected to be actively involved in activities that bring about job creation and economic emancipation. The consequences are far-reaching. As Herrington, Kew and Kew (2009) have observed, the growing number of unemployed youths in South Africa³ places an additional burden on a limited government budget, which has to cater for a large number of demands. According to the Youth Enterprise Development Strategy 2013 -2023 (Department of Trade and Industry, 2013:10), the low economic participation of young people expresses itself in high levels of unemployment, poverty, illiteracy among youth and lack of exposure to sustainable livelihoods, which in turn exposes the youth to social ills. Given the context described above, this article aims to investigate the contribution of the youth to local economic development and entrepreneurship. The focus of the study is on the Polokwane municipality in Limpopo province.

YOUTH ENTREPRENEURSHIP

Rwigema and Venter (2004: 6) define entrepreneurship as 'the process of conceptualising, organising, launching and through innovation, nurturing a business opportunity into a potentially high growth venture in a complex and unstable environment'. This implies that entrepreneurship is a process requiring ordinary people (including the youth) to possess extra-ordinary skills in order for them to achieve success at the end. In addition, youth

³ 'Youth' is defined by the United Nations as those persons between the ages of 15-24 years of age (Chigunta, 2002). In South Africa, the range is 14-35, as legislated by the National Youth Development Agency Act 54 of 2008 (Republic of South Africa, 2008). Leshilo (2014) adopted the South African definition for the purposes of his study.

entrepreneurship involves the development of entrepreneurial attitudes, skills and opportunities for young people, from secondary school level through young adulthood. Schoof (2006) identifies three types:

- Pre-entrepreneurs (between 15-19 years and comprising the formative stage). The youth in this category are often in transition from the security of home or education to the workplace.
- Budding entrepreneurs (between 20-25 years and comprising the growth stage). They are likely to be more experienced and have greater skills and capital at their disposal for commencing their own business start-ups.
- Emergent entrepreneurs (between the age of 26-29 years and comprising the prime stage). These youth are the most experienced, which provides them with the highest level of maturity. They are therefore more likely to run viable businesses than the youth in the pre-entrepreneur and budding entrepreneur phases (Chigunta, 2002; Schoof, 2006; Oseifuah, 2010).

YOUTH ENTREPRENEURSHIP IN SOUTH AFRICA

In South Africa, young people represent the majority of the population (Mahadea, Ramroop and Zewohir, 2011). In line with South Africa's poor performance on entrepreneurial activity described earlier, the levels of youth entrepreneurship have been particularly low, due to prevailing socio-economic conditions which require young people to look for (rather than creating) meaningful employment. The picture becomes a gloomy one in the light of the non-employability of many individuals in this group (City of Johannesburg, 2009). Indeed, the unemployment rate amongst young people has continued to rise (Fatoki and Chindoga, 2011). Graham and De Lannoy (2016:1) purport that: 'despite much policy attention and a range of public and private interventions having been implemented, youth employment rates have remained high since the country's transition to democracy. The situation is now considered chronic'. The poor levels of economic empowerment in this group also reflect the lack of consistent budget allocation and reporting by government departments and agencies, responsible for driving enterprise development at the national, provincial and local government levels, in Estimates of National Expenditure (ENE) (Department of Trade and Industry, 2013).

Chigunta (2002) sums up a number of reasons for promoting youth entrepreneurship:

- creating employment opportunities for self-employed youth as well as the other young people they employ
- bringing alienated and marginalized youth back into the economic mainstream and giving them a sense of meaning and belonging
- helping address some of the socio-psychological problems and delinquency that arises from joblessness
- helping youth develop new skills and experiences that can then be applied to other challenges in life

- promoting innovation and resilience in youth
- promoting the revitalization of the local community by providing valuable goods and services
- capitalising on the fact that young entrepreneurs may be particularly responsive to new economic opportunities and trends.

It is against this background that initiatives for developing entrepreneurial skills amongst the youth, such as the Youth Enterprise Development Strategy (the dti, 2013), have been implemented.

CHALLENGES FACING YOUTH ENTREPRENEURS IN SOUTH AFRICA

The section that follows outlines four key challenges facing young entrepreneurs in South Africa, namely: a lack of entrepreneurship education; insufficient knowledge of government initiatives for supporting this target group; difficulties accessing business development support services and over-stringent government policies and regulations.

Lack of entrepreneurship education

Fogel, Hawk, Morck and Yeung (2006) emphasise the value of effective youth entrepreneurship education in preparing young people to be responsible, enterprising individuals who go on to become entrepreneurs, or entrepreneurial thinkers, thus contributing towards economic development and the growth of sustainable communities. In a study on entrepreneurship education in tertiary institutions in Sub-Saharan African (SSA), Bawuah, Buame and Hinson (2006:6) argue that the bottleneck in entrepreneurial activity in developing nations is caused by a lack of entrepreneurial skills and that formal education is 'unabashedly' oriented towards preparing students for employment in the public sector and existing businesses, rather than towards entrepreneurial activity and the establishment of new businesses.

In general, the South African school system does not place a strong enough emphasis on the kind of entrepreneurship education which prepares youth; providing a basic understanding of how to start and run a business, as well as access to financial literacy, marketing and business skills. The high failure rate at National Senior Certificate (NSC) level means that many youth do not qualify for enrolment into further training and education opportunities and may therefore fall into anti-social behaviour (Herrington, Kew and Kew, 2009).

Lack of awareness of government initiatives supporting youth entrepreneurship

Many Small, Micro and Medium Enterprises (SMMEs) fail to access the government support that targets them, due to lengthy, bureaucratic processes, or to a lack of information about specific interventions (Rogerson, 2005). Access to, and awareness of, this kind of information has been identified as an impediment to the growth and development of SMMEs (Chigunta, 2002), either because they do not know where and how to access business finance, or how to use it (Ayodele, 2006). The discussion of our study findings will show that the same issue applies for the youth in Polokwane Municipality.

Lack of access to business development support services

According to Schoof (2006), access to business support services such as mentoring, support networks, business clubs and incubators by young people enhances the chances of sustaining enterprises beyond start-up stage. In the Youth Enterprise Development Strategy (the dti, 2013), a lack of packaged information on available business opportunities is identified as a key challenge. As a result, the dti is planning to develop a smart mechanism under the Youth Directorate which will package these opportunities for young entrepreneurs to access.

Stringent government policies and regulations

Entrepreneurial activity may also be hindered by institutional obstacles. A young person's aspiration to pursue a career in entrepreneurship depends on the economic environment, which can be either facilitative, or detrimental. Institutional obstacles include rules and regulations; property rights, and the effectiveness of the services provided by government and its agencies (Fogel *et al*, 2006).

RESEARCHING THE CHALLENGES FACING YOUTH ENTREPRENEURS IN POLOKWANE MUNICIPALITY

In the following section, we report on the findings from Leshilo's study (2014), showing how the challenges described above apply in the context of young entrepreneurs in Polokwane Municipality in the Limpopo Province. On the basis of these findings, recommendations are provided as to what could be done to overcome these challenges.

Study area

The Integrated Development Plan (Polokwane Municipality, 2016) situates this municipality within the Capricorn District Municipality in the Limpopo Province. Polokwane Municipality covers a surface area of 3775 km² and accounts for 3% of the province's total surface area of ±124 000km². In terms of physical composition, the municipality is 23% urbanised and 71% rural. The remaining area (6%) comprises smallholdings and institutional, industrial and recreation land. The major contributor to the municipal economy is the community services sector, which is responsible for 32.1% of the value of contribution to the Gross Domestic Product (GDP). The finance sector is the second largest contributor at 21.5%, and includes banking, business, insurance and consulting services to real estate transactions. This reflects Polokwane's status as a service centre for the Limpopo Province. Trade is the third largest sector at 18.3%, and includes wholesale and retail. Transport is the fourth largest, with a contribution of 11.7%. The other economic sectors are relatively small. Manufacturing contributes only 4.8% to the local economy. Electricity and water contribute 3.8%. The contribution from construction, agriculture and mining are 4.2%, 3.1% and 0.5% respectively.

Methodology

The research took place from August to October 2014. Using convenience sampling, which is appropriate for an exploratory study such as this one (Babbie, 2008), fifty youth entrepreneurs were identified and invited to participate. At the time, all were operating businesses in the Polokwane Municipality. To collect data on the challenges they faced, a mixed model of research methods was employed: both qualitative (interviews) and quantitative (semi-structured, self-administered questionnaires). The same tool was used for both data collection activities. Of the fifty participants, ten underwent in-depth interviews and 40 completed the questionnaire.

SUMMARY OF THE RESULTS

Demographic profile

Age

More male youths established businesses in the earlier age cohort of 26-30 years, while fewer youths (male and female) established businesses at the age of 31-35 years. These findings support Chigunta (2002), Schoof (2006) and Oseifuah (2010), who highlight that youth at the age of 26-29 years (categorised as emergent entrepreneurs) are more experienced and therefore more likely to run viable businesses than those in the pre-entrepreneur and budding entrepreneur phases. The inference is that youth in this age

category may be more likely to run successful businesses compared to those in other age groups.

Gender

Male youth respondents constituted 56% and females 44%. The findings show that more male youth (22%) had established their businesses at the age of 26-30 years than their female counterparts (18%). However, more female youth respondents had established businesses at the higher age group of 31-35 years than their male counterparts. Women in the Polokwane municipality may therefore be more likely to start a business at an older age group, compared to their male counterparts.

Level of Tertiary Education

According to Bawuah, Buame and Hinson (2006), a lack of tertiary education is one of the key factors contributing to low entrepreneurial activity amongst the youth. This is reflected in the research findings from the Polokwane study: only 4% of the respondents had access to university qualifications. Sixty two percent had a secondary education, 20% had access to college education, through Technical Vocational Education and Training (TVET) colleges, while 14% had received primary level education only. For respondents, this was the biggest challenge they faced, given the critical role that education plays in running a successful business.

Business sector

The results of the study revealed that youth prefer to operate in service businesses, rather than selling/producing goods. Of the respondents, 76% provided services, while only 24% were suppliers of goods. The findings suggest that youth entrepreneurs in Polokwane are less involved in the manufacturing or production sectors.

Challenges faced by youth entrepreneurs in their day-to-day business activities

Access to finance

Only 8% of the respondents obtained the finance for establishing their businesses from the bank. Twelve percent were successful in accessing government funding schemes. Sixty percent obtained finance from personal savings and 20% from their families. The results therefore support Llisteri, Kantis, Angelelli and Tenjerina (2006)'s assertion that one of the main barriers facing youth entrepreneurship in South Africa is a lack of access to financing. Having no credit history makes it difficult to access mainstream products, such as bank and equity finance. Respondents who could not obtain finance from government funding

schemes cited a lack of collateral and viable business plans as their key challenges. Ninety four percent indicated that they could not obtain access to finance due to lack of collateral, while only 30% cited a lack of business management skills as the reason.

Entrepreneurship education and training

Entrepreneurship education and training is considered one of the key solutions to promoting entrepreneurship among the youth, providing them with the skills that are most needed to run a successful business, such as marketing, human resources and financial management skills (the dti, 2013). With regard to the study of youth entrepreneurs in Polokwane: 82% of the respondents did not have access to entrepreneurship education prior to starting their business. As discussed previously, Bawuah *et al* (2006) point out that the bottleneck in entrepreneurial activity in developing nations is contributed towards by a lack of entrepreneurial skills. Most respondents suggested that entrepreneurship education should be introduced at secondary school level (58%), while only 28% suggested that it be introduced earlier, at primary school level. Only 14% suggested the introduction of entrepreneurship education at a tertiary level.

Access to market opportunities

Fatoki and Chindoga (2011) found that bad market conditions and no market opportunities can impede youth entrepreneurship. The study supported these findings. Youth entrepreneurs in the Polokwane municipality experienced significant challenges accessing market opportunities, with 36% of the respondents citing high competition as a major factor. Market saturation was viewed as the least serious (6%) challenge. Key suggestions made by respondents were as follows:

- Government should increase procurement opportunities for youth entrepreneurs.
- Big businesses should partner with youth entrepreneurs to give them more publicity.
- Exhibition shows should be hosted, where youth entrepreneurs are linked to big businesses and captains of industries.

Government policies and regulations

Government regulations such as taxation and business registration laws play a key role in promoting youth entrepreneurship. The Polokwane study findings revealed that 84% of the respondents regarded government policies and regulations as not being conducive to doing business. Only 16% of the respondents stated that they had no difficulty in complying with government policies and regulations. The majority of respondents (74%) indicated that taxation laws are the most difficult from a compliance point of view, while 16% cited competition laws as being an issue.

The findings also indicated that inflation, tax regulations, uncertainty about the costs of regulations and state bureaucracy were the main barriers impeding youth entrepreneurial

intentions. Respondents made the following suggestions as to how complying with government policies and regulations could be made easier for youth entrepreneurs:

- exempting start-up youth entrepreneurs from paying tax until they are established
- increasing the threshold of VAT registration so that many youth entrepreneurs are not compelled to register (responses indicated that Value Added Tax compliance comes with a heavy burden, as declarations have to be submitted to the South African Revenue Services (SARS) every two months, which comes with the associated cost of appointing and paying a tax practitioner)
- SARS conducting tax workshops specifically targeted at youth entrepreneurs, many of whom fall victim to non-compliance with tax laws, resulting in the failure of their businesses
- reducing the costs of registering companies with the Companies and Intellectual Property Commission (CIPC) and improving turnaround times, as it the process tends to be a lengthy one.

Awareness of government initiatives to promote youth entrepreneurship

The findings suggested that government initiatives aiming to encourage youth entrepreneurship in Polokwane municipality are failing to do so. Of the respondents, only 26% were aware of such initiatives, posing a serious question about their effectiveness. The respondents who were not aware of such programmes blamed government for failing to publicise them. Sixty six percent highlighted the lack of sufficient marketing as a major reason for why youth entrepreneurs are not aware of them. The remaining 34% indicated that government officials are abusing such initiatives by allocating them on the basis of political affiliation. The results align with an earlier study conducted by the dti (2008), which indicated that despite a lack of financing being cited as a constraint, various funding schemes are in fact available, through the use of guarantees, in addition to other funding programmes. However, awareness and uptake of these schemes has been very low.

RECOMMENDATIONS

The recommendations that follow for promoting the development and success of youth entrepreneurship are based on the research findings from the study (Leshilo, 2014).

Recommendation 1: Access to finance

Access to finance for establishing a business is the main challenge facing many youth entrepreneurs, as the majority do not meet the requirements for accessing business loans, either from the banks, or from government's financial institutions, because of their socio-economic background. Access to finance can be a lasting and viable solution for promoting youth entrepreneurship, while in turn reducing unemployment among the youth. Since

government aims to promote and accelerate youth entrepreneurship, finance should be made accessible to young entrepreneurs. Government should therefore simplify the criteria for obtaining finance from its own financial institutions by reviewing its current lending policies, replacing them with less stringent requirements in order to allow for equal opportunities among the youth. Young people should be allowed to obtain the necessary finance to establish and grow their businesses without having to provide collateral, or having to deal with bureaucratic procedures, or being charged exorbitant interest rates. Further, Government should monitor those youth who have been given access to finance, by appointing experienced business mentors, who have the responsibility of transferring skills to young entrepreneurs, so that they are able to manage on their own when they transition out of the business at a later stage.

Recommendation 2: Access to market opportunities

Accessing market opportunities is a challenge for many young entrepreneurs, who have to compete with well-established businesses. As a result, market opportunities are limited. Government could play a critical role in ameliorating the situation, for example by taking young entrepreneurs on international trade missions to market their goods and services.

Recommendation 3: Entrepreneurship education

Entrepreneurship education and training should be made a compulsory subject at secondary school level for all subject streams that are offered, as it is not only students who have studied commercial subjects who engage in entrepreneurship. Furthermore, entrepreneurship education and training should be in line with the real challenges of the business world, rather than focusing solely on examinations. A person running a business should be equipped to manage all business functions, including marketing, financial management, procurement and project management.

Recommendation 4: Government policies and regulations

Government policies and regulations are often experienced as problematic and do not always promote youth entrepreneurship to the extent originally envisaged. These policies and regulations could be relaxed, for example through exempting start-up youth enterprises from submitting tax returns, paying taxes and registering for certain types of taxes, such as VAT, until such time that they have grown, since such rules place unnecessary financial burdens on youth enterprises.

Recommendation 5: Awareness about government initiatives to promote youth entrepreneurship

Although there are existing government initiatives for promoting youth entrepreneurship, including access to finance, markets and training, they are not always known, or visible, due to being insufficiently publicised. Some respondents mentioned that these initiatives are known only to those who are already established in their businesses; or that they are open to abuse by officials, who use them for personal gain, or corrupt activities such as nepotism. A further recommendation is that government should reach out frequently to communities in rural and urban areas, in order to find out whether young entrepreneurs are satisfied with the initiatives that are on offer. A further issue is that the majority of the youth who know about these initiatives are often reluctant to apply for them, because of long procedures, administrative red tape and a long waiting period, before they can benefit. Thus, the requirements should be made less stringent and the red tape removed in order to make them more accessible.

Recommendation 6: Government and Private sector interventions to address challenges faced by youth entrepreneurs

Entrepreneurship support services contribute enormously to the success of youth entrepreneurs. Such support services enable them to manage their businesses effectively and in the most economical way. The few respondents who were able to benefit from these support services indicated that they were helpful for advertising their businesses and that they had increased their revenues. The following entrepreneurship support services are proposed:

- frequent business management seminars, workshops and road shows in order to empower youth entrepreneurs to run their businesses
- business development vouchers for branding, promotional materials, business plan development and bookkeeping services.

CONCLUSION

The research study reported on in this article (Leshilo, 2014) aimed to explore the challenges faced by youth entrepreneurship in the Polokwane Municipality. The findings revealed that a lack of access to finance, entrepreneurship education and training, market opportunities and an awareness of the initiatives offered by government all pose significant obstacles to young entrepreneurs, who are additionally constrained by stringent government policies and regulations. Through implementing the recommendations above, youth will be better equipped to engage in entrepreneurship activities for creating jobs and gaining their

own income. This will in turn contribute to the growth of the local economy and a reduction in unemployment.

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Implementing Bus Rapid Transit in eThekweni: Challenges, Lessons and Opportunities

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ABSTRACT

The process of implementing a policy often highlights concerns about its relevance and viability, which were not anticipated during its development. This article considers how mechanisms can be sought for maximising the benefits, as well as mitigating the negatives of the policy framework during its implementation. A number of South African cities have either planned or implemented Bus Rapid Transit (BRT) systems, in an attempt to provide affordable, reliable and safe public transport to address the spatial patterns inherited after apartheid, as well as to provide economic benefits. This article outlines the process that the eThekweni Municipality went through in adopting a BRT system; highlighting some of the interventions that have been implemented to mitigate possible negative aspects. It provides some lessons, both for policy-making and implementation – particularly the need for policy to be relevant to the local context and for ongoing costs to be factored into the initial project plans.

Keywords: Bus Rapid Transit, BRT, eThekweni Municipality, public transport, integrated transport, local government, density, policy implementation, transport costs.

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INTRODUCTION

South African transport history is composed of various instances of adoption of latest transport technology before sudden and complete replacement by more modern innovations (Wood, 2015: 571).

An important aspect of redressing the legacy of apartheid in South Africa involves addressing its spatial legacy. Numerous approaches have been used to tackle the segregated and sprawling patterns of South African cities, such as attempts to decentralise job-creating industry into outer-lying areas; providing increased transport infrastructure; introducing public transport systems, or densifying inner cities to create living opportunities closer to places of employment (South African Cities Network (Institute for Transportation and Development Policy (ITDP), 2007; SACN, 2011; Gauteng City-Region Observatory (GCRO), 2015). These approaches have their advantages and disadvantages, proponents and detractors. Many have been short-lived fads, whilst others have enjoyed a more persistent focus (Pillay and Seedat, 2006; Seftel, 2014; Wood, 2015).

Local government has played a central role in this regard, using the powers and functions provided to it under Schedule 4B and 5B of the Constitution Act 108 of 1996 (Republic of South Africa, 1996), such as land use planning, locating the development of new housing and the provision of transport infrastructure and public transport services. All have attempted to address the apartheid city's segregated residential patterns, characterised by the location in remote areas of designated black, coloured and indian settlements. In addition, local government has an important role in driving economic development within its jurisdiction. This includes service provision, as well as developing local opportunities for job creation and poverty reduction, so as to ensure inclusive economic growth (Bannister and Sutcliffe, 2015).

This article outlines the process eThekweni has been through in implementing a public transport strategy in the city, which would address the spatial implications of apartheid policies and build the local economy. The authors will demonstrate that implementing any new policy brings both challenges and complications, which need to be carefully managed and mitigated. The way in which the city is aiming to increase its economic viability and sustainability, despite the shortcomings of the chosen transport system and its technology, will also be discussed.

BACKGROUND

The eThekweni Municipality was formed in 2000, bringing together six local substructure authorities and one transitional metropolitan substructure (Marx and Charlton, 2002). These areas were combined because they worked as an interdependent functional unit, as required by the Local Government Municipal Demarcation Act 27 of 1998 (Republic of South Africa, 1998). Merging different geographical areas required more than just establishing a single

administrative entity, however: it also required action to address the impact on the city of apartheid planning, which led to '[...] high costs in travel arrangements for the poorest of the poor, long distance commuting between places of work and residence, increased dependency by the rich on motorised transport, overwhelming subsidisation of the public transport system, pollution, high accident and mortality rates, increase in insurance premiums and motor accident claims' (Khan, 2014:184).

One of the measures for addressing these challenges involved a revision of the city's transport system, so as to create an efficient and effective public transport network (Aucamp and Shaw, 2001). The initial strategy – the Fundamental Restructuring of Durban's Public Transport System (FRDPTS) project – was developed in the early 2000s. This made use of the extensive rail network in the municipality, augmented by bus and taxi services to feed into the rail system at key points (Aucamp and Shaw, 2001). The eThekweni Municipality also took up the opportunity provided by the National Land Transport Transition Act (NLTTA) 22 of 2000 (Republic of South Africa, 2000) to establish its own transport authority (Khan, 2014). The institutional basis provided by the transport authority, together with the framework created by the FRDPTS, aimed at creating an integrated transport system, thus allowing for a seamless, multi-modal, single-ticketing public transport system across the municipality (Aucamp and Shaw, 2001).

The municipality could not fund the transport strategy alone, however, and therefore required the provision of financial support from national government. The hosting of the 2010 FIFA World Cup presented an ideal opportunity in this regard. The National Department of Transport (NDoT) then called for funding proposals from the host cities, for the creation of transport systems that would not only meet their World Cup requirements, but also lay the basis for viable transport systems for the cities thereafter (Khumalo, 2007). In an interview conducted by the authors, Dr Michael Sutcliffe, previous Municipal Manager of eThekweni Municipality, stated that the strategy had been presented at various points to the NDoT as being the city's public transport strategy of choice (Sutcliffe, 2015a). However after 18 months of unsuccessful engagement between the Municipality and the NDoT, a meeting was held between the Director General of NDoT and the City Manager of eThekweni. At this meeting, the Director General conceded that she had been misled by her officials, as their opinions differed on what strategy the Municipality should choose: some supported the integration of all modes (and particularly the use of conventional bus and rail), others, the sole approach of using large capacity buses synonymous with bus rapid transit (BRT) (Sutcliffe, 2015a). Despite this concession, it was by then too late for the NDoT to fund the first phase of the municipality's proposed system to be in time for the FIFA World Cup. Eventually, eThekweni had little choice but to adopt the NDoT's preferred approach and to develop a BRT system, despite having grave concerns about the ongoing costs that would be incurred (Sutcliffe, 2015a).

ROMANCING THE RAPID BUS SYSTEM

As a starting point, it is important to examine how and why the predisposition towards implementing a BRT system came into South African transport policy. Lloyd Wright, an international specialist, was invited by the NDoT to host a series of workshops on the topic in Johannesburg, Cape Town, Tshwane and eThekweni (Wood, 2015). Although the concept was not entirely new to South Africa, he introduced the zero-subsidy BRT at the Southern African Transport Conference in 2006 (Wood, 2015). Many of the motivations for implementing BRT in South Africa centred round its purported success in South America, in Colombia (Bogota) and Brazil (Curitiba) in particular (Wood, 2015, Bickford, 2015; Adewumi and Allopi, 2013). In 2006 and 2007, many municipalities went on fact-finding missions to these countries. Based on their findings, many undertook to develop BRT systems (Bickford, 2015). The Transmillio system in Bogota was very attractive and appeared to offer a complete solution, in that its direct operating subsidy was effectively zero and the ridership was on the increase throughout the first five years of operation (Bickford, 2015). During this period, it not only restructured public transport and changed expectations in the city, but contributed significantly to the rebuilding of Bogota through providing affordable, reliable and safe public transport (Adewumi and Allopi, 2013). South African policy-makers believed that the same result could be achieved back home (Adewumi and Allopi, 2013; Bickford, 2015; Wood, 2015), seeming to discount the differences between South Africa's city structures, city densities and social variations and those of Colombia, including access to low-cost capital for the provision of the infrastructure itself.

BRT systems appeared to be the panacea for all that was wrong with South African cities - a treatment sold on exaggerated claims and often with unclear demonstrable value. As Sutcliffe (2015a) indicated, after fifteen years of implementing Reconstruction and Development Programme (RDP) housing projects on inexpensive land, South African cities had made little progress in densifying cities. The transport engineering solutions were increasingly being viewed as a way of knitting divided cities together and addressing mobility. The rapid expansion of BRT across many cities (Across Latitudes and Cultures – Bus Rapid Transit (ALC-BRT), 2015) provided the basis upon which the system could be introduced in South Africa, without carrying out the usual due diligence requirements for such major policy decisions. Thus, a general admiration for the BRT concept, based on the mistaken belief that it would solve the country's transport problems, resulted in a new direction for public transport policy, which is outlined further below.

NDOT'S POLICY EVOLUTION

The National Department of Transport's Public Transport Strategy of 2007 (NDoT, 2007a) was implemented through the framework of the Transport Action Plan (NDoT, 2007b). The underlying principle of the latter is to speed up transport plans through maximising the use of existing transport infrastructure and accelerating the implementation of governmental economic and sustainable development policies (NDoT, 2007b). Phase 1 of the Transport

Action Plan outlines Integrated Rapid Public Transport Network (IRPTN) projects in twelve cities and six districts (NDoT, 2007b). The IRPTN strategy includes the following goals:

- 85% of a municipality's residents' being within 1km of an IRPTN by 2020
- extended hours of operation
- peak frequencies of between 5-10 minutes and off-peak frequencies of between 10-30 minutes
- full special-needs and wheelchair access
- safe and secure operations monitored by a Control Centre
- integration with feeder services, including walking/cycling and taxi networks
- electronic fare integration to allow passengers to transfer between modes
- upgraded modal fleet, facilities, stops and stations (NDoT, 2007b).

While the required features of the IRPTN system are highly commendable, they also highlight the difficulty of balancing high specifications, with the affordability and sustainability of the implemented system going forward. Not only is a high-specification system more expensive to develop, but in the longer term, it will incur greater costs and be more difficult to sustain.

BUS RAPID TRANSIT

BRT is a highly specialised bus system, which aims to provide a high-quality, rapid, mass transport system (Institute for Transportation and Development Policy, 2007). It is characterised by a number of features, although not all of these are necessarily present (ITDP and GIZ, 2014). These features include grade separation, ie providing separate and dedicated BRT lanes so that buses do not become impeded by traffic congestion (Institute for Transportation and Development Policy, 2007). BRT also requires bigger buses, allowing for the carriage of a greater number of passengers⁴ (ITDP, 2007). There is also an emphasis on the need to provide a high quality of service, including

- high levels of maintenance
- ease of boarding
- quality stations with passenger facilities including toilets and good security both on the bus and at the stations (ITDP, 2007; EMBARQ, n.d.).

⁴ A standard bus can carry around 80 people, but the dedicated BRT lanes allow buses with capacities of up to 200 persons per bus (ITDP and GIZ, 2014).

Bus services should be frequent, with low wait-times (ITDP, 2007). Other features include

- electronic fare collection
- modal integration, including integrated ticketing, allowing passengers to easily transfer between modes
- integration with pedestrian, cycling and other transport routes (ITDP, 2007).

In reality, many systems do not demonstrate all of the above features (ALC-BRT, 2015).

There are numerous benefits to BRT systems. They result in a reduction in the number of vehicles on the road (Institute for Transportation and Development Policy, 2007): one BRT bus can replace almost three buses or ten taxis and therefore can significantly reduce the number of vehicles in the road during peak hours (ITDP and Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), 2014). In addition, according to EMBARQ (2013), if operating at full capacity, BRT buses have lower operating and capital costs per passenger. Furthermore, the dedicated right of way lanes mean that BRT buses are less likely to be delayed by peak-hour congestion and can therefore offer commuters a faster trip. The above factors, together with increased efficiencies in numbers, mean reduced greenhouse effects and less congestion for other drivers. Fewer vehicles, dedicated lanes and improved training for drivers reduce accidents and fatalities. And, because BRT stations allow for faster passenger loading, buses can move more people in a given time period, than a greater number of smaller vehicles would be able to do (EMBARQ, 2013).

BRT systems, like other efficient, effective, reliable and cost-effective transport systems, have the potential to transform our cities. This phenomenon, commonly known as transit-oriented development (TOD), involves increasing levels of development around transit hubs and stations (SACN, 2014; ITDP and GIZ, 2014). As a result of the increased density around transport nodes, nearby residents are able to access transport easily, because they have less distance to cover between home and transport. Additionally, businesses clustered around the nodes can attract a higher number of employees, who are able to commute to work at a lower cost, in less time and with greater reliability. For municipalities, this increase in density means higher land values and increased rates. In order for the system to be successful, however, greater management and levels of service are required (SACN, 2014). Should land use and zoning systems allow, these nodes can become mixed-use developments, improving living and working conditions in areas that may not have previously enjoyed such development opportunities (SACN, 2014).

The economic sustainability of a BRT system is closely dependent on its ability to carry a sufficient volume of passengers, so as to justify the bigger buses, level of service and dedicated right of way (SACN, 2014; Naude, 2015). Passenger numbers are closely related to residential densities. These are not nearly as high in South African cities, as in South America, however (Naude, 2015). BRT is useful in moving large numbers of passengers between two points (effectively replicating a train). Yet, like a train, its movement patterns are very inflexible, as it has to adhere to the dedicated, right-of-way lanes. Passengers therefore have to change more frequently, unless their destination begins and ends at the

two points. Evidence suggests that South African passengers are reluctant to stand for their journey, however (Nicolai and Weiss, 2008): when all the BRT seats are occupied, they would rather wait for the next vehicle to arrive. The implication is that buses may not be able to reach their target capacity.

Importantly, before a costly BRT system – and indeed, any new policy is implemented – a full understanding of the upfront and ongoing costs is required, based on realistic assumptions about issues such as potential densities; passenger values and the trade-offs they will make: for example, between waiting time, a seated journey and the distance they are prepared to travel to access a system such as rail or BRT. As noted by Nicolai and Weiss (2008: 559): ‘Unfortunately, many – if not most – of those [BRT] studies have been used deliberately to provide arguments for pre-determined opinions and intentions instead of providing rational figures for neutral analysis. Many interest-groups have tried to compare apples with oranges in order to promote or to oppose some project in the public discussion’. Furthermore, because many South African cities implemented BRT systems only on a partial basis for World Cup purposes, the broader networks were neither fully planned, nor properly costed. As a result, BRT systems were implemented without a thorough understanding of the considerable cost of a comprehensive system across the whole city. Furthermore, because the process was politically driven, unaffordable routes were selected to ensure they linked to areas where the poor were currently living, and where the working classes should be living (Sutcliffe, 2015a). The system thus requires further, careful consideration in the South African and eThekweni contexts.

IS BRT THE SOLUTION TO SA’S BIG CITY TRANSPORT PROBLEMS?

Our message to other cities is to really focus on ensuring that your fare structure, fares and fare collection methods must be aligned to your public transport promise and strategy and not try follow international best practice or fancy systems (Seftel and Peterson, 2014:805).

Many BRT systems implemented in South Africa have focused more on the quality of the initial service provided, rather than on long-term sustainability (Seftel and Peterson, 2014). Key to the latter is the volume of passengers who will use the system. For example, the Rea Vaya BRT system in Johannesburg aimed to transport 40 000 passengers per day (Seftel and Peterson, 2014). However, by November 2013, only 19 000 daily passenger trips had been recorded. More recent figures point to approximately 10 000 commuters in the Johannesburg corridors who could use the BRT system (Seftel, 2015, cited in Maatu, 2015). In comparison, the mini bus taxi (MBT) industry in Johannesburg transports over 1 million passengers; and the Gautrain 48 000; per day (Maatu, 2015). Whilst bigger buses facilitate the transportation of high volumes of commuters between particular points; and dedicated lanes, which allow buses to travel fast, help to avoid traffic congestion, statistics suggest (StatsSA, 2014) that the BRT was an expensive solution for problems that were not

necessarily a priority for most South African commuters. What then, are the main issues that face passengers, to which public transport must respond?

The National Transport Survey of 2013 (StatsSA, 2014) provides a useful insight into commuting patterns in eThekweni. Just over half of the city's work commuters use public transport (54%). The majority (41%) use MBT transport, followed by 36% in private vehicles (either passengers, or drivers). Only 7% use the bus, 5% the train and 11% walk all the way to work. Given that average train travel costs are almost half those for MBTs (StatsSA, 2014), it is important to understand why it is that passengers do not use rail. Of the factors influencing their mode of travel in eThekweni, 32% of households prioritised travel time, compared to 22.9% of households who listed travel costs as the most important (StatsSA, 2014). Most commuters in eThekweni (53%) live beyond a 15 minute walk of a train station. Although thirty five percent of respondents felt that they could not easily access the train, the primary reason for not using the train related to level of service (39%). Problems included overcrowding (70%), concerns about personal safety on the walk to the station (58.5%), the punctuality of the service (55.5%) and travel time (54.9%). However, when on the train, safety was a lesser concern (only raised by 25.2%) and facilities on the train and station were an issue for only 37%. Train fares were the least of commuters' problems (StatsSA, 2014). Similarly, the Survey showed that most eThekweni commuters do not use bus services, because even though they are relatively accessible, the service levels are poor (37% attribute non-usage to poor service levels, whilst 26% say that buses are inaccessible). Those that do use buses note that the primary problem is overcrowding (50,6%) followed by security (47.3%) and poor facilities (46%) at bus stops (StatsSA, 2014).

The eThekweni Current Public Transport Record (CPTR) (eThekweni, 2004) reflects the findings of a comprehensive research study of public transport across the entire eThekweni Municipality. Although more than a decade has passed, it is still the most recent record of public transport provision within the municipality⁵. The CPTR noted that in 2004, the city had approximately 130 MBT associations, servicing some 1700 single-direction unscheduled routes. There were approximately 60 bus operators or bus owners' associations which held licences to service 1600 routes. The licensed routes for MBT and Bus services reached 90% and 80% respectively of the total population who were within a 15-minute walking distance of each service (eThekweni, 2004).

THE ETHEKWINI SOLUTION TO NDOT'S REQUIREMENTS

As directed by the NDoT, eThekweni revised its public transport strategy to provide an integrated rapid public transport network that would ensure that 85% of the city's population would have access to scheduled public transport services (eThekweni, 2014). The resulting Go!Durban strategy involved the planning and design of a public transport network

⁵ There is no current updated CPTR for the city. A proposed update was stalled in 2014.

system that incorporated and integrated all modes of transport – including non-motorised transport (eThekweni, 2014). As a continuation of the FRDPTS, Go!Durban retained rail as the main transport mode along the corridors it served and where the passenger numbers supported rail as the desired mode (eThekweni, 2014). This was the case for the north-south rail corridor linking Bridge City in the north to Umlazi in the south. Some corridors experienced direct competition between some of the proposed road-based routes that arose from the demand modelling exercise, and the service and capacity that rail could provide. This was permitted on the basis that the implementation plan would ensure a sufficient demand for meeting the operational passenger requirements for both services; and that it would negate any competition for passengers that might occur. The problematic nature of this assumption, is evident in the Rea Vaya experience, however, where passengers shifted from rail to BRT, rather than from mini bus taxis to BRT (Maatu, 2015).

Essentially, Go!Durban presents a wall-to-wall strategy with a network of nine public transport corridors (eThekweni, 2014). This comprises an integrated package of rail and rapid bus trunk routes with dedicated right-of-ways, feeder and complimentary services infrastructure. Construction is currently underway on the first phase, which is due to be complete in 2018 (eThekweni, 2014). In addition to being a transport programme, Go!Durban affords the city an opportunity to facilitate and direct the re-structuring of land-use and development to improve the overall travel efficiency for commuters within the metro. It also improves connectivity and develops a more compact and connected city to reverse some of the effects of apartheid spatial planning (eThekweni, 2014). The costs of the Go!Durban system are significant, however. From the authors' personal analysis of operational costs in 2015, using as a source an internal document of the eThekweni Municipality (Goba, 2012), the financial deficit between the fare income and the operating costs will be an under-recovery of three to four times the income. Based on the experience in other South African cities, during the transition period until the system has matured, we expect the under-recovery is expected to be closer to an under recovery of six times the income.

INCREASING POLICY VIABILITY

Now that the decision about what type of BRT system to select has been made and eThekweni is some way down the line with regard to implementation, the focus needs to move towards how best to increase the benefits and viability of the Go!Durban system. Attention should be paid to how to grow the ridership, as well as ensuring that minibus taxis complement, rather than compete, with the service. Achieving these objectives is largely dependent on ensuring sufficient population density and mixed land use around the transport nodes and along corridors (Naude, 2015).

Naude (2015: 370) notes that a number of policy trade-offs need to be made between

- spatial restructuring
- optimising economic growth

- recouping capital costs versus improving operational sustainability
- generating income for the fiscus
- creating more equitable accessibility patterns.

As many of the above are in direct conflict with one another, difficult decisions will have to be made. Naude (2015: 370) concludes that it is simply not possible to get value from all of these, but instead an 'optimal mix of desired outcomes' is needed.

Cooke and Behrens (2014) have analysed the relationship between public transport and land use characteristics, proposing that three land use characteristics (urban density, land use mix and polycentrism) have the greatest impact on the quality, viability and efficiency of public transport (Cooke and Behrens, 2015). Urban density has a direct impact on the ridership of public transport. The choice of mode of travel is dependent on ease of access: where nodes can be densified, a greater number of passengers will be able to access the node with greater ease. Density is not independent of location, however, neither is density *per se* a good determinant of urban transport success. On the contrary, uniform density throughout a city may even have a negative impact on transport, through exacerbating congestion and increasing negative externalities (Cooke and Behrens, 2014). The concept of 'density articulation' refers to the strategic location of areas of higher density (Cooke and Behrens, 2015). This not only reduces the need for feeder services, but also has a higher impact on public transport than would gross density alone.

During the 2000s, eThekweni moved its low-income housing strategy away from simply building on the cheapest available land, towards identifying areas which were close to the high priority Public Transport corridors (Sutcliffe, 2015b). A number of different housing options were also introduced, including semi-detached units and single-storey walk-ups. The private sector was also expected to dedicate at least 10% of their housing projects to the 'Gap Housing' market (Sutcliffe, 2015b). In 2010, the South African Cities Network (SACN) released a research report on creating and capturing value around transport nodes, noting that municipalities must be proactive and creative in the way they direct and facilitate development around these nodes (SACN, 2011). The research showed that while infrastructure was an important component, issues such as land availability and appropriate development rights were as important – indeed vital. They also noted the need for making trade-offs between value-creation and capture (SACN, 2011).

In reviewing the potential for BRT systems to change land-use and accessibility systems in South African cities, Naude (2015:368) notes that in order to gain the benefit of transport investments, 'pre-existing real estate fundamentals' should be in place. These include a buoyant property market and highly sought-after locations. Where these factors are not present, development benefits are less likely to be realised. eThekweni's nodes were chosen with the above in mind (eThekweni, 2014). Whilst it is difficult for cities to introduce land-banking options on any scale, eThekweni began doing so and has also investigated ways in which state-owned land could be used to accommodate transport and housing options (Sutcliffe, 2015b).

RESULTS

At the time of writing, the Go!Durban system is still under development and its level of ridership and ongoing operating costs are still not clear. Nonetheless, the eThekweni Municipality has been tracking the land-use changes, as well as the development that has taken place around the under-construction BRT stations. Although an in-depth study would be needed in order to analyse more fully the pre-BRT and current developments, indicative information shows that the rate and scale of development around the nodes has indeed increased; also that the BRT project has already yielded results in densifying and creating new housing typologies around the transport nodes (Esteves, 2015). Developers in the Pinetown and New Germany central business districts (CBDs) have expressed interest in converting currently under-used parking facilities into entry level accommodation units (Esteves, 2015). There has also been an intensification of commercial and office facilities in proximity to Go!Durban stations in New Germany (Esteves, 2015).

To increase densities, as well as the mix in land-use, along the C3 route, 18 opportunity areas have been identified by the Municipality, all with close proximity to the stations (eThekweni, 2014). These consist of twelve greenfield and six brownfield sites⁶, a total of 45ha in size (eThekweni Municipality, 2015a). The potential exists for an estimated 2220 new housing units on greenfield sites, and 1170 on brownfield sites, representing 3390 housing units in total. If taken up fully, and assuming an average rateable value of ZAR 200 000 per unit, a further R678 million investment will be made within the area. Moreover, an additional 78 700m² of commercial/light industrial opportunities could be realised (eThekweni Municipality, 2015a). Although there is no guarantee that the private sector will take up these development opportunities, initial indications have been very positive, with a number of current and potential property owners showing interest (Esteves, 2015).

The process of reducing parking requirements in proximity to the IRPTN trunk corridors has already been initiated. The resulting wall-to-wall plan has allowed an advance reduction of parking requirements, in order to facilitate more intense land use developments and higher densities ahead of the provision of IRPTN infrastructure (eThekweni, 2014). The city has also begun to target certain properties for rezoning, to facilitate development opportunities in proximity to stations (Esteves, 2015).

LESSONS

The rollout of BRT in eThekweni has highlighted a number of valuable lessons for the implementation of policies in general, and in the economic development and transport sectors in particular. The first lesson relates to outlay. Whilst it provides significant benefits to passengers and the broader city, the move from the current public transport system to

⁶ 'Greenfield development' refers to development on open, undeveloped land, whereas 'brownfield development' refers to development on land that has already had some form of construction or development on it.

BRT involves multiple and compounding challenges, which drive capital and operating costs upwards. The former should be carefully weighed in relation to the opportunities BRT provides and those it takes away.

Costs are not restricted to capital and operational expenses. It appears that in all cities implementing the BRT system, concession-making with the taxi industry has required a significant outlay – both to buy out taxis from existing routes and to pay them for their involvement on an ongoing basis. As a result, costs have escalated enormously (Sutcliffe, 2016). An integrated transport strategy requires that all role-players play a major part in improving the quantity – and particularly the quality – of the transport service, to improve the accessibility and choice of mobility modes. Therefore, the three main modes of public transport, ie buses, trains and minibus taxis, all require urgent attention to bring them into the integrated strategy and reduce the potential for conflict. In the case of BRT, for example, agreements were made in 2014 with the taxi industry on how they would co-operate and be involved in the system (Sutcliffe, 2016). Some two years on, whilst massive investment has been made in delivering the transport infrastructure, relatively little has been done about ensuring that the taxi industry is seamlessly integrated into operations (Walters, 2013). This is just one of many potential areas of conflict. Each requires careful analysis and intervention to ensure that the BRT strategy does not become a once-off investment in infrastructure, which fails to be rolled out into a more integrated strategy. Bringing commuter rail services into the equation, for example, provides another area of potential conflict: it is vital to ensure that single ticketing systems (and even subsidies) become a reality.

The move from unscheduled, to scheduled services throughout the system will require a significantly higher fleet size, as well as staffing and driver numbers, in order to cope with peak requirements. Furthermore, shifting from a profit-driven, to a passenger-focused approach, involves increasing hours of operation so as to provide service at 'unprofitable' times of the day, as well as improving vehicle conditions and conditions of service for drivers. Strengthening safety and security will require an increase in staffing requirements, resulting in higher operating costs. Ensuring that accessibility becomes fully universal and compliant across the full system will also result in a rise in infrastructure, fleet and operating costs. Lastly, a greater oversight of the system will require a higher staff complement to monitor and oversee the quality of service. In return, however, passengers will get the benefits of a well-managed system; faster travel times; reliability and predictability. There will be broader health benefits through lower carbon emissions; travelling will be safer and accident rates in general will drop. The entire city will benefit from lower congestion rates. These are long-term, broader societal benefits that will contribute towards a more just and equitable society. Furthermore, the economic benefits of reduced travel costs and reduced travel time will contribute to the economic growth of the city.

In general though, a sole focus on BRT will be unaffordable for the municipality in the long-term. Rather, there is a need for a far more flexible model that allows for an integration of all modes, together with human settlements. Furthermore, the BRT implementation experience highlights the danger of being influenced by 'international best practice'. The

transfer of the South American system to local conditions was not analysed critically, or realistically, nor were patent differences recognised in the built environment. Cost appraisals were overly optimistic. As a result, decisions that were made will have significant long-term financial implications for the Municipality, despite the fact that a large portion of the costs can be directly related to key decisions made by national government departments.

In mitigation, other than providing important lessons for policy development and implementation going forward, there is the potential to reap rates income and broader employment benefits as a result of the increased development around the BRT nodes, thus enhancing local economic development within eThekweni. The increased development also serves to densify the city and address the spatial legacy of apartheid. In addition, users of the BRT service will be provided with a high-quality transport service, reduced travel times, lower pollution levels and fewer road accidents.

CONCLUSION

The Go!Durban BRT system implemented by eThekweni Municipality differs significantly from the Municipality's originally envisaged public transport system, due to technological biases, conditions imposed in public transport grants by national government and weak political and administrative leadership in addressing demands made by the taxi industry. This has resulted in the implementation of a less flexible, higher cost system, which will have to be paid for by the Municipality on an ongoing basis. However, implementing any policy is an imperfect process and always involves elements that were not and/or could not have been, foreseen. The implementation of BRT within eThekweni has therefore been a valuable experience: one which has emphasised the need to acknowledge and accept the consequences of decisions made; to leverage value from the positives; mitigate the negatives and to change what can be changed.

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