Results case study

IMPLEMENTATION OF THE AMATHOLE REGIONAL ECONOMIC DEVELOPMENT STRATEGY (AREDS)

from strategy to action

November 2008

Marianne Sulzer, Swisscontact
on behalf of the LED component of GTZ’s Strengthening Local Governance Programme
List of Acronyms/Abbreviations

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>ADM</td>
<td>Amathole District Municipality</td>
</tr>
<tr>
<td>AEDA</td>
<td>Amathole Economic Development Agency</td>
</tr>
<tr>
<td>ASGISA</td>
<td>Accelerated and Shared Growth Initiative of South Africa</td>
</tr>
<tr>
<td>BDS</td>
<td>Business Development Services</td>
</tr>
<tr>
<td>BKCOB</td>
<td>Border Kei Chamber of Business</td>
</tr>
<tr>
<td>CEO</td>
<td>Chief Executive Officer</td>
</tr>
<tr>
<td>CMC</td>
<td>Community Management Committee</td>
</tr>
<tr>
<td>DBSA</td>
<td>Development Bank of Southern Africa</td>
</tr>
<tr>
<td>DEAT</td>
<td>Department of Environmental Affairs and Tourism</td>
</tr>
<tr>
<td>DED</td>
<td>Deutscher Entwicklungsdienst</td>
</tr>
<tr>
<td>DEDEA</td>
<td>Department of Economic Development and Environmental Affairs</td>
</tr>
<tr>
<td>DLPW</td>
<td>Department of Labour and Public Works</td>
</tr>
<tr>
<td>DPLG</td>
<td>Department of Provincial and Local Government</td>
</tr>
<tr>
<td>DTI</td>
<td>Department of Trade and Industry</td>
</tr>
<tr>
<td>DoA</td>
<td>Department of Agriculture</td>
</tr>
<tr>
<td>DORT</td>
<td>Department of Roads and Transportation</td>
</tr>
<tr>
<td>ECDC</td>
<td>Eastern Cape Development Corporation</td>
</tr>
<tr>
<td>ECPB</td>
<td>Eastern Cape Park Board</td>
</tr>
<tr>
<td>EDA</td>
<td>Economic Development Agency</td>
</tr>
<tr>
<td>EIA</td>
<td>Environmental Impact Analysis</td>
</tr>
<tr>
<td>EU</td>
<td>European Union</td>
</tr>
<tr>
<td>GTZ</td>
<td>German Technical Cooperation</td>
</tr>
<tr>
<td>IDC</td>
<td>Industrial Development Corporation</td>
</tr>
<tr>
<td>IDP</td>
<td>Integrated Development Plan</td>
</tr>
<tr>
<td>IGR</td>
<td>Inter Governmental Relations</td>
</tr>
<tr>
<td>LED</td>
<td>Local Economic Development</td>
</tr>
<tr>
<td>LEDA</td>
<td>Local Economic Development Agency</td>
</tr>
<tr>
<td>MFMA</td>
<td>Municipal Finance and Management Act</td>
</tr>
<tr>
<td>MLL</td>
<td>Minimum living level</td>
</tr>
<tr>
<td>NDPG</td>
<td>Neighbourhood Development Partnership Grant</td>
</tr>
<tr>
<td>PGDP</td>
<td>Provincial Growth and Development Plan</td>
</tr>
<tr>
<td>PSC</td>
<td>Project Steering Committee</td>
</tr>
<tr>
<td>RIDS</td>
<td>Regional Industrial Development Strategy</td>
</tr>
<tr>
<td>RuLiv</td>
<td>Promotion of Rural Livelihoods Program</td>
</tr>
<tr>
<td>SME</td>
<td>Small and Medium Enterprise</td>
</tr>
</tbody>
</table>

Table of Contents

1 Executive Summary.............................................................................................................................................3
2 Introduction..........................................................................................................................................................3
  2.1 Context..........................................................................................................................................................3
  2.2 Objectives and methodology of the case study.............................................................................................3
  2.3 Amathole’s Local Economic Development Agency .......................................................................................4
3 Amathole Regional Economic Development Strategy (AREDS) ....................................................................5
  3.1 Background....................................................................................................................................................5
  3.2 The Genesis methodology............................................................................................................................6
  3.2.1 What is Genesis?.......................................................................................................................................6
  3.2.2 Genesis in the case of AREDS..................................................................................................................7
  3.3 Results of the strategy formulation process ................................................................................................11
    3.3.1 AREDS Strategy ......................................................................................................................................11
    3.3.2 Roles and responsibilities of stakeholders in AREDS ...........................................................................16
    3.3.3 Resource mobilization ..........................................................................................................................20
    3.3.4 Catalytic projects ....................................................................................................................................21
    3.3.5 Overview of catalytic projects..............................................................................................................23
4 Interpretation of findings from interviews .....................................................................................................28
  4.1 AREDS concept of LED ...............................................................................................................................28
  4.2 Increased collaboration................................................................................................................................28
  4.3 Alignment of local strategies.......................................................................................................................28
  4.4 Identification of catalytic projects ..............................................................................................................29
  4.5 Monitoring and impact assessment ............................................................................................................29
  4.6 Role and performance of Aspire ................................................................................................................30
    4.6.1 Establishment of Aspire .........................................................................................................................30
    4.6.2 Communication ....................................................................................................................................30
    4.6.3 Mobilization ...........................................................................................................................................31
    4.6.4 Expertise .................................................................................................................................................31
    4.6.5 HR issues ...............................................................................................................................................31
    4.6.6 Institutional arrangements and the legislative environment .................................................................32
    4.6.7 Sustainability ........................................................................................................................................32
    4.6.8 Regional versus local municipalities ....................................................................................................33
5 Conclusions.......................................................................................................................................................34
  5.1 Areas for improvement .................................................................................................................................34
  5.2 Outlook..........................................................................................................................................................34
    5.2.1 Performance of Aspire up to date ........................................................................................................34
    5.2.2 Future role of Aspire ..............................................................................................................................35
    5.2.3 Outlook for the Amathole district...........................................................................................................35
Annex....................................................................................................................................................................36
1 Executive Summary

Local Economic Development (LED) has become a critical issue in South Africa in the effort to fight poverty and unemployment. Many institutions, both public and private, at national, provincial, district and local level, are involved in different aspects of LED. Over the last years, Economic Development Agencies (EDAs) have emerged as new players in LED that aim at driving economic growth initiatives in a locality.

In the Amathole district, a multistakeholder process led to the formulation of the Amathole Regional Economic Development Strategy (AREDS) that is now being implemented. The different role players at local, district and provincial level contribute to the implementation of the strategy by committing to specific projects. The coordinating role is performed by Aspire, the Amathole Economic Development Agency.

One year into implementation of the strategy, this case study looks at the ongoing activities that contribute to strategy implementation. The findings allow for insights of alignment processes, coordination in project implementation and the roles of stakeholders in the district. Special emphasis is given to the role of Aspire as a regional economic development agency.

2 Introduction

2.1 Context

In South Africa, the Constitution gives local and district municipalities the mandate to act as a catalyst for sustainable development. The fundamental objective of local government is to promote localities by facilitating and supporting Local Economic Development (LED) while ensuring the equitable distribution of benefits. The local level of government is crucial as this is where interventions take place and impact can be demonstrated most profoundly. However, local government’s mandate is not only LED as the Integrated Development Plan (IDP) of every municipality demonstrates, but also the provision of basic infrastructure and social development. In the view of capacity constraints local government is confronted with in South Africa, it tends in many places to focus on the delivery of basic services only. This results in LED being the worst performing indicator of development at municipal level.

One response to the need to enhance the development of local and regional economies is to establish a focussed delivery mechanism that bridges the gap between the private and public sector. Economic Development Agencies (EDAs) are such a mechanism. These are established to drive economic growth initiatives in defined geographical spaces such as provinces, districts and local municipalities.

The Industrial Development Corporation (IDC), a development finance institution of the Department of Trade and Industry (the dti), has a dedicated unit that supports municipalities with financial resources and technical expertise to establish and run EDAs. IDC has established 8 EDAs in the Eastern Cape of which Aspire is the only agency.

2.2 Objectives and methodology of the case study

In May 2007, the Amathole District Municipality (ADM) adopted a long term economic strategy for the Amathole district. The strategy formulation process was managed by Aspire and supported by GTZ.

One year into implementation, this case study aims at highlighting the results of the process as well as the activities that came out of the process. Special emphasis is thereby given to the roles that ADM, Aspire, the local municipalities and the private sector have in the implementation of the strategy. The time period under review is July 2007 to July 2008.

This case study is directed to the broader LED community consisting of practitioners in government as well as in the private sector. It looks at the experience made in the implementation of a regional economic development strategy and the role an EDA can play in it. It is a contribution to the broader discussion on EDAs. It is not an evaluation of Aspire or any other role players and their performance.

The information for the case study was collected from:

---

### Annex

#### List of References

- Amathole Growth and Development Summit process report, ADM, March 2007
- Amathole Regional Economic Development Strategy, ADM, March 2007
- Aspire project activities (www.aspire.org.za)
- draft Guidelines on Local Economic Development Agencies as Municipal Entities that were developed by DPLG and IDC, July 2008
- GTZ, Compass of Local Competitiveness, Manual Version 0.2, October 2006
- GTZ, mesopartner, Genesis, Manual Version 0.9, April 2008
- Information on LED in South Africa: see http://www.led.co.za
- International Labour Organization (ILO), Innovations for Development and South-South Cooperation: The Local Economic Development Agency, September 2003
- Renewal of Small Town Economies, The case of Alice, Eastern Cape Province, South Africa, Mrs. Phila Xuza, Africa Insight Vol. 35, No. 4, December 2005
- Report on Investigation into Institutional Location and Roles of Local Economic Development Agencies (LEDAs) (http://www.thinasinako.co.za/upload/documents/06008104454.pdf)
- Thinasinako LED Support Program (http://www.thinasinako.co.za/)
engage with engineers, architects, constructors, etc. Their language is technical and now all these technical terms fly through our offices. Let’s see what terms come up once we start implementation and construction in 2009.”

5.2.2 Future role of Aspire

Up to 2014 (time horizon of the Aspire strategy), the following main tasks will remain with Aspire:

- Communication: continuous interaction with municipalities to ensure their understanding of LED and their role in LED. Aspire has to ensure that the municipalities understand their role, what they can do and how Aspire can assist them in this.
- Mobilization, facilitation and coordination: for every project, stakeholders need to be mobilized and engaged so that partnerships for project implementation can be built. Aspire is responsible for the facilitation of stakeholder processes as well as for the coordination of these processes.
- Project management: within the existing context, there will remain constraints in terms of capacity and resources for the implementation of LED. Therefore, it is most probable that Aspire will continue managing some projects under AREDS, while in others Aspire will only support and advice the implementing municipality.

It is difficult and probably also not meaningful to think of Aspire’s role beyond 2014 – too many parameters might change until then. Emphasis should be on the consolidation of good practice and the establishment of a system that allows for learning, monitoring, impact assessment and resource mobilization in coordination with ADM.

5.2.3 Outlook for the Amathole district

As stated by some interview partners, the future of the Amathole district looks bright and is exciting. Stakeholders have a high awareness of the potential of the region, but also its challenges and the huge amount of work that needs to be done. Together, they have to focus on accelerating the pace to ensure the delivery of results as planned. 2009 therefore will be a crucial year, since it will focus on the implementation of most projects. An agency like Aspire is there to guide and ensure this process. But it can only be successful if there is smooth collaboration between all partners, in delivery of tasks and results and ongoing political support.

Desk research based on documents provided by Colin Mitchell, facilitator and technical adviser to the AREDS strategy formulation process;

Interviews with Phila Xuza, CEO Aspire, and telephone interviews with the Aspire Corridor Managers (Julia Du Pisani, Saskia Haardt, Nhlanhla Ndebele, Elaine Hann);

Interviews with the main stakeholders at the district level: Mr. Les Holbrook, Executive Director, Border Kei Chamber of Business; Mr. Mpumi Fundam, Manager LED, ADM; Councellor Mr. Samkelo Janda, Portfolio Head LED, ADM;

Interviews with partner local municipalities: Mr. Ondala, Strategic Manager, Amahlathi Local Municipality; Mrs. Bukeka Maliza, LED Manager, Great Kei Local Municipality, Mr. Nako, Acting Strategic Manager, Mbashe Local Municipality; Mr. Mxoliswe Waxa, Strategic Manager, Mnquma Local Municipality;

Interviews with implementing partners at the provincial level: Mr. Philip Howes, Amathole Berries; Mrs. Noludwe Ncokazi, Executive Manager Development Services, ECDC; Mr. T. Mdunyelwa, Senior Manager, ECDC; Mr. Zongi Mbekeni, Director Economic Affairs, DEDEA.

The interviews covered aspects of LED concepts, strategy alignment processes, project management, partnership approach, funding sources, institutional arrangements and sustainability, the legislative environment and developmental impact.

Amathole – a short overview

A region that carries the legacy of the former Transkei and Ciskei “homeland” areas, which are largely rural with deep-rooted poverty, as well as the former Cape Provincial Administration areas that include the highly-urbanised centres of East London, King William’s Town and Mdantsane.

- The district consists of 8 local municipalities (Buffalo City: East London, Bhisho, Dimbaza; Amahlathi: Stutterheim, Cathcart, Keiskammahoek, Kei Road; Nxuba: Adelaide, Bedford; Nqququwa: Peddie, Hamburg; Great Kei: Kroma, Kei Mouth, Haga Haga, Morgans Bay, Chintaa; Mnquma: Buttenworth, Nqamakele, Cintae, Mbashe: Dutywa, Elliotdale, Willowvale; Nkonkobe: Alice, Hogsbak).
- Government and community spending make up 33% of the economy, public service sector provides around 35% of formal jobs.
- Manufacturing, mostly centered in Buffalo City and dominated by the automotive sector; accounts for 21% of the economy; agriculture, fishing and forestry together account for just 2.6% of the district value added, pointing to potential for huge growth in a region with vast rural areas and a long coastline; tourism has grown, now making up an estimated 10% of the district value added.

2.3 Amathole’s Local Economic Development Agency

Aspire, the Amathole Economic Development Agency, was established in September 2005 as a Proprietary Limited company, wholly owned by the ADM – which implies that the agency falls under the Municipal Finance and Management Act (MFMA). The agency was established within the operational framework of the Agency Development and Support Unit of the IDC, with initial establishment funding coming from IDC and ADM. The Aspire board consists of six directors drawn from the private sector, academia and provincial government. There are two business men representing the private sector on the board, however currently there is no formal representation of the private sector on Aspire’s board.

The dti and the dplg developed draft Guidelines on Local Economic Development Agencies as Municipal Entities which characterize a LEDA. This characterisation of LEDAs provides a benchmark for the work of Aspire.

Figure 1: Location of Amathole District in the Eastern Cape Province

In South Africa, the MFMA provides for LEDAs as mechanisms preferably in the form of a municipal entity. LEDAs are delivery mechanisms for LED: In order for municipalities to plan and implement LED strategies and instruments, they may choose to establish appropriate service delivery mechanisms to perform a particular service.

There is no single approach to local economic development and it is impossible to be prescriptive about the type of services agencies provide. These roles could range from:

- Championing a wide range of activities which emerge as important from the LED strategy;
- Fundraising for specific projects, and potentially project managing some of these;
- Coordinating activities to ensure that an integrated service is provided across providers, eg for business advice;
- Monitoring and quality control of services available in the area;
- Directly undertaking certain functions, eg regional marketing;
- Promoting regional activities, eg collective marketing, regional food brands etc.

Agencies are considered in South Africa for the following reasons:

- Agencies provide a way of establishing a formal and legal partnership between different stakeholders to integrate development efforts and overcome problems of duplication and lack of coordination;
- Agencies are seen as a way of strengthening the capacity of current LED systems and resources in place within a municipal area, using a semi-external body;
- They can be focused drivers of the economic development agenda within a local area, which can raise external resources to support LED;
- The ability they have to support specific business sectors or specific geographical areas e.g. a development corridor
- As a possible route to alleviate bureaucratic processes within a municipality, promote a more private-sector type culture and accelerate investment and public private partnerships.

3 Amathole Regional Economic Development Strategy (AREDS)

3.1 Background

In late 2006, the Amathole District Municipality (ADM) commissioned Aspire to manage the review process of its economic strategy. The overall objective of the strategy formulation process was to develop a strategy that guides actions by economic stakeholders, especially local government, so that there is an increased number of households that earn a higher income in the Amathole district.

GTZ supported Aspire to fulfill its mandate by financing the strategy formulation process and contracting LED consultants as process facilitators and technical support to the process. A process was designed that ensured participatory input and identification of strategic action\(^2\). The specific objectives of the process were:

- An implementable regional economic development strategy for ADM;
- Definition of role and function of Aspire within the regional economic development strategy of ADM;
- Provision of information for strategic decision taking for the ADM IDP processes;
- Identification of projects that will positively influence the competitiveness of the regional economy.

The Genesis methodology was applied to the strategy formulation process.

5 Conclusions

5.1 Areas for improvement

The AREDS catalytic projects are initiated and on their way. In a next step, it is important to reconsider the following areas for improvement:

- Overall impact orientation and assessment: ADM is the owner of AREDS and therefore ultimately responsible for the results and impact achieved through the AREDS projects. Based on a thorough understanding of AREDS, ADM has to develop ownership and provide for a system (including transparent responsibilities) that monitors the implementation of AREDS and allows for feedback to its stakeholders.
- There is room for improvement in terms of how Aspire communicates with its stakeholders: it has to better demonstrate and explain how LED contributes to overall sustainable development and needs to address the concern of social development and redistribution of many local municipalities. With each project, Aspire can illustrate how the project interventions ultimately lead to increased employment and income opportunities. This allows Aspire:
  - To provide the political leaders with arguments for AREDS;
  - To help the local municipalities in their communication to their constituency;
  - To contribute to the understanding of what Aspire does and how this contributes to overall sustainable development.

5.2 Outlook

5.2.1 Performance of Aspire up to date

Some quotes from interviews partners highlight the work and performance of Aspire up to date:

- “If it’s a people’s business”
- All interview partners confirmed that Aspire’s technical expertise as well as facilitation and networking competence is very high. “Aspire’s CEO Phila Xuza has demonstrated a clever hand in recruiting the right people and personalities for this job,” says Les Holbrook of the BKOK.
- “Aspire is Amathole’s flagship”
- In order to become this flagship, political support was needed and provided by the district mayor of Amathole. This led to the ADM being convinced and not threatened about the role and importance of Aspire. Aspire is competent in presenting to and engaging with political leaders to get their support and approval to go ahead with projects. However, it is essential that an economic development agency does not become an independent “giant”, but the responsible municipality has to ensure the capacity to manage in this case Aspire.
- “Aspire has the potential to be a centre of excellence”
- Aspire envisions for itself a long term role as an adviser and think tank for Amathole. It also has the potential to serve as a reference at national level. Aspire’s staff members have established national networks in LED during their careers which are important and helpful not only to lobby for projects, but also to influence the national agenda on LED. “Other regions are observing the development in Amathole and are in touch with Aspire to learn from its approach,” says Noludwe Nokazi of ECDC.

With the integration of all role players in the district, Aspire’s role will change gradually. The emphasis of Aspire’s work currently is on demonstrating partnerships in project implementation. The objective of this demonstration effect is to hand over project implementation responsibilities to other role players in the district, especially to the district and local municipality by providing assistance and capacity building.

As Aspire’s CEO Phila Xuza summarizes; “In 2007, we focused on the mobilization of stakeholders; our vocabulary mainly consisted of soft terms like buy-in, stakeholders, facilitation, workshops, etc. It was the time of talking to people, convincing them, raising awareness and ultimately motivating them to participate and contribute. Then, in 2008 we changed our language completely: we are fully involved in the design stage of our projects where we...”

---

\(^2\) The strategy formulation process as well as its outcomes and lessons are documented in more detail by Colin Mitchell.
4.6.8 Regional versus local municipalities

The experience of Aspire as a regional economic development agency might also influence the discussion of the role of regional agencies in relation to agencies at the local level. This section highlights some important aspects of the role of a regional agency:

- First and foremost, regional agencies are not supposed to replace local agencies since there will always be tasks and responsibilities that a local agency will have in LED.
- In a globalized world, coordination and collaboration in a region are essential for effective, successful, and sustainable economic growth:
  - The joint provision of a good like infrastructure or the promotion of the region as a tourist destination has positive economies of scale (i.e. the joint initiative allows for more of the public good by decreasing overall costs).
  - It allows for increased cost sharing that includes all that benefit from positive spill-overs from one to another municipality – and not only the municipality that originally provides for the good that creates the positive externality (e.g., costs for the training of labour force can be shared since they might migrate to other areas within the region).
  - It allows for optimal allocation for resources, especially if resources like skills, expertise and finance are limited.
  - Direct political influence can be limited if, at a regional level, political agendas can be combined.
- As international experience shows, economic development and promotion of locations in many cases is done in joint efforts. Municipalities establish a joint vehicle to address common issues and to promote their localities in joint efforts. These agencies go beyond political borders, some of them even cross national borders. Most of them are set up voluntarily, there is not necessarily a regulatory framework provided for this type of agency.

So, complementary to a local municipality’s efforts in LED, it can be meaningful to confederate among local municipalities and to establish an agency that serves a common purpose, the one of promoting economic growth of the region that consists of the member municipalities. Thereby, the agency maintains the role of a coordinator of initiatives and activities of member municipalities in LED and reports to a steering committee consisting of representatives of the member municipalities. In the case of Amathole district, AREDIS is the overarching strategy which helps municipalities to streamline their strategies and LED initiatives – and ultimately optimize resources and results.

In recent years, South Africa has gained a number of experiences with Economic Development Agencies (EDAs) – local as well as regional ones. It would be beneficial for those localities or regions considering the establishment of an EDA to assess the issues surrounding them as well as the impact of economic development policies on both the functioning of agencies as well as on regional and local economies.

3.2 The Genesis methodology

3.2.1 What is Genesis?

Genesis is an approach that addresses the challenge of strategic interventions. It creates a strategic decision making framework built around the competitive advantage of a region and those interventions that are likely to provide the greatest leverage in the medium to long term. At its heart, Genesis is a strategy tool and a methodology to identify and to prioritise catalytic projects in the context of territorial development initiatives.

It involves a variety of activities, often based on close interaction between government and the private sector, that aim at addressing market failure and build a unique competitive advantage for a given territory, which may be a municipality, an urban agglomeration or a sub-national region. Genesis addresses a given territory as an entity, not a fragmented agglomeration of disconnected sectors and players.

Underlying Genesis is the insight that there is no point in formulating detailed masterplans and multi-year planning documents for the development of a local or regional economy at large in today’s highly volatile globalised economic environment. And individual entrepreneurship and ad-hoc collective action is not sufficient to mobilise and dynamise territories that stagnate or grow only slowly. Strategic interventions with a high leverage potential are crucial to unlock development potentials in such regions.

Therefore, so called catalytic projects are identified that have a strong leverage and/or multiplier effect by addressing a critical market failure, or by creating a strong leverage factor. A catalytic project addresses the root cause of obstacles to development, rather than symptoms. It unlocks resources and business opportunities. It addresses issues that will not be addressed through business entrepreneurship because the risk is too high, the amortisation period too long or the immediate profit too low. In other words, it addresses market failures that stand in the way of growth.

Catalytic projects can have very different characteristics and prerequisites:

- Major financial resources needed (e.g. investment and infrastructure projects, rehabilitation of abandoned industrial estates, creating a small business estate);
- High commitment to cooperation needed (e.g. addressing critical gaps in skills development, linking providers of Business Development Services (BDS) and SMES);
- Very specific know-how needed (e.g. certification, standards, connecting SMEs with research and development institutes);
- Serious and persistent political backing needed (e.g. land reform)

Genesis addresses the following main objectives:

- Verify the overall economic development vision and strategy of the territory’s stakeholders (or possibly the multitude of visions and strategies), stimulate reflection on it, and contribute to its further evolution (and consolidation, if there are several competing visions and strategies).
- Create a shared understanding of expectations and aspirations among core stakeholders, and improve the decision making framework for all decision makers.
- Create a process where local stakeholders consider alternative scenarios before they take decisions on territorial development.

---

1. The concept of Economic Development Agency (EDA) is applied all over the world and for example Europe has made interesting experiences with local and regional EDAs that on one side focus on the sustainable economic development of a locality like a city (see www.kb.gov.uk) and on the other side emphasize regional economic development through national co-operation among EDAs and with different levels of government (see www.eurada.org).

2. This section has been summarized from: GTZ, mesopartner, Genesis, Manual Version 0.9, April 2008
The following figure summarises the underlying logic of Genesis:

![Genesis logic diagram](image)

The following figure summarises the underlying logic of Genesis:

**Figure 1: Genesis logic**

There are several critical success factors of the Genesis methodology, with the scenario writing and verification being the most crucial one. Scenario writing is about identifying possible and plausible alternative futures for a sector. The purpose of scenario writing is:

- To help local stakeholders understand that there is more than one possible and plausible future;
- To help local stakeholders think outside the box;
- To catalyse the process of understanding strategic variables and create strategic alignment;
- To create a framework that assists in the prioritisation of catalytic interventions.

In the AREDS strategy formulation process, an approach for scenario writing was used that identifies factors that will shape the future and picks the most influential factors. Please refer to the next chapter for illustration.

### 3.2.2 Genesis in the case of AREDS

This chapter looks at the outcomes of the strategy formulation process applying the logic and methodology of Genesis; it looks at steps in each phase of the process that are specific to the Amathole district and how they influenced the actual outcome, the Amathole Regional Economic Development Strategy (AREDS). Genesis was the starting point for the process as well as the underlying logic to the process that developed its own dynamism within the Amathole context.

The Genesis process applied to the AREDS strategy formulation consisted of four main phases:

**Figure 2: Genesis process phases**

**Phase 1: Contracting, organization, mobilisation**

Special emphasis in this phase was given on understanding the current thinking and challenges of the ADM and Aspire in terms of LED. Main issues which were of concern to the two were:

- There was a conflict between what government can do in terms of legislation and what they believe is their responsibility in terms of voter expectations.

**Phase 2: Fact finding and scenario building in economic sectors with potential**

**Phase 3: Competitiveness and identification of catalytic projects**

**Phase 4: After the process: Feasibility studies, elaboration of business plans, implementation of catalytic projects**

### 4.6.6 Institutional arrangements and the legislative environment

**Key message:** There is a need for guidance and coordination in terms of LED tasks and responsibilities and the role of EDAs. Therefore, the dplg and IDC have jointly developed Guidelines for Local Economic Development Agencies as Municipal Entities.

Aspire is a Proprietary Limited company, wholly owned by the Amathole District Municipality (ADM) which implies that the agency falls under the Municipal Finance and Management Act (MFMA). Based on the Act, Aspire reports to the ADM and needs a mandate from the ADM for any work it undertakes. Direct agreements with other partners are not possible.

- This hampers the flexibility and dynamism of the agency, but at the same time allows for streamlining of mandates in regional economic development.
- The MFMA is very restrictive in terms of procurement processes. This leads to lengthy and inflexible processes that forbid long term partnerships with service providers. Aspire’s argument for long term partnerships with service providers is that service providers learn to apply Aspire’s concepts and this is another form of capacity building for regional economic development in Amathole. Time and resources are lost every time that a completely new procurement process has to be launched.
- It is problematic for Aspire to implement projects on behalf of local municipalities since under the MFMA, Aspire belongs and reports to ADM. There is no specification in the MFMA of how a regional economic development agency is supposed to deal with this “double mandate”.

Aspire has a board to which it reports. At the same time, as a company owned by the ADM, Aspire reports to the ADM council. This reduces the role of the Aspire board to a consultative body while decisions are taken in the ADM council.

As defined in AREDS, the regional economic development builds on corridor as well as sector development. This is a paradigm shift in “doing things” and has implications in terms of institutional set up in the district municipality, the local municipalities as well as in Aspire. Aspire has completed its institutional adjustments by assigning corridor managers. The ADM however is still organized in sectors only, having sector specialists assigned for tourism, agriculture, heritage, SME development and cooperatives.

At national level, there is a need for guidance and coordination in terms of LED tasks and responsibilities and the role of economic development agencies: The dplg promotes and supports the establishment of LED units with an LED manager in municipalities. IDC promotes and supports the establishment of local economic development agencies as an implementing arm of the municipalities’ LED units. This is no contradiction, but needs careful consideration in practical terms: small municipalities with weak institutional set ups might be overwhelmed with both tasks. Furthermore, there are 7 development agencies in the Eastern Cape, with Aspire being the only regional one. An important agency is the Buffalo City Development Agency with East London at its heart. Currently, there is no framework in place that specifies Aspire’s collaboration with these agencies. Therefore, the dplg and IDC have jointly developed Guidelines for Local Economic Development Agencies as Municipal Entities.

### 4.6.7 Sustainability

**Key message:** Core funding should be dedicated to operational costs related to project management, not to sustain the organisation as such.

Core funding is a challenge for Aspire. As pointed out by representatives of the Department of Economic Development and Environmental Affairs (DEDEA), Aspire’s achievement to mobilize funding from a variety of funds for its corridor projects makes the agency independent from the funding by IDC. This is unique. As the CEO of Aspire confirms, they assessed the possibility to apply for funding from IDC for the phase of project planning and implementation. However, their assessment concluded that the eligibility criteria for funding by the IDC are not useful for Amathole’s approach to economic development. Funding from IDC depends on milestones and is cash flow based. Amathole’s approach to corridor development however is outcome oriented. It would be desirable if IDC could adjust its funding criteria from cash flow to outcomes.

Having no core funding is a danger to Aspire’s sustainability beyond projects, as has been stated by some interview partners. In their view, there is no sustainability model in place on how to sustain operations. For example, an
4.6.3 Mobilization

Key message: Aspire has platforms for interaction with stakeholders in place that allow for awareness creation and mobilization.

Mobilizing stakeholders for new projects or for running projects is an ongoing process that has to ensure that stakeholders understand what role they have to play in LED and how they can play it. A variety of platforms are managed by Aspire for communication with stakeholders at national, provincial and district level, examples are:

- Corridor Summits (stakeholder fora per corridor)
- Events for Service Providers (on project activities and procurement processes)
- Up to date webpage with a section for service providers
- Involvement in strategy planning processes of the ADM and the local municipalities, e.g. review of the ADM IDP
- Annual Small Town conference (on the concept and promotion of small towns)
- Involvement in national fora on LED, e.g. the LED Forum organized by the dplg

This results in the high awareness of local municipalities of AREDS and ongoing activities as well as commitment in terms of coordination and collaboration.

4.6.4 Expertise

Key message: Aspire manages to combine expertise in facilitation with technical expertise.

Aspire’s main role is the facilitation of planning and implementation processes for selected projects and coordination of stakeholders in these processes. As confirmed by interview partners, Aspire manages these processes well. At the same time, Aspire staff is regarded highly competent in technical aspects.

Aspire as an organization manages to combine these two very different competences: the one of facilitation with the one of technical expertise. This is highly relevant for Aspire’s task of constantly mobilizing stakeholders and convincing them about the relevance of projects.

Aspire emphasizes the importance of research: it is often not clear at the beginning of a project intervention what is required and what the intended impact will be. Therefore, Aspire applies an approach of research, pre-feasibilities, market analysis, etc. This is at times considered too time-consuming or perceived as unnecessary by Aspire’s partners. However, it is an important investment (in terms of time and financial resources) to assess the appropriateness of projects.

4.6.5 HR issues

Key message: Constant facilitation and coordination can be exhausting, therefore the Aspire staff needs to be involved in concrete and tangible project results.

As communication to and mobilization of stakeholders is an ongoing task within the mandate of facilitation and coordination of LED initiatives in the Amathole district, constant interaction with stakeholders, especially local and district municipalities, is one of the main tasks of Aspire staff. This process can be rewarding as well as exhausting. Sometimes commitments change due to changed priorities in the municipalities. Then projects turn out to be very different than originally planned.

This can be tiring and sometimes frustrating for Aspire staff. Therefore, careful management of staff is crucial to maintain the high level of involvement and motivation in the mid to long run. There is probably no recipe for this, but a good mixture between facilitation and coordination and project management – that allows for concrete and tangible results – might be helpful.

• The inclusion of development agencies to the Municipal Finance Management Act (MFMA) has created insecurity about the role and desirability of Aspire in the district municipality and local municipalities.
• There is “lip service cooperation” on the surface but signs of distrust and passive resistance towards ADM from local municipalities. Political agendas were a threat to many initiatives and discussions.

Based on these concerns which were confirmed by officials and business people, the needs of ADM and Aspire were:

- To develop a shared understanding of the conceptual positioning of LED with regard to enterprise development and social transformation and upliftment;
- To develop a better understanding of the role of government in economic development and of key economic drivers in the district;
- To develop an improved communication model between ADM, local municipalities and the business sector;
- To clarify the role, responsibilities and delegated authority between ADM and Aspire.

In order to initiate the process, the following stakeholders in the Amathole district were mobilized:

- Amathole LED Portfolio Committee, Aspire Board of Directors, ADM LED management team, Border Kei Chamber of Commerce, regional Mayors Forum, regional Municipal Managers Forum, provincial departments and organisations (Department of Economic Development and Environmental Affairs, Department of Agriculture, Department of Environmental Affairs and Tourism, ECDG).

The process started with workshops at the regional level in which these stakeholders participated. The objective of these workshops was to introduce the stakeholders to the strategy formulation process, its goals, steps and methodology.

Phase 2: Data Mining

The research phase of the Genesis process focused on Amathole as a locality and its economy in the context of the national and provincial space.

The district has four main routes along which the main development axes lay: R63, R72, N2, N6. Along these routes are situated major urban centres such as East London and smaller towns.

In terms of infrastructure, there is the port located in East London and two airports, one in East London and one in Bhisho. Road infrastructure is only recently being upgraded and there are many challenges of long neglected investment and maintenance. In general, there has been a lack of investment in economic infrastructure. This has also to do with the fact that there is dispersed settlement in the area and the related agricultural practices of the former homelands. People in the area have access to land, but do not hold any land titles, so trading of land is not possible.

An analysis of the economic sectors indicates that the public sector is the most important sector in the district, even more important than the service and retail sector. This implies a dependency on transfers from outside the regional economy. Based on an analysis of economic sectors and their importance for the regional economy and their capacity to absorb labour, the manufacturing, the agriculture and the tourism sector were identified. Since mining contributes only a small part to the regional economy, it is not included.

Based on this economic analysis of the Amathole district, the following conclusions can be drawn:

- The bulk of the areas in the district were former homelands. This implies social and economic implications such as lack of investment in human capital, lack of social capital and lack of infrastructure investment.
- There have been only limited economic infrastructure investments, resulting in ineffective linkages with the economic centres in the district.
- There has not been significant investment in agricultural infrastructure in the past so that the potential of this sector has not been realized.

Phase 3: Fact finding and scenario building

In sector workshops, the stakeholders developed different scenarios for the future development for each economic sector: the manufacturing, the agriculture and the tourism sector.
The following scenario framework has been aggregated from the individual sector workshops by Colin Mitchell and captures the essence of the individual scenarios written during those workshops. It outlines the outlook for the Amathole economy depending on decisions that stakeholders take. It is an exercise that illustrates how the right set of decisions can impact economic development positively—or how devastating the wrong decisions can be on employment and income. It also highlights the consequences of a collaborative versus a non-collaborative approach between the public and private sector.

**Figure 3: aggregated Scenario Framework for the Amathole economy**

In the following, each scenario is explained:

- **Phoenix**
  
  Business and regional government commit to working closer together for the economic and social benefit of the region. Government begins a process of withdrawing from interventions that distort the market, give certain sectors and people an unfair advantage and waste money on interventions that are not sustainable.

  Business commits to the principle of BEE as a means of social transformation. They start to actively seek ways to build partnerships with emerging business and people in the 2nd economy.

  Within 5 years, graduates from the training schools and mentorship programmes have changed the labour market, no longer are people dependent on collective bargaining and minimum wages, they now have choices as business is competing for and rewarding skilled people for their contribution to productivity.

  Truly the Amathole region, like the Phoenix has risen from the ashes of its political past and is flying proudly, a vibrant example to the rest of South Africa.

The responsibilities of ADM and Aspire in terms of monitoring and impact assessment need to be clarified and streamlined—and corresponding systems need to be put in place that are transparent and measurable. In order to do so, Aspire is currently preparing an application to the EU that ADM would co-finance that aims at establishing a project management unit especially dedicated to Monitoring and Evaluation and funding mobilization.

### 4.6 Role and performance of Aspire

This chapter elaborates on the role and performance of Aspire as a regional economic development agency and allows to draw up some lessons for EDAs in general.

#### 4.6.1 Establishment of Aspire

Key message: a newly established LEDA needs resources to develop its strategy on how it will contribute to LED in an existing context.

When Aspire was established, the agency had no strategy for its mandate in place. It was only with the AREDS strategy formulation process that it was gaining a perspective of its own role and understanding the need for an own strategy that outlines its contribution to AREDS. Aspire approached GTZ who at that time was supporting the AREDS process. GTZ agreed to support also Aspire’s strategy development by providing an LED consultant.

Any agency that is established needs to undergo a strategy development process in order to understand its mandate within its context of LED. And it is important that resources are provided to these agencies in order to be able to do so.

#### 4.6.2 Communication

Key message: Communication with stakeholders can be improved by Aspire in order to ensure that stakeholders and the community understand the role of LED in overall development.

In some municipalities, there is still a lack of understanding of LED and how it contributes to overall sustainable development. At the same time, the primary concern of many representatives of local municipalities is social development and redistribution.

Aspire has a role to play in explaining how LED relates to social development by creating employment and income. It has to answer the questions:

- How does LED contribute to social development by creating employment and income?
- How do the individual projects contribute to increased employment and income?

This will help to address the concerns in regard to social development and clarify what LED is.
But is also implies major efforts from all role players to constantly ensure mutual information and alignment of strategies, plans and processes. In AREDS, projects are defined beyond municipal borders and require collaboration between several local municipalities. As a representative of a local municipality put it: “The more role players there are to identify investment and development opportunities, the easier the job to achieve the mandate. However, the implication in terms of coordination is huge.”

### 4.4 Identification of catalytic projects

**Key message:** For new projects, there needs to be a transparent process that shows how those projects are selected that have the highest potential in terms of leverage and employment and income opportunities.

Responsibilities for the AREDS projects are not always the same since they depend on the best expertise available for each project. In some cases, the local municipalities are the project managers, with assistance from Aspire. In other cases, Aspire acts as the project manager on behalf of a local municipality. At the same time, Aspire and its partners react opportunistically to funding opportunities that may come up and imply new or revised projects or project components. And there is a lot of dynamism as projects develop that does not allow to stick to rigid project cycle management: priorities of municipalities may change over time, original ideas need to be revisited, etc.

Regardless of this flexible approach to project planning and implementation, all projects running under AREDS fit into one or more of the result areas of the AREDS strategic framework. There is coherence in the approach to project selection within the AREDS strategic framework.

However, the overall impact orientation of projects in terms of increased employment and income opportunities as defined by AREDS is not always clear. AREDS requires projects that have the potential to:

- Leverage (public and private) investment;
- Leverage impact in terms of quality employment for the Amathole citizens;
- Leverage private sector participation.

For the majority of running projects, it remains unclear how they contribute to these criteria and ultimately to increased employment and income. For new projects, there is no clear and transparent process defined that ensures that projects with high impact are selected.

Example: the Butterworth Regeneration project has acquired a budget of R 140 Mio. from the NDPG. While it is obvious that infrastructure projects are expensive, it is important to show how this investment will contribute to the economic development of Butterworth and to employment and income in the region, indicators specified in AREDS. The acquired funding volume is per se no indicator for impact.

### 4.5 Monitoring and impact assessment

**Key message:** ADM has no system in place to monitor project progress and measure future impact as contribution to AREDS.

ADM is responsible for AREDS and its implementation. The AREDS strategic framework provides for a monitoring framework for ongoing activities in LED in Amathole by different partners. However, it is not clear how ADM is doing this monitoring of project progress that would also allow for corrective measures if necessary. And there is no information available on how ADM intends to do the impact assessment of these projects.

Aspire has developed a framework to monitor project progress and intends to measure impact in four areas: Places, people, business and partnerships:

- **Flattering to Deceive: Skills, but no co-operation**
  The skills development programmes are up and running and graduates can be expected within two years, their guarantee of jobs in the companies where they will be interned is dependent on the economy growing fast enough to absorb them.

  There are signs however that government is finding it difficult to trust market forces as well as business commitment to growing the economy and labour market. The end result could be that established business becomes even less convinced of government’s real commitment to the formal economy or its ability and willingness to play its part in improving the competitiveness of the area. This seriously affects economic confidence and many of the people who were trained during the heady days after the initial wave of enthusiasm abandon ship and head for greener pastures. Business withdraws its support for the training facilities and they close down in frustration.

- **Slim Pickings**
  It is a vicious circle that gets tighter and is plummeting in freefall. Business blames government for its inability to compete because of the local cost of doing business and the fact that they are not training people fast enough to keep up with those dying of AIDS.

  Government blames business for shedding jobs, not paying their people properly and making absolutely no effort to contribute to economic transformation. The gap between the first and second economies grows and social instability gets to flash point. There is no sign of any real co-operation between established business and government with the possibility that business will either leave or threaten to do so and government will be forced to introduce random subsidies for certain large manufacturers.

  While this is going on Coega gets stronger, ships bypass East London because the harbour is too shallow, Durban doubles the capacity of its harbour and wins the 2016 Olympic Games and tourists just stop coming because the region is just so depressing. As for work opportunities, they are few and far between and the people that left are squabbling over very slim pickings.

- **Relegation Zone: Good governance, but no skills**
  The National Spatial Development Programme has identified Buffalo City as a high potential node and has made funds available to fund high potential projects. Government and business have started to talk to each other with the establishment of the Amathole growth coalition a real possibility.

  But, there could be a problem on the horizon where both government and business may be caught by surprise. Should the plan to fast track skills development not materialize, Amathole could find itself on the back foot and squeezed between low cost producers of commodities from countries like Mozambique, DRC and Angola and highly competitive value added producers like China, Korea and India who are likely to sell their product in SA at lower cost than we can currently produce. Should this happen unemployment will increase because more businesses may leave, small farmers may have to dump their crops at below cost, value adding processors may close down and the partnerships and new business ventures built on the back of the infrastructure roll out may not survive. To survive in the competitive game of world competition you need the best trained team playing at the top of their game and supported by a great management structure! If not expect to be relegated to the local league.

**Phase 4: Competitiveness and catalytic projects**

With these scenarios in mind, the stakeholders made a major breakthrough, based on the fact that the major development axes in the district are among the four main routes: In sector workshops, the stakeholders realized that a focus on individual sectors did not allow for the fact that in many cases each sector was interdependent on the
performance of others. For example, tourism was hardly to succeed without a well performing retail and services sector.

This led to a move away from sector development to looking at interdependent supply chain opportunities along the four main routes – or so called corridors – in the district. For each main route, representatives of local municipalities and the business sector along the route looked deeper into each economic sector identified as relevant and identified sector specific constraints and potentials as intervention areas to strengthen the sector. Building on the outcomes of the aggregated scenario above, the corridor workshops identified common issues that are considered barriers to economic growth in Amathole district:

- Infrastructure: outdated, inadequate and poorly maintained infrastructure is an impediment to cost effective enterprises;
- Land related issues: this includes the resolution of land ownership and use rights in both rural and urban localities. It relates to the use for agriculture and settlement as well as to land for investment for production facilities and offices;
- Lack of competitiveness of the sectors and localities: there is inadequate technical and system support across all sectors (e.g. for maintenance) and there are inadequate or inappropriate skills as a main constraint for growth;
- Governance: there is a lack of governance systems and capacity that hinder enterprise growth and development.

These four barriers identified laid the ground for the next and final step of the AREDS strategy formulation process: The stakeholders in each corridor identified key interventions and corresponding result areas based on the Compass methodology in order to tackle these barriers:

The Compass methodology addresses local competitiveness and is a performance management tool to monitor and assess the strategic approach to and the progress of LED initiatives, in this case the AREDS. The objective of Compass is to define the result areas of the AREDS in key intervention areas:

1. Economic sustainability: How can we guarantee sustainable LED?
2. How do we need to interact with other stakeholders to make LED a success?
3. The learning perspective: how to ensure that we constantly upgrade our understanding of our economic reality and of LED?
4. How do we have to organize our LED process and effort internally to assure its effectiveness?

The key idea is to introduce a wider, more balanced set of performance indicators that is not one-sidedly looking at financial and other economic indicators but also at other, more qualitative indicators that address the long-term growth perspective of the local economy.

In corridor workshops, the guiding question was: what do we want to achieve with AREDS in these four key intervention areas? This then led to the formulation of a limited number of result areas per corridor. This work provided the ground for the AREDS strategic framework (see next chapter) that provides guidance for strategy implementation and for identification of catalytic projects.

### 3.3 Results of the strategy formulation process

#### 3.3.1 AREDS Strategy

Amathole Regional Economic Development Strategy (AREDS) is a multistakeholder strategy for developing a globally competitive economy that supports the social and economic aspirations of the district over the next twenty years.

### 4 Interpretation of findings from interviews

The information gathered from the interviews with representatives of local municipalities, the district municipality, provincial bodies and Aspire allow for insights into the implementation of AREDS and for recommendations for improvement.

#### 4.1 AREDS concept of LED

Key message: All interview partners know about AREDS and its ongoing project activities; and they understand its concept of corridor development.

In all interviews, there was one outstanding aspect: all interview partners have a well informed idea of AREDS and its corridor development approach that builds on comparative advantages of the Amathole District. Furthermore, the interview partners were well informed of ongoing project activities in the district.

The interview partners recognize the importance of a spatial as well as a sector approach and the need for collaboration between all the relevant role players and beyond municipal borders. The concept of corridor development is tangible and helps to specify the roles of each stakeholder in a corridor. As a representative of ECDC states, a focus on key issues like infrastructure and education for example in tourism allows ECDC to complement Aspire in bringing issues in terms of tourism development to the provincial and even national level.

The concept of corridor development has an immediate effect on thinking of local government: for example in the N2 Corridor, there are three local municipalities. In meetings around the N2 Corridor development, for the first time, the three mayors, three LED managers and the three municipal managers were talking together about an economy that transcends their municipal lines, tackling a lack of coordination and collaboration in interventions as well as availability and allocation of resources.

This common understanding can be attributed to the effectiveness of the Genesis methodology during the AREDS strategy formulation process as well as to Aspire’s engagement with and communication to its stakeholders during the implementation of AREDS. It lays the basis for the successful funding applications that local municipalities and Aspire handed in together to funders such as the NDPG or DBSA.

#### 4.2 Increased collaboration

Key message: There is indication of increased collaboration, for example some strategies at the local and district level are currently being streamlined with AREDS.

AREDS has initiated a wide range of projects that all build on a multi-stakeholder approach. The strategy development process has contributed to an improved understanding of roles and responsibilities between local municipalities, the district municipality and Aspire. Indication for this is the fact that currently some strategies at the local and district level are being streamlined. It is important to mention that many role players in LED in the district try to optimize their capacity and resources by collaborating with each other and creating synergies. However, within the existing legislative environment in which each local municipality has a LED mandate and resources can not be shared or leveraged, there will always be limitations to how far synergies and collaboration can go.

#### 4.3 Alignment of local strategies

Key message: No municipality is obligated to accept AREDS and implement projects within its strategic framework. However, there is much indication for alignment of strategies as well as activities.

The AREDS is a strategic road map for all role players in the region and allows local municipalities to develop their own LED strategy aligned to AREDS:

In consultative processes, the ADM and Aspire aim at ensuring the alignment of various strategies in the district. This leads to alignment processes of LED strategies in some local municipalities. Although there is no obligation for local municipalities to participate and buy-in to AREDS, there is a big involvement in terms of coordination, participation, implementation of projects and strategy alignment. Municipalities seem to recognize the benefit of increased coordination and collaboration that optimizes their scarce resources and that helps them to increase the performance in LED.

---

4 This has been summarized from: GTZ, Compass of Local Competitiveness, Manual Version 0.2, October 2006.
The strategy has four key interventions which are spatially operationalized along four corridors and related nodes (urban centres and small towns). Linked to these corridors are sectors of comparative advantage that have been targeted within each area. Result areas for each of the four key interventions, along with the spatial focus and the involvement of multiple stakeholders call for a multidimensional “framework” for implementation:

### Figure 4: AREDS Strategic Framework

**Key Interventions**

<table>
<thead>
<tr>
<th>RESULT AREA</th>
<th>PROGRAMMES</th>
</tr>
</thead>
<tbody>
<tr>
<td>R63 Corridor Development – Essential Oils production</td>
<td>Bedford Regeneration – Essential Oils production</td>
</tr>
</tbody>
</table>

Legend Status of Project: (Note: The majority of projects have just completed the design phase of the project cycle.)

- = project progress as planned, no further measures required
- = project progress faces delays, corrective measures required
- = project progress faces some challenges, careful monitoring required

**AREDS Strategic Framework:**

3.3.1.1 AREDS Strategic Framework

The strategy has four key interventions which are spatially operationalized along four corridors and related nodes (urban centres and small towns). Linked to these corridors are sectors of comparative advantage that have been targeted within each area. Result areas for each of the four key interventions, along with the spatial focus and the involvement of multiple stakeholders call for a multidimensional “framework” for implementation:
For the different result areas, projects have been identified in the four corridors. The projects in the above framework are a selection. Please refer to chapter 3.3.5, for a detailed description of these projects. Note: the projects may fit into several result areas.

The framework allows stakeholders to focus on their area of interest and expertise, while at the same time allowing multiple inputs to contribute to the overall development targets of AREDS. The strategy is the basis from which to guide economic development planning for all role players in Amathole, as well as resource allocation, implementation and institutional arrangements and to identify catalytic projects.

### 3.3.1.2 AREDS Concept of LED

According to the Genesis logic, catalytic projects identified within the AREDS strategic framework need to:

- Leverage (public and private) investment;
- Leverage impact in terms of quality employment for the Amathole citizens;
- Leverage private sector participation.

Catalytic projects are allocated in the four corridors along the main routes in Amathole district.

*Example of a catalytic project: The Amabele train station development is part of the national railway strategic plan. The station development is expected to leverage significant investment in terms of new railway infrastructure and related economic activities.*

These projects are part of corridor development that aims at ensuring the development of sectors with comparative advantage in localities that are linked both spatially and along value chains. In this approach, small towns play an essential role in linking rural with major urban centres. And it aims at ensuring coordination between the various role players in the locality and across local entities such as local municipalities.

![Figure 5: Amathole Corridor Management](image)

**Figure 5:** Amathole Corridor Management
### The corridors selected in the AREDS follow the main routes in the Amathole district and have priority sectors identified:

- **N6 Corridor (East London to Cathcart)**: potential in forestry and timber production
- **N2 Corridor (East London to Elliotdale)**: potential for tourism, livelihood development
- **R63 Corridor (East London to Hogsback to Bedford)**: potential for adventure tourism and forestry, heritage promotion
- **R72 Corridor (East London to Great Fish River)**: potential in arts and tourism

Within these corridors, there are several small towns that benefit from spillover effects from corridor development. There is interdependence between small town regeneration and corridor development: so-called anchor projects in small towns usher regeneration and can boost development in sectors and value chains related to the anchor project.

**Example:** In Hamburg, the establishment of an Arts Colony has been identified as an anchor project for the regeneration of Hamburg, but also has an impact on and leads to interventions in other sectors such as tourism in order to improve quality of service and products.

### AREDS is aligned with the Integrated Development Plans (IDP) of all local municipalities of Amathole:

The aggregative efforts of all players in the district should contribute to the AREDS impact indicators and targets for 2014:

- 60% of households earn an income
- 50% of households have an income above the minimum living level (MLL for a household of 5 persons is approx. R 17'000 per year)

---

<table>
<thead>
<tr>
<th>N6 Corridor</th>
<th>N2 Corridor</th>
<th>N6 Corridor</th>
<th>N2 Corridor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Woodhouse project</td>
<td>Keiskammahoek development</td>
<td>Woodhouse project</td>
<td>Keiskammahoek development</td>
</tr>
</tbody>
</table>

---

The overall impact chain of AREDS is illustrated in the following figure.

Figure 6: Impact Chain of AREDS

The impact chain shows how the key intervention areas of the AREDS strategic framework lead to outputs that aim at systemic change in the regional economy by providing for: business retention and expansion, vertical integration, new startups, improved supply chain management and business turnarounds. These systemic changes will ultimately lead to economic and social impact.

<table>
<thead>
<tr>
<th>N2 Corridor Development – N2 Corridor Summit</th>
</tr>
</thead>
<tbody>
<tr>
<td>The development of the N2 Corridor will be focused on four key interventions: Wild Coast tourism, black granite development, development of Dutwya as a service for retail, education, services and agro processing, agricultural value chain development. In order to prepare these interventions, Aspire facilitates a participatory process that has established the N2 Corridor Economic Summit that will develop the N2 Corridor strategy.</td>
</tr>
<tr>
<td>- N2 Economic Forum for N2 Corridor strategy process established, with all three local municipalities agreeing</td>
</tr>
<tr>
<td>- Contract awarded to service provider to facilitate process and develop strategy, interviews with stakeholders conducted, key N2 economic areas identified: Dutwya and Butterworth regeneration, agricultural development, tourism development.</td>
</tr>
<tr>
<td>- Black granite mining investigation completed as input to N2 Economic Forum (Willowvale, Centane, Komgha)</td>
</tr>
<tr>
<td>- N2 Investment Conferences on key economic areas identified conducted in November 2008</td>
</tr>
<tr>
<td>- Funding application to DBSA completed</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Dutwya Regeneration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dutwya, a fast-growing retail hub in Mhlabathle local municipality, is situated on the N2 corridor between Butterworth and Qunu in the Wild Coast tourism area. Aspire's regeneration plans for this local economy include linking the town centre with the Govan Mbeki township through identification, development and use of strategic properties as a catalyst for economic activity.</td>
</tr>
<tr>
<td>- Funding obtained from NDPG for the development and implementation of a regeneration strategy</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Marshstrand estate development</th>
</tr>
</thead>
<tbody>
<tr>
<td>The ADM owns a significant area of land in Marshstranl adjacent to the ocean. The development of this land could form core of a lifestyle estate that could attract income to the local municipality, provide employment and support the expansion of Wild Coast tourism. Aspire is involved in preliminary feasibility studies.</td>
</tr>
<tr>
<td>- Report on land ownership, its impact and development issues available: Land owned by ADM less than expected and most of it in protected coastal forest</td>
</tr>
<tr>
<td>- Future of project to be decided</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Dwesa Cwebe Community Trust</th>
</tr>
</thead>
<tbody>
<tr>
<td>In June 2001, Dwesa Cwebe won a land claim and ownership of the reserve and surrounding area was transferred to the community. The land area consists of a nature reserve, hotel, bungalows and rural farming. A Community management committee (CMC) was established to manage the land and its operations on behalf of the community. Due to the complexity and number of stakeholders, no real progress could be made so far. The CMC approached Aspire to facilitate and assist in economic development within the area.</td>
</tr>
<tr>
<td>- Project introduced to community and other stakeholders, multi-stakeholder agreement drafted to facilitate the implementation of the project, Dwesa investment forum established with community, CMC and ADM</td>
</tr>
<tr>
<td>- Conflict resolution workshop for community, CMC and ADM facilitated by Mandela foundation</td>
</tr>
<tr>
<td>- EU funding approved for planning and costing of infrastructure and research into alternatives, application to DBSA for further funding, agreement for infrastructure assessment obtained with DORT, ADM and ECPB</td>
</tr>
</tbody>
</table>
3.3.2 Roles and responsibilities of stakeholders in AREDS

3.3.2.1 Overview of the institutional landscape of Amathole district

There are many organizations and institutions that work towards the performance of LED:

- At the national and provincial level, organizations like the dpig or the dti provide the legislative framework for LED as well as support in terms of resource allocation for implementation. International development partners support capacity building for implementation. And at the local level, local and district municipalities have a mandate for LED performance. Aspire has a complementary role within this institutional landscape, that of a coordinator and facilitator.

3.3.2.2 Clarification of roles

An important outcome of the AREDS strategy formulation process is an increased understanding of roles and responsibilities of role players in the Amathole district. As stated in interviews of stakeholders participating in the process, the basis for further cooperation in the district was laid in the workshops:

- Local municipalities initiated processes and conducted workshops to align their LED strategies to AREDS, based on their involvement and learning in the process.
- The political buy-in led to special council meetings to discuss the outcomes of the strategy process.
- An increased understanding of tasks and roles in the district, including Aspire’s role, implied a collaborative approach to economic development in the region rather than in individual localities.

To conclude, the Genesis methodology initiated a change in the mind set and the way of how the different role players work together. The process provided for a good starting base for strategy implementation and enabled the different role players to identify roles within the AREDS strategic framework. The next chapters elaborate on the understanding of roles of each stakeholder in the Amathole district.

3.3.2.3 Amathole District Municipality (ADM)

The ADM is the actual owner of AREDS and responsible for its implementation. ADM’s principal task is to provide a regional strategy and policies and to give directions in terms of resource allocation and governance. Another task of ADM is to support local municipalities to build capacity and assist them in social and economic development. Aspire is the ADM LED Unit’s implementing arm to perform these tasks.

When ADM set up the economic development agency (EDA) Aspire and mandated it with the development of AREDS, it made an important commitment towards regional economic development. The agency acts on behalf of the ADM and reports directly to the ADM’s council via the so called LED and Environmental cluster which is chaired
by the council’s LED portfolio head. In monthly meetings of the cluster, Aspire reports on progress of projects. In this forum, Aspire can get political support from the ADM council as well as technical support from the ADM strategic manager.

AREDS with its multiple dimensions introduced complexity to the implementation and management of the strategy. For this reason, a “framework” for implementation has been devised for which ultimately ADM is responsible. However, up to date it is not clear how ADM monitors progress in terms of strategy implementation and how it gives strategic guidance to the different role players working in the AREDS projects.

3.3.2.4 Local Municipalities

Local and district municipalities have a broad mandate to act as a catalyst for sustainable development. In the view of only 6% of the national budget directly being allocated to local municipalities, there are resource constraints in municipalities that lead in many places to underperformance of economic development and growth.

At the same time, local municipalities are confronted with high expectations from their voters in terms of social redistribution and are held responsible for the state of the economy and the lack of growth. There is a broad belief that government interventions are needed for any economic turnaround. In this light, AREDS is broadly accepted by local municipalities to bring clarity into roles and responsibilities of the different role players in the Amathole district in terms of LED. And there is an understanding that an EDA like Aspire can support local municipalities in implementing AREDS and performing in LED:

- An EDA can act as the project manager on behalf of a local municipality. Some municipal managers and LED officers are aware that with the limited resources at hand, a project approach to any development initiative is the only feasible way. In this case, the role of the local municipality focuses on strategic orientation and monitoring of project implementation.

- In order to implement AREDS successfully, increased coordination among local municipalities is needed. This can have the benefit of streamlining similar initiatives, optimizing resource allocation and focusing on complementarities (who can bring in what is best into the collaboration). In this case, municipalities are responsible for driving and managing this process, while a EDA can ensure this coordination and feed into it with technical assistance, information and advice.

- An EDA has a stabilizing role to play in the face of high staff fluctuation in local municipality and is seen as a knowledge centre where good practices in LED are fostered and technical assistance and advice can be provided for (new) staff responsible for LED.

However, there are still some concerns about how AREDS will contribute to improved delivery and increased overall sustainable development:

- The major challenge of social development, service delivery and expectations management from the constituency are not met with a strategy like AREDS. As some representatives stated, the work that comes with AREDS in terms of coordination and project responsibilities is additional to the job description of staff of local municipalities and does not help to deal with this major challenge.

- There might still be a missing understanding of how LED leads to increased employment and income opportunities. It seems that the two concepts of economic and social development are still not related to each other. Economic development seems to be perceived as benefiting some, but not the whole of a constituency.

3.3.2.5 Private sector

The AREDS strategy has identified catalytic projects that have a strong leverage and/or multiplier effect by unlocking resources and business opportunities. The projects address issues that will not be addressed through business entrepreneurship because the risk is too high, the amortisation period too long or the immediate profit too low. In other words, they address issues that hinder investment from the private sector. For example, by regenerating retail and services hubs in Butterworth or Stutterheim, space for investment is developed. So, the private sector is an investment partner for AREDS:

- For example when the private sector proposes investment initiatives (like in the case of the Amabele Blueberries) where the local municipality can support this initiative by providing corresponding infrastructure (in this example by renewing the Amabele train station that is important for the transport of the blueberries).

- Existing projects of local municipalities: Before AREDS came into the picture of LED in the Amathole district, there were already many different projects running by local municipalities. Based on AREDS and its four key interventions, these projects could be streamlined or are currently in the process of being streamlined.

- Participatory processes to identify new projects and coordinate existing projects: After the identification of key sectors in the corridor, Aspire facilitates participatory processes in the N2 and N6 Corridor that aim at identifying investment opportunities for sector development. These processes are in the logic of AREDS that builds competitive advantages of selected sectors through investments with leveraging effects.

- Projects identified by investment partners: some projects have been brought forward by the private sector. Example: Blueberries are a high value crop that grows very successfully in the Stutterheim area. A business group named Amathole Berries, supported by ECDC and IDC, has recently purchased a 410 hectare farm to begin a plantation of 250 hectares of blueberries in the Amabele area. The aim is to grow 560 hectares which will create permanent, but seasonal (September – March), jobs. Under the overall coordination of the Amathathi municipality, Aspire supports the investment by planning the renewal of the Amabele village and train station.

- Projects that increase the revenue base of local municipalities.

Most projects are currently in their design stage: After the identification phase, Aspire together with partners and stakeholders did further needs and capacity assessments as well as compiled pre-feasibility studies. This project phase was in its main parts concluded mid 2007. Activities over the last 12 months have focused on the design stage:

- Resource mobilization and stakeholder buy in;
- Contract agreements with funders and service providers;
- Capacity building and institutional preparedness for project implementation.

A main emphasis thereby was on the development of regeneration strategies, spatial development plans and business plans. Over the last few months, the majority of the projects have completed the design stage of the project cycle. 17 projects are ready to enter the implementation phase which will start with full steam at the beginning of 2009. The projects can be characterized as regeneration, corridor development, anchor and projects that are directed to community development (in terms of empowerment and community management).
The NDPG at a glance

The NDPG fosters partnerships between key stakeholders at all levels – project, municipal, provincial, regional and national level – in the public and the private sector to tackle the challenges of townships, low-income housing estates, areas and town centres as well as informal settlements.

While the NDP Grant does not exclude small towns and its rural hinterlands, it has a clear focus on interventions in township areas and does not elaborate on the challenges that the areas of former homelands face.

The NDPG supports interventions in the following areas:

- Strategic economic development projects: sustainable long-term economic development including regeneration strategy;
- Land use restructuring: spatial restructuring, diversification of land use;
- Stimulating property markets: development of a secondary property market;
- Purchasing power retention: increase of share of household purchasing power;
- Public sector investment as catalyst and leveraging of non-governmental investment: maximization of leverage of non-government funding by private sector, NGOs and communities;
- Ensuring municipal support: active and full support and involvement of local authorities to bring on board private sector and community involvement;
- Kick starting regeneration: development of a broad regeneration strategy and kick start as catalytic projects.

3.3.4 Catalytic projects

The strategy formulation process based on the Genesis methodology had identified catalytic projects that have a strong leverage and/or multiplier effect by addressing a critical market failure, or by creating a strong leverage factor.

Within the AREDS strategic framework, several projects are running that fit into one or more of the following categories:

- Investment and infrastructure projects that aim at the rehabilitation of abandoned industrial estates and land, creating for example a small business estate;
- Projects that address critical gaps in skills development and support services such as linking BDS providers and SMEs;
- Sector development projects that look at the strategic development of a sector like tourism.

All projects are run with a multi-stakeholder approach, including local municipalities and the business sectors. For each project, there are different responsibilities. In some cases, the local municipalities are the project managers, with assistance from Aspire. In other cases, Aspire acts as the project manager on behalf of a local municipality. The stakeholders work together in a flexible project approach that aims at identifying the best expertise and adequate role “to get the job done” for a specific project.

In order to know how the running projects were identified, it is important to understand the background of each project. Based on this, projects can be grouped as follows:

- In so called Investment Conferences, business opportunities identified by the district municipality, the local municipalities and their stakeholders are presented to the private sector for investment (like in the case of the N2 Economic Forum).
- Immediate business opportunities for the private sector arise through the municipalities’ procurement processes for service provision.

The private sector is supposed to leverage and maintain investments undertaken by public partners in AREDS projects. However, the long term role of the private sector is not yet straight forward in some projects running within AREDS. After the initial design stage, these projects are now in the crucial phase of getting the buy-in from private investors. This buy-in needs to be secured before actual project implementation starts, i.e. at the beginning of 2009. The private sector is still in the waiting position and skeptical: “How seriously are they going to take us?” is the question some business people ask while they observe the planning processes of projects.

3.3.2.6 Other public sector organisations

In a variety of projects, local municipalities, ADM and Aspire work closely with public development institutions like the provincial Eastern Cape Development Corporation (ECDC):

Together with these organisations, investment opportunities are identified in order to share and leverage resources for investment (example Butterworth regeneration: ECDC property for development). AREDS projects complement development initiatives of organizations like ECDC with projects that focus on the development of soft factors such as skills (example: A forestry development initiative by ECDC with a wood processing plant in Stutterheim and Hamburg is complemented by a skills development initiative by Ngqushwa Local Municipality and Aspire in the area.). Aspire co-finance together with ECDC feasibility studies and lobbies jointly for public sector infrastructure such as transport, water, infrastructure (an example is the feasibility study that was done to analyse the conditions for a plantation for blueberries in the Stutterheim area).

3.3.2.7 Civil society

Local communities have to be involved in LED processes as they are the constituency of the municipalities. There is direct involvement of local communities: There are projects in which Aspire has directly been asked to provide assistance to local communities in terms of empowerment, trust fund management and community management (Examples are the Cebe Community Trust or the Dwesa Cwebe Community Trust). This involves processes that bring the traditional and the government system closer together in order to ensure inclusion and improved service delivery. These projects include economic development, but not as a sole dimension. In other projects, it is important to secure the buy-in from leaders of local communities and of the civil society for corridor development. This is a good entry point for the mobilization of the civil society for stakeholder participation and in kind contribution in project implementation.

Indirect benefits for local communities arise from employment and income opportunities created through the AREDS projects. As stated by some representatives from local municipalities, it is important to equip the members of local communities with corresponding skills in order to enable them to respond to these opportunities. However, it cannot be the role of an agency like Aspire to support communities in organizing themselves. Here, it would be important that local municipalities have resources available to work with communities in order to prepare them and enable them to respond to employment and income opportunities.

3.3.2.8 Aspire

Aspire’s role ranges from reactive (as adviser) to proactive (as implementer). This requires an ability to play different roles depending on the context and the set up of projects.

As an adviser

Aspire has competencies in specific areas, such as the understanding of and alignment to the legislative and national policy environment. Its role here is to advise government at different levels in terms of strategy and policy development and coordination. For example, at regional level, Aspire advises the ADM in the coordination of decision makers to inform regional policy (see the Inter Governmental Relations (IGR) Forum). Aspire has technical knowledge and provides expert guidance to municipalities. Its role here is to advise partners, especially local municipalities, in project management.

---

5 See www.treasury.gov.za/npd, for further information.

As a facilitator

The role of a stimulator is related to the mobilization of players and project ideas. It contains elements of facilitation and coordination of processes. It is all geared to relationship building and partnerships for project implementation:

- At the beginning of projects, strong political buy-in from all levels of government is a prerequisite that needs to be assured.
- Establishment of and support to corridor stakeholders associations aim at ensuring that the concerns of stakeholders are taken up in the implementation of projects.

As an implementer

On behalf of local municipalities or the ADM, Aspire is also a project manager in specific projects. In these projects, Aspire is fully responsible for the project and reports to the client municipality. Aspire understands its role as an implementer also in terms of the mobilization of funds for project implementation.

Based on these roles, Aspire’s service offering to the role players ranges from:

- Development and implementation of regeneration strategies for small towns (example: Alice Regeneration)
- Development and implementation of spatial integration plans (example: Butterworth Regeneration)
- Technical assistance for planning activities for nodal or sector development (example: N2 Corridor Summit)
- Capital expenditure for anchor projects in small towns and local municipalities (example: Soutuline Petro Park or Hamburg Arts Colony)
- Economic sector development (example: Amahlathi tourism master plan)
- Services that come with project planning and implementation:
  - Stakeholder mobilization
  - Capacity building of local municipality
  - Support to ADM for the Growth Coalition and the IGR Forum
  - Coordination of Corridor Subcommittees
  - Organisation of the Small Town conference to advocate for small town economies in policy agenda

Aspire’s strategy

As Aspire was managing the AREDS strategy formulation process, it was gaining a perspective of its own role. The process was highlighting the need and potential for Aspire to become a public private sector enterprise that is able to facilitate interaction and coordination between public sector stakeholders and private businesses.

In line with AREDS, Aspire has formulated three guiding principles for its own work to contribute to AREDS:

- To concentrate economic activities along the regions primary logistics corridors in order to elevate their significance and potential as regional supply chains;
- To cluster public good infrastructure to unlock high potential opportunities for economic value adding and vertical integration;
- To mobilize stakeholders and establish corridor associations to improve communication, prioritization of resources and investment leveraging.

To complement other roles and responsibilities, the organization will focus on the following:

- Organisational specialization: Aspire aims at positioning itself as a trusted adviser, stimulator and partner in the regional economic environment;
- Relationship Building: Effectiveness of Aspire will be proven by its ability to build capacity to improve the economic enabling environment with perceived better competitive advantage. Issues of the business environment are tackled by engaging with the relevant public partners and can be seen as a cross cutting issue in all projects.

- Public Good Investment Methodologies: Aspire recognizes the need to improve the factors of production that will lead to adding value to primary resources and vertical integration of the value chain;
- Human Capital Development: The strategic approach applied requires social networking ability of the managers responsible for the economic corridors as well as their technical knowledge. Aspire aims at ensuring human capital development, continuous learning, team interaction and knowledge sharing.

The key performance areas of Aspire that contribute to the AREDS targets for 2014 are:

- Places: small towns regenerated, economic value added — The objective is to stimulate economic development in Amathole region through the regeneration of its small towns economies;
- People: new jobs created — The objective is to promote the development of skills that are demanded from private businesses and ultimately contribute to increased employment;
- Businesses: new business created, existing business retained — The objective is to promote business efficiency, investments and competitiveness in the region;
- Partnerships: investment leveraged — The objective is to identify appropriate and responsive institutional capacity and partners to contribute to the sustainable development of Amathole.

Projects managed or assisted by Aspire are organized along these key performance areas.
As a facilitator

The role of a stimulator is related to the mobilization of players and project ideas. It contains elements of facilitation and coordination of processes. It is all geared to relationship building and partnerships for project implementation:

- At the beginning of projects, strong political buy-in from all levels of government is a prerequisite that needs to be assured.
- Establishment of and support to corridor stakeholders associations aim at ensuring that the concerns of stakeholders are taken up in the implementation of projects.

As an implementer

On behalf of local municipalities or the ADM, Aspire also acts as a project manager in specific projects. In these projects, Aspire is fully responsible for the project and reports to the client municipality. Aspire understands its role as an implementer also in terms of the mobilization of funds for project implementation.

Based on these roles, Aspīre's service offering to the role players ranges from:

- Development and implementation of regeneration strategies for small towns (example: Alice Regeneration)
- Development and implementation of spatial integration plans (example: Butterworth Regeneration)
- Technical assistance for planning activities for nodal or sector development (example: N2 Corridor Summit)
- Capital expenditure for anchor projects in small towns and local municipalities (example: Stutterheim-Petro Park or Hamburg Arts Colony)
- Economic sector development (example: Amahlathi Tourism Master Plan)
- Services that come with project planning and implementation:
  - Stakeholder mobilization
  - Capacity building of local municipality
  - Support to ADM for the Growth Coalition and the IGR Forum
  - Coordination of Corridor Subcommittees
  - Organisation of the Small Town Conference 9 (to advocate for small town economies in policy agenda)

Aspire's strategy

As Aspire was managing the AREDS strategy formulation process, it was gaining a perspective of its own role. The process was highlighting the need and potential for Aspire to become a public private sector enterprise 7 that is able to facilitate interaction and coordination between public sector stakeholders and private businesses.

In line with AREDS, Aspire has formulated three guiding principles for its own work to contribute to AREDS:

- To concentrate economic activities along the regions primary logistics corridors in order to elevate their significance and potential as regional supply chains;
- To cluster public good infrastructure to unlock high potential opportunities for economic value adding and vertical integration;
- To mobilize stakeholders and establish corridor associations to improve communication, prioritization of resources and investment leveraging.

To complement other roles and responsibilities, the organization will focus on the following:

- Organisational specialization: Aspire aims at positioning itself as a trusted adviser, stimulator and partner in the regional economic environment;
- Relationship Building: Effectiveness of Aspire will be proven by its ability to build capacity to improve the economic enabling environment with perceived better competitive advantage. Issues of the business environment are tackled by engaging with the relevant public partners and can be seen as a cross cutting issue in all projects;
- Public Good Investment Methodologies: Aspire recognizes the need to improve the factors of production that will lead to adding value to primary resources and vertical integration of the value chain;
- Human Capital Development: The strategic approach applied requires social networking ability of the managers responsible for the economic corridors as well as their technical knowledge. Aspire aims at ensuring human capital development, continuous learning, team interaction and knowledge sharing.

The key performance areas of Aspire that contribute to the AREDS targets for 2014 are:

- Places: small towns regenerated, economic value added → The objective is to stimulate economic development in Amathole region through the regeneration of its small towns economies;
- People: new jobs created → The objective is to promote the development of skills that are demanded from private businesses and ultimately contribute to increased employment;
- Businesses: new business created, existing business retained → The objective is to promote business efficiency, investments and competitiveness in the region;
- Partnerships: investment leveraged → The objective is to identify appropriate and responsive institutional capacity and partners to contribute to the sustainable development of Amathole.

Projects managed or assisted by Aspire are organized along these key performance areas.

3.3.3 Resource mobilization

In July 2007, the call for proposals for the National Treasury's Neighbourhood Development Partnership Grant (NDPG) was opened. Several local municipalities in the Amathole district were approached by the NDPG to apply for funding. In a joint initiative with ADM and Aspire, they handed in five applications for five towns. At the same time, Aspire, on behalf of ADM, did funding applications for different projects, among them the application to the national Department of Environmental Affairs and Tourism (DEAT) for the Hamburg's Arts Residency.

In February 2008, Aspire as the project management unit of ADM for these applications had secured about R 300 million for project funding of which the majority is NDPG funding. This includes the NDPG funds for the stimulation of development in five small town areas. The grant will be spent over three years and aims at improving the quality of life of 900'000 inhabitants in Amathole.

Other project related funding comes from local municipalities, Eastern Cape Development Corporation (ECDC), DBSA, DEDEA, Hluma Development Agency, Thina Sinakho (EU- LED Support Program in the Eastern Cape).

8 A public private sector enterprise best is defined as a publicly owned enterprise that applies instruments and tools as the private sector does, e.g. by managing procurement processes and going into partnerships with a variety of players to achieve the enterprise's objectives.
The NDP at a glance

The NDP fosters partnerships between key stakeholders at all levels – project, municipal, provincial, regional and national level – in the public and the private sector to tackle the challenges of townships, low-income housing estates, areas and town centres as well as informal settlements.

While the NDP Grant does not exclude small towns and its rural hinterlands, it has a clear focus on interventions in township areas and does not elaborate on the challenges that the areas of former homelands face.

The NDPG supports interventions in the following areas:

- Strategic economic development projects: sustainable long term economic development including regeneration strategy;
- Land use restructuring: spatial restructing, diversification of land use;
- Stimulating property markets: development of a secondary property market;
- Purchasing power retention: increase of share of household purchasing power;
- Public sector investment as catalyst and leveraging of non-governmental investment: maximization of leverage of non-government funding by private sector, NGOs and communities;
- Ensuring municipal support: active and full support and involvement of local authorities to bring on board private sector and community involvement;
- Kick starting regeneration: development of a broad regeneration strategy and kick start as catalytic projects.

3.3.4 Catalytic projects

The strategy formulation process based on the Genesis methodology had identified catalytic projects that have a strong leverager and/or multiplier effect by addressing a critical market failure, or by creating a strong leverage factor.

Within the AREDS strategic framework, several projects are running that fit into one or more of the following categories:

- Investment and infrastructure projects that aim at the rehabilitation of abandoned industrial estates and land, creating for example a small business estate;
- Projects that address critical gaps in skills development and support services such as linking BDS providers and SMEs;
- Sector development projects that look at the strategic development of a sector like tourism.

All projects are run with a multi-stakeholder approach, including local municipalities and the business sectors. For each project, there are different responsibilities. In some cases, the local municipalities are the project managers, with assistance from Aspire. In other cases, Aspire acts as the project manager on behalf of a local municipality. The stakeholders work together in a flexible project approach that aims at identifying the best expertise and adequate role “to get the job done” for a specific project.

In order to know how the running projects were identified, it is important to understand the background of each project. Based on this, projects can be grouped as follows:

- In so called Investment Conferences, business opportunities identified by the district municipality, the local municipalities and their stakeholders are presented to the private sector for investment (like in the case of the N2 Economic Forum).
- Immediate business opportunities for the private sector arise through the municipalities’ procurement processes for service provision.

The private sector is supposed to leverage and maintain investments undertaken by partners in AREDS projects. However, the long term role of the private sector is not yet straightforward in some projects running within AREDS. After the initial design stage, these projects are now in the crucial phase of getting the buy-in from private investors. This buy-in needs to be secured before actual project implementation starts, i.e. at the beginning of 2009.

The private sector is still in the waiting position and skeptical: “How seriously are they going to take us?” is the question some business people ask while they observe the planning processes of projects.

3.3.2.6 Other public sector organisations

In a variety of projects, local municipalities, ADM and Aspire work closely with public development institutions like the provincial Eastern Cape Development Corporation (ECDC):

Together with these organisations, investment opportunities are identified in order to share and leverage resources for investment (example Butterworth regeneration: ECDC property for development). AREDS projects complement development initiatives of organizations like ECDC with projects that focus on the development of soft factors such as skills (example: A forestry development initiative by ECDC with a wood processing plant in Stutterheim and Hamburg is complemented by a skills development initiative by Ngqushwa Local Municipality and Aspire in the area). Aspire co-finances together with ECDC feasibility studies and lobbies jointly for public sector infrastructure such as transport, water, infrastructure (an example is the feasibility study that was done to analyse the conditions for a plantation for blueberries in the Stutterheim area).

3.3.2.7 Civil society

Local communities have to be involved in LED processes as they are the constituency of the municipalities. There is direct involvement of local communities: There are projects in which Aspire has directly been asked to provide assistance to local communities in terms of empowerment, trust fund management and community management (Examples are the Cebe Community Trust or the Dwesa Cwebe Community Trust). This involves processes that bring the traditional and the government system closer together in order to ensure inclusion and improved service delivery. These projects include economic development, but not as a sole dimension. In other projects, it is important to secure the buy-in from leaders of local communities and of the civil society for corridor development. This is a good entry point for the mobilization of the civil society for stakeholder participation and in kind contribution in project implementation.

Indirect benefits for local communities arise from employment and income opportunities created through the AREDS projects. As stated by some representatives from local municipalities, it is important to equip the members of local communities with corresponding skills in order to enable them to respond to these opportunities. However, it cannot be the role of an agency like Aspire to support communities in organizing themselves. Here, it would be important that local municipalities have resources available to work with communities in order to prepare them and enable them to respond to employment and income opportunities.

3.3.2.8 Aspire

Aspire’s role ranges from reactive (as adviser) to proactive (as implementer). This requires an ability to play different roles depending on the context and the set up of projects.

As an adviser

Aspire has competencies in specific areas, such as the understanding of and alignment to the legislative and national policy environment. Its role here is to advise government at different levels in terms of strategy and policy development and coordination. For example, at regional level, Aspire advises the ADM in the coordination of decision makers to inform regional policy (see the Inter Governmental Relations (IGR) Forum). Aspire has technical knowledge and provides expert guidance to municipalities. Its role here is to advise partners, especially local municipalities, in project management.
by the council’s LED portfolio head. In monthly meetings of the cluster, Aspire reports on progress of projects. In this forum, Aspire can get political support from the ADM council as well as technical support from the ADM strategic manager.

AREDS with its multiple dimensions introduced complexity to the implementation and management of the strategy. For this reason, a “framework” for implementation has been devised for which ultimately ADM is responsible. However, up to date it is not clear how ADM monitors progress in terms of strategy implementation and how it gives strategic guidance to the different role players working in the AREDS projects.

3.3.2.4 Local Municipalities

Local and district municipalities have a broad mandate to act as a catalyst for sustainable development. In the view of only 6% of the national budget directly being allocated to local municipalities, there are resource constraints in municipalities that lead in many places to underperformance of economic development and growth.

At the same time, local municipalities are confronted with high expectations from their voters in terms of social redistribution and are held responsible for the state of the economy and the lack of growth. There is a broad belief that government interventions are needed for any economic turnaround. In this light, AREDS is broadly accepted by local municipalities to bring clarity into roles and responsibilities of the different role players in the Amathole district in terms of LED. And there is an understanding that an EDA like Aspire can support local municipalities in implementing AREDS and performing in LED:

- An EDA can act as the project manager on behalf of a local municipality. Some municipal managers and LED officers are aware that with the limited resources at hand, a project approach to any development initiative is the only feasible way. In this case, the role of the local municipality focuses on strategic orientation and monitoring of project implementation.
- In order to implement AREDS successfully, increased coordination among local municipalities is needed. This can have the benefit of streamlining similar initiatives, optimizing resource allocation and focusing on complementarities (who can bring in what is best into the collaboration). In this case, municipalities are responsible for driving and managing this process, while a EDA can ensure this coordination and feed into it with technical assistance, information and advice.
- An EDA has a stabilizing role to play in the face of high staff fluctuation in local municipality and is seen as a knowledge centre where good practices in LED are fostered and technical assistance and advice can be provided for (new) staff responsible for LED.

However, there are still some concerns about how AREDS will contribute to improved delivery and increased overall sustainable development:

- The major challenge of social development, service delivery and expectations management from the constituency are not met with a strategy like AREDS. As some representatives stated, the work that comes with AREDS in terms of coordination and project responsibilities is additional to the job description of staff of local municipalities and does not help to deal with this major challenge.
- There might still be a missing understanding of how LED leads to increased employment and income opportunities. It seems that the two concepts of economic and social development are still not related to each other. Economic development seems to be perceived as benefiting some, but not the whole of a constituency.

3.3.2.5 Private Sector

The AREDS strategy has identified catalytic projects that have a strong leverage and/or multiplier effect by unlocking resources and business opportunities. The projects address issues that will not be addressed through business entrepreneurship because the risk is too high, the amortisation period too long or the immediate profit too low. In other words, they address issues that hinder investment from the private sector. For example, by regenerating retail and services hubs in Butterworth or Stutterheim, space for investment is developed. So, the private sector is an investment partner for AREDS:

- For example when the private sector proposes investment initiatives (like in the case of the Amabele Blueberries) where the local municipality can support this initiative by providing corresponding infrastructure (in this example by renewing the Amabele train station that is important for the transport of the blueberries).

- Existing projects of local municipalities: Before AREDS came into the picture of LED in the Amathole district, there were already many different projects running by local municipalities. Based on AREDS and its four key interventions, these projects could be streamlined or are currently in the process of being streamlined.

Examples: The Butterworth Urban Renewal Program (BURP) of the Mnquma Local Municipality was integrated into the Butterworth Regeneration Strategy that focuses on Butterworth as a whole and not only on factories and their utilization. Plans to build milling plants for maize in the N2 Corridor are currently streamlined so that there is one plant with a strategic location for all surrounding municipalities.

- Participatory processes to identify new projects and coordinate existing projects: After the identification of key sectors in the corridor, Aspire facilitates participatory processes in the N2 and N6 Corridor that aim at identifying investment opportunities for sector development. These processes are in the logic of AREDS that builds competitive advantages of selected sectors through investments with leveraging effects.

Example: The development of the N2 Corridor will be focused on four key interventions: Wild Coast tourism, black granite development, development of Duwaya as a service centre for retail, education, services and agro processing, agricultural value chain development. In order to prepare these interventions, Aspire facilitates a participatory process that has established the N2 Corridor Economic Summit that will develop the N2 Corridor strategy. N2 Investment Conferences on key economic areas are conducted in November 2008.

- Projects identified by investment partners: some projects have been brought forward by the private sector.

Example: Blueberries are a high value crop that grows very successfully in the Stutterheim area. A business group named Amathole Berries, supported by ECDC and IDC, has recently purchased a 410 hectare farm to begin a plantation of 250 hectares of blueberries in the Amabele area. The aim is to grow 560 hectares which will create permanent, but seasonal (September – March), jobs. Under the overall coordination of the Amathalithi municipality, Aspire supports the investment by planning the renewal of the Amabele village and train station.

- Projects that increase the revenue base of local municipalities.

Example: The coastal village of Hamburg is developed in to a tourism economy anchored by the Arts colony, accommodation, leisure, etc. Most projects are currently in their design stage: After the identification phase, Aspire together with partners and stakeholders did further needs and capacity assessments as well as compiled pre-feasibility studies. This project phase was in its main parts concluded mid 2007. Activities over the last 12 months have focused on the design stage:

- Resource mobilization and stakeholder buy in;
- Contract agreements with funders and service providers;
- Capacity building and institutional preparedness for project implementation.

A main emphasis thereby was on the development of regeneration strategies, spatial development plans and business plans. Over the last few months, the majority of the projects have completed the design stage of the project cycle. 17 projects are ready to enter the implementation phase which will start with full steam at the beginning of 2009. The projects can be characterized as regeneration, corridor development, anchor and projects that are directed to community development (in terms of empowerment and community management).
3.3.2 Roles and responsibilities of stakeholders in AREDS

3.3.2.1 Overview of the institutional landscape of Amathole district

There are many organizations and institutions that work towards the performance of LED:

![Diagram of institutional landscape]

Figure 7: Institutional landscape of Amathole district

At the national and provincial levels, organizations like the dti or the dpg provide the legislative framework for LED as well as support in terms of resource allocation for implementation. International development partners support capacity building for implementation. And at the local level, local and district municipalities have a mandate for LED performance. Aspire has a complementary role within this institutional landscape, that of a coordinator and facilitator.

3.3.2.2 Clarification of roles

An important outcome of the AREDS strategy formulation process is an increased understanding of roles and responsibilities of role players in the Amathole district. As stated in interviews of stakeholders participating in the process, the basis for further cooperation in the district was laid in the workshops:

- Partnerships sparked during the process started to grow and establish themselves, based on high quality of conversation and dialogue during the process.
- Local municipalities initiated processes and conducted workshops to align their LED strategies to AREDS, based on their involvement and learning in the process.
- The political buy-in led to special council meetings to discuss the outcomes of the strategy process.
- An increased understanding of tasks and roles in the district, including Aspire’s role, implied a collaborative approach to economic development in the region rather than in individual localities.

To conclude, the Genesis methodology initiated a change in the mind set and the way of how the different role players work together. The process provided for a good starting base for strategy implementation and enabled the different role players to identify roles within the AREDS strategic framework. The next chapters elaborate on the understanding of roles of each stakeholder in the Amathole district.

3.3.2.3 Amathole District Municipality (ADM)

The ADM is the actual owner of AREDS and responsible for its implementation. ADM’s principal task is to provide a regional strategy and policies and to give directions in terms of resource allocation and governance. Another task of ADM is to support local municipalities to build capacity and assist them in social and economic development. Aspire is the ADM LED Unit’s implementing arm to perform these tasks.

When ADM set up the economic development agency (EDA) Aspire and mandated it with the development of AREDS, it made an important commitment towards regional economic development. The agency acts on behalf of the ADM and reports directly to the ADM’s council via the so called LED and Environmental cluster which is chaired...
The overall impact chain of AREDS is illustrated in the following figure:

**Figure 6: Impact Chain of AREDS**

The impact chain shows how the key intervention areas of the AREDS strategic framework lead to outputs that aim at systemic change in the regional economy by providing for: business retention and expansion, vertical integration, new startups, improved supply chain management and business turn arounds. These systemic changes will ultimately lead to economic and social impact.
The corridors selected in the AREDS follow the main routes in the Amathole district and have priority sectors identified:

- N6 Corridor (East London to Kathcart): potential in forestry and timber production
- N2 Corridor (East London to Elliotdale): potential for tourism, livelihood development
- R63 Corridor (East London to Hogsback to Bedford): potential for adventure tourism and forestry, heritage promotion
- R72 Corridor (East London to Great Fish River): potential in arts and tourism

Within these corridors, there are several small towns that benefit from spillover effects from corridor development. There is interdependence between small town regeneration and corridor development: so called anchor projects in small towns usher regeneration and can boost development in sectors and value chains related to the anchor project.

Example: In Hamburg, the establishment of an Arts Colony has been identified as an anchor project for the regeneration of Hamburg, but also has an impact on and leads to interventions in other sectors such as tourism in order to improve quality of service and products.

AREDS is aligned with the Integrated Development Plans (IDP) of all local municipalities of Amathole: The aggregated efforts of all players in the district should contribute to the AREDS impact indicators and targets for 2014:

- 60% of households earn an income
- 50% of households have an income above the minimum living level (MLL for a household of 5 persons is approx. R 17’000 per year)

For the different result areas, projects have been identified in the four corridors. The projects in the above framework are a selection. Please refer to chapter 3.3.5. for a detailed description of these projects. Note: the projects may fit into several result areas.

The framework allows stakeholders to focus on their area of interest and expertise, while at the same time allowing the multiple inputs to contribute to the overall development targets of AREDS. The strategy is the basis from which to guide economic development planning for all role players in Amathole, as well as resource allocation, implementation and institutional arrangements and to identify catalytic projects.

### 3.3.1.2 AREDS Concept of LED

According to the Genesis logic, catalytic projects identified within the AREDS strategic framework need to:

- Leverage (public and private) investment;
- Leverage impact in terms of quality employment for the Amathole citizens;
- Leverage private sector participation.

Catalytic projects are allocated in the four corridors along the main routes in Amathole district.

Example of a catalytic project: The Amabele train station development is part of a larger investment: a private investor is investing in a plantation of blueberries. The investment is leveraged with investments by ECDC and IDC. This will create permanent as well as seasonal jobs and will leverage further private investments around the train station in Amabele village.

These projects are part of corridor development that aims at ensuring the development of sectors with comparative advantage in localities that are linked both spatially and along value chains. In this approach, small towns play an essential role in linking rural with major urban centres. And it aims at ensuring coordination between the various role players in the locality and across local entities such as local municipalities.

![Figure 5: Amathole Corridor Management](image-url)
Essential oils is an initiative that aims to build an essential oils cluster along the R63 corridor. Initial sites identified by Aspire and its partners are in Kentkamandla, Alice and Hogsback. Nine high value crops are scientifically trialed by a consortium which comprises the private sector and the community. The aim is to grow up to 500 hectares of organically grown essential oils which will result in an agro-processing plant being established. The scientific trial has created full time jobs for 36 people from surrounding villages. Currently, there is limited commercial production that tests and prepares market entry from 2009.

- Beneficiation of community members: skills transfer to 30 members, employment of 22 members
- Contacts with IOD and SAD for co-financing established, funding agreement with EDC and third parties signed. DAO approved pilot sites and all sites planted
- Workshop with community and other stakeholders conducted, study group mandated to meet and review progress regularly
- Trial for rose geranium and other crops that harvest regularly completed
- EU funding received for research for commercialization and beneficiation of essential oils and for outgrowers model
- Research for submission of funding application for Bedford regeneration
- Municipal owned land suitable for implementation of regeneration
- Sustainable use projects identified together with business and community partners in Keiskammahoek, Alice and Hogsback. Nine high value crops are scientifically trialed by a consortium which comprises the private sector and the community. The aim is to grow up to 500 hectares of organically grown essential oils which will result in an agro-processing plant being established. The scientific trial has created full time jobs for 36 people from surrounding villages. Currently, there is limited commercial production that tests and prepares market entry from 2009.

Legend Status of Project: (Note: The majority of projects have just completed the design phase of the project cycle.)

- = project progress as planned, no further measures required
- = project progress faces delays, corrective measures required
- = project progress faces some challenges, careful monitoring required

### 3.3.1 AREDS Strategic Framework

The strategy has four key interventions which are spatially operationalized along four corridors and related nodes (urban centres and small towns). Linked to these corridors are sectors of comparative advantage that have been targeted within each area. Result areas for each of the four key interventions, along with the spatial focus and the involvement of multiple stakeholders call for a multidimensional “framework” for implementation:

#### Figure 4: AREDS Strategic Framework:

<table>
<thead>
<tr>
<th>Key Interventions</th>
<th>Result Area</th>
<th>Programmes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment to improve facilities</td>
<td></td>
<td>N2 Corridor - Regeneration</td>
</tr>
<tr>
<td>Sub-Sector focus where competitive advantage exist</td>
<td></td>
<td>Stellenbosch Park - New Art Centre</td>
</tr>
<tr>
<td>Public Good economic investment</td>
<td></td>
<td>Environmental Resource Use Facility With Skills Training, Research and Growing of Cultural Plants, Trees, etc.</td>
</tr>
<tr>
<td>Industrial Value Capital available</td>
<td></td>
<td>Downtown Hub with Shopping Facilities Within Proximity of Transport Interchange Terminals</td>
</tr>
<tr>
<td>Stimulate relationships with value adding capabilities</td>
<td></td>
<td>Waterfront Precinct As A Leisure Recreational Facility</td>
</tr>
<tr>
<td>Collaborate to improve competitiveness</td>
<td></td>
<td>Pedestrian Friendly Linkages Between Alice and University of Fort Hare</td>
</tr>
<tr>
<td>Targeted vocational training programmes</td>
<td></td>
<td>Residential Precinct as a Leisure Recreational Facility</td>
</tr>
<tr>
<td>Support to and development of capacity by municipalities</td>
<td></td>
<td>Environmental Resource Use Facility With Skills Training, Research and Growing of Cultural Plants, Trees, etc.</td>
</tr>
<tr>
<td>Business/Development Support &amp; Business</td>
<td></td>
<td>Rural Development Initiative</td>
</tr>
<tr>
<td>Develop sub-sector research &amp; innovation capability</td>
<td></td>
<td>Community Co-ordination</td>
</tr>
<tr>
<td>Reduce Red Tape</td>
<td></td>
<td>Needs Specific Operational Planning &amp; Budgeting</td>
</tr>
<tr>
<td>Effective Land Use and Management</td>
<td></td>
<td>Dene Creek Community Trust</td>
</tr>
<tr>
<td>Transparency and Openness</td>
<td></td>
<td>Effective Public Procurement &amp; Investment</td>
</tr>
<tr>
<td>Effective Private Procurement</td>
<td></td>
<td>Align Organizational Responsibility Framework</td>
</tr>
<tr>
<td>Quality Current &amp; Accessible Economic Data</td>
<td></td>
<td>Quality Current &amp; Accessible Economic Data</td>
</tr>
<tr>
<td>Facilitates support Regional Growth Coalition</td>
<td></td>
<td>Aspire supports ADM in these tasks or is mandated by ADM for these tasks</td>
</tr>
<tr>
<td>CIF Reform</td>
<td></td>
<td>Support to Polity Programme Initiative</td>
</tr>
<tr>
<td>Support to Policy &amp; Programmes Initiative</td>
<td></td>
<td>Partnership Programmes, Including PPIs</td>
</tr>
<tr>
<td>Implement effective M&amp;E Programmes</td>
<td></td>
<td>Support to and Development of Capacity by Municipalities</td>
</tr>
</tbody>
</table>
performance of others. For example, tourism was hardly to succeed without a well-performing retail and services sector.

This led to a move away from sector development to looking at interdependent supply chain opportunities along the four main routes – or so-called corridors – in the district. For each main route, representatives of local municipalities and the business sector along the route looked deeper into each economic sector identified as relevant and identified sector-specific constraints and potentials as intervention areas to strengthen the sector. Building on the outcomes of the aggregated scenario above, the corridor workshops identified common issues that are considered barriers to economic growth in Amathole district:

- **Infrastructure**: outdated, inadequate, and poorly maintained infrastructure is an impediment to cost-effective enterprises;
- **Land-related issues**: this includes the resolution of land ownership and use rights in both rural and urban localities. It relates to the use for agriculture and settlement as well as to land for investment for production facilities and offices;
- **Lack of competitiveness**: the sectors and localities; there is inadequate technical and system support across all sectors (e.g., for maintenance) and there are inadequate or inappropriate skills as a main constraint for growth;
- **Governance**: there is a lack of governance systems and capacity that hinder enterprise growth and development.

These four barriers identified laid the ground for the next and final step of the AREDS strategy formulation process: The stakeholders in each corridor identified key interventions and corresponding result areas based on the Compass methodology in order to tackle these barriers:

The Compass methodology addresses local competitiveness and is a performance management tool to monitor and assess the strategic approach to and the progress of LED initiatives, in this case the AREDS. The objective of Compass is to define the result areas of the AREDS in key intervention areas:

1. **Economic sustainability**: How can we guarantee sustainable LED?
2. **How do we need to interact with other stakeholders to make LED a success?**
3. **The learning perspective**: How to ensure that we constantly upgrade our understanding of our economic reality and of LED?
4. **How do we have to organize our LED process and effort internally to assure its effectiveness?**

The key idea is to introduce a wider, more balanced set of performance indicators that is not one-sidedly looking at financial and other economic indicators but also at other, more qualitative indicators that address the long-term growth perspective of the local economy.

In corridor workshops, the guiding question was: what do we want to achieve with AREDS in these four key intervention areas? This then led to the formulation of a limited number of result areas per corridor. This work provided the ground for the AREDS strategic framework (see next chapter) that provides guidance for strategy implementation and for identification of catalytic projects.

### 3.3 Results of the strategy formulation process

#### 3.3.1 AREDS Strategy

Amathole Regional Economic Development Strategy (AREDS) is a multistakeholder strategy for developing a globally competitive economy that supports the social and economic aspirations of the district over the next twenty years.

---

4 This has been summarized from: GTZ, Compass of Local Competitiveness, Manual Version 0.2, October 2006.

---

### 4 Interpretation of findings from interviews

The information gathered from the interviews with representatives of local municipalities, the district municipality, provincial bodies and Aspire allow for insights into the implementation of AREDS and for recommendations for improvement.

#### 4.1 AREDS concept of LED

**Key message**: All interview partners know about AREDS and its ongoing project activities; and they understand its concept of corridor development.

In all interviews, there was one outstanding aspect: all interview partners have a well-informed idea of AREDS and its corridor development approach that builds on comparative advantages of the Amathole District. Furthermore, the interview partners were well informed of ongoing project activities in the district.

The interview partners recognize the importance of a spatial as well as a sector approach and the need for collaboration between all the relevant role players and beyond municipal borders. The concept of corridor development is tangible and helps to specify the roles of each stakeholder in a corridor. As a representative of ECDC states, a focus on key issues like infrastructure and education for example in tourism allows ECDC to complement Aspire in bringing issues in terms of tourism development to the provincial and even national level.

The concept of corridor development has an immediate effect on thinking of local government: for example in the N2 Corridor, there are three local municipalities. In meetings around the N2 Corridor development, for the first time, the three mayors, three LED managers and the three municipal managers were talking together about an economy that transcends their municipal lines, tackling a lack of coordination and collaboration in interventions as well as availability and allocation of resources.

This common understanding can be attributed to the effectiveness of the Genesis methodology during the AREDS strategy formulation process as well as to Aspire’s engagement with and communication to its stakeholders during the implementation of AREDS. It lays the basis for the successful funding applications that local municipalities and Aspire handed in together to funders such as the NDPG or DBSA.

#### 4.2 Increased collaboration

**Key message**: There is indication of increased collaboration, for example some strategies at the local and district level are currently being streamlined with AREDS.

AREDS has initiated a wide range of projects that all build on a multi-stakeholder approach. The strategy development process has contributed to an improved understanding of roles and responsibilities between local municipalities, the district municipality and Aspire. Indication for this is the fact that currently some strategies at the local and district level are being streamlined. It is important to mention that many role players in LED in the district try to optimize their capacity and resources by collaborating with each other and creating synergies. However, within the existing legislative environment in which each local municipality has a LED mandate and resources can not be shared or leveraged, there will always be limitations to how far synergies and collaboration can go.

#### 4.3 Alignment of local strategies

**Key message**: No municipality is obligated to accept AREDS and implement projects within its strategic framework. However, there is much indication for alignment of strategies as well as activities.

The AREDS is a strategic road map for all role players in the region and allows local municipalities to develop their own LED strategy aligned to AREDS:

In consultative processes, the ADM and Aspire aim at ensuring the alignment of various strategies in the district. This leads to alignment processes of LED strategies in some local municipalities. Although there is no obligation for local municipalities to participate and buy-in to AREDS, there is a big involvement in terms of coordination, participation, implementation of projects and strategy alignment. Municipalities seem to recognize the benefit of increased coordination and collaboration that optimizes their scarce resources and that helps them to increase the performance in LED.
But is also implies major efforts from all role players to constantly ensure mutual information and alignment of strategies, plans and processes. In AREDS, projects are defined beyond municipal borders and require collaboration between several local municipalities. As a representative of a local municipality put it: “The more role players there are to identify investment and development opportunities, the easier the job to achieve the mandate. However, the implication in terms of coordination is huge.”

4.4 Identification of catalytic projects

Key message: For new projects, there needs to be a transparent process that shows how those projects are selected that have the highest potential in terms of leverage and employment and income opportunities.

Responsibilities for the AREDS projects are not always the same since they depend on the best expertise available for each project. In some cases, the local municipalities are the project managers, with assistance from Aspire. In other cases, Aspire acts as the project manager on behalf of a local municipality. At the same time, Aspire and its partners react opportunistically to funding opportunities that may come up and imply new or revised projects or project components. And there is a lot of dynamism as projects develop that does not allow to stick to rigid project cycle management: priorities of municipalities may change over time, original ideas need to be revisited, etc.

Regardless of this flexible approach to project planning and implementation, all projects running under AREDS fit into one or more of the result areas of the AREDS strategic framework. There is coherence in the approach to project selection within the AREDS strategic framework.

However, the overall impact orientation of projects in terms of increased employment and income opportunities as defined by AREDS is not always clear. AREDS requires projects that have the potential to:

- Leverage (public and private) investment;
- Leverage impact in terms of quality employment for the Amathole citizens;
- Leverage private sector participation.

For the majority of running projects, it remains unclear how they contribute to these criteria and ultimately to increased employment and income. For new projects, there is no clear and transparent process defined that ensures that projects with high impact are selected.

Example: the Butterworth Regeneration project has acquired a budget of R 140 Mio. from the NDPG. While it is obvious that infrastructure projects are expensive, it is important to show how this investment will contribute to the economic development of Butterworth and to employment and income in the region, indicators specified in AREDS. The acquired funding volume is per se no indicator for impact.

4.5 Monitoring and impact assessment

Key message: ADM has no system in place to monitor project progress and measure future impact as contribution to AREDS.

ADM is responsible for AREDS and its implementation. The AREDS strategic framework provides for a monitoring framework for ongoing activities in LED in Amathole by different partners. However, it is not clear how ADM is doing this monitoring of project progress that would also allow for corrective measures if necessary. And there is no information available on how ADM intends to do the impact assessment of these projects.

Aspire has developed a framework to monitor project progress and intends to measure impact in four areas: Places, people, business and partnerships:

- Flattering to Deceive: Skills, but no co-operation

The skills development programmes are up and running and graduates can be expected within two years, their guarantee of jobs in the companies where they will be interned is dependent on the economy growing fast enough to absorb them.

There are signs however that government is finding it difficult to trust market forces as well as business commitment to growing the economy and labour market. The end result could be that established business becomes even less convinced of government’s real commitment to the formal economy or its ability and willingness to play its part in improving the competitiveness of the area. This seriously affects economic confidence and many of the people who were trained during the heady days after the initial wave of enthusiasm abandon ship and head for greener pastures. Business withdraws its support for the training facilities and they close down in frustration.

- Slim Pickings

It is a vicious circle that gets tighter and is plummeting in freefall. Business blames government for its inability to compete because of the local cost of doing business and the fact that they are not training people fast enough to keep up with those dying of AIDS.

Government blames business for shedding jobs, not paying their people properly and making absolutely no effort to contribute to economic transformation. The gap between the first and second economies grows and social instability gets to flash point. There is no sign of any real co-operation between established business and government with the possibility that business will either leave or threaten to do so and government will be forced to introduce random subsidies for certain large manufacturers.

While this is going on Coega gets stronger, ships bypass East London because the harbour is too shallow, Durban doubles the capacity of its harbour and wins the 2016 Olympic Games and tourists just stop coming because the region is just so depressing. As for work opportunities, they are few and far between and the people that left are squabbling over very slim pickings.

- Relagation Zone: Good governance, but no skills

The National Spatial Development Programme has identified Buffalo City as a high potential node and has made funds available to fund high potential projects. Government and business have started to talk to each other with the establishment of the Amathole growth coalition a real possibility.

But, there could be a problem on the horizon where both government and business may be caught by surprise. Should the plan to fast track skills development not materialize, Amathole could find itself on the back foot and squeezed between low cost producers of commodities from countries like Mozambique, DRC and Angola and highly competitive value added producers like China, Korea and India who are likely to sell their product in SA at lower cost than we can currently produce. Should this happen unemployment will increase because more businesses may leave, small farmers may have to dump their crops at below cost, value adding processors may close down and the partnerships and new business ventures built on the back of the infrastructure roll out may not survive. To survive in the competitive game of world competition you need the best trained team playing at the top of their game and supported by a great management structure! If not expect to be relegated to the local league.

Phase 4: Competitiveness and catalytic projects

With these scenarios in mind, the stakeholders made a major breakthrough, based on the fact that the major development axes in the district are along the four main routes: In sector workshops, the stakeholders realized that a focus on individual sectors did not allow for the fact that in many cases each sector was interdependent on the
Phoenix: "a mythical bird that dies in flames and is reborn from the ashes"

Flattering to Deceive: "All dressed up and nowhere to go"

Relegation Zone: "Without the right players you only play in the lower leagues"

Slim Pickings: "living off, and fighting for scraps"

The following scenario framework has been aggregated from the individual sector workshops by Colin Mitchell and captures the essence of the individual scenarios written during those workshops. It outlines the outlook for the Amathole economy depending on decisions that stakeholders take. It is an exercise that illustrates how the right set of decisions can impact economic development positively – or how devastating the wrong decisions can be on employment and income. It also highlights the consequences of a collaborative versus a non collaborative approach between the public and private sector.

**Government & Business ... Partners in Growth**

- **Phoenix**
  - Business and regional government commit to working closer together for the economic and social benefit of the region. Government begins a process of withdrawing from interventions that distort the market, give certain sectors and people an unfair advantage and waste money on interventions that are not sustainable.
  - Business commits to the principle of BEE as a means of social transformation. They start to actively seek ways to build partnerships with emerging business and people in the 2nd economy.
  - Within 5 years, graduates from the training schools and mentorship programmes have changed the labour market, no longer are people dependent on collective bargaining and minimum wages, they now have choices as business is competing for and rewarding skilled people for their contribution to productivity.
  - Truly the Amathole region, like the Phoenix has risen from the ashes of its political past and is flying proudly, a vibrant example to the rest of South Africa.

**LED is the responsibility of Government**

- **Training is a waste of time and money**
  - The responsibilities of ADM and Aspire in terms of monitoring and impact assessment need to be clarified and streamlined – and corresponding systems need to be put in place that are transparent and measurable. In order to do so, Aspire is currently preparing an application to the EU that ADM would co-finance that aims at establishing a project management unit especially dedicated to Monitoring and Evaluation and funding mobilization.

**Skills Development ... We are in this together**

4.6 **Role and performance of Aspire**

This chapter elaborates on the role and performance of Aspire as a regional economic development agency and allows to draw up some lessons for EDAs in general.

4.6.1 **Establishment of Aspire**

Key message: a newly established LEDA needs resources to develop its strategy on how it will contribute to LED in an existing context.

When Aspire was established, the agency had no strategy for its mandate in place. It was only with the AREDS strategy formulation process that it was gaining a perspective of its own role and understanding the need for an own strategy that outlines its contribution to AREDS. Aspire approached GTZ who at that time was supporting the AREDS process. GTZ agreed to support also Aspire’s strategy development by providing an LED consultant.

Any agency that is established needs to undergo a strategy development process in order to understand its mandate within its context of LED. And it is important that resources are provided to these agencies in order to be able to do so.

4.6.2 **Communication**

Key message: Communication with stakeholders can be improved by Aspire in order to ensure that stakeholders and the community understand the role of LED in overall development.

In some municipalities, there is still a lack of understanding of LED and how it contributes to overall sustainable development. At the same time, the primary concern of many representatives of local municipalities is social development and redistribution.

Aspire has a role to play in explaining how LED relates to social development by creating employment and income. It has to answer the questions:

- How does LED contribute to social development by creating employment and income?
- How do the individual projects contribute to increased employment and income?

This will help to address the concerns in regard to social development and clarify what LED is.
4.6.3 Mobilization

Key message: Aspire has platforms for interaction with stakeholders in place that allow for awareness creation and mobilization.

Mobilizing stakeholders for new projects or for running projects is an ongoing process that has to ensure that stakeholders understand what role they have to play in LED and how they can play it. A variety of platforms are managed by Aspire for communication with stakeholders at national, provincial and district level, examples are:

- Corridor Summits (stakeholder forums per corridor)
- Events for Service Providers (on project activities and procurement processes)
- Up to date webpage with a section for service providers
- Involvement in strategy planning processes of the ADM and the local municipalities, e.g. review of the ADM IDP
- Annual Small Town conference (on the concept and promotion of small towns)
- Involvement in national fora on LED, e.g. the LED Forum organized by the dpLG

This results in the high awareness of local municipalities of AREDS and ongoing activities as well as commitment in terms of coordination and collaboration.

4.6.4 Expertise

Key message: Aspire manages to combine expertise in facilitation with technical expertise.

Aspire’s main role is the facilitation of planning and implementation processes for selected projects and coordination of stakeholders in these processes. As confirmed by interview partners, Aspire manages these processes well. At the same time, Aspire staff is regarded highly competent in technical aspects.

Aspire as an organization manages to combine these two very different competences: the one of facilitation with the one of technical expertise. This is highly relevant for Aspire’s task of constantly mobilizing stakeholders and convincing them about the relevance of projects.

Aspire emphasizes the importance of research: it is often not clear at the beginning of a project intervention what is required and what the intended impact will be. Therefore, Aspire applies an approach of research, pre-feasibilities, market analysis, etc. This is at times considered too time-consuming or perceived as unnecessary by Aspire’s partners. However, it is an important investment (in terms of time and financial resources) to assess the appropriateness of projects.

4.6.5 HR issues

Key message: Constant facilitation and coordination can be exhausting, therefore the Aspire staff needs to be involved in concrete and tangible project results.

As communication to and mobilization of stakeholders is an ongoing task within the mandate of facilitation and coordination of LED initiatives in the Amathole district, constant interaction with stakeholders, especially local and district municipalities, is one of the main tasks of Aspire staff. This process can be rewarding as well as exhausting. Sometimes commitments can change due to changed priorities in the municipalities. Then projects turn out to be very different than originally planned.

This can be tiring and sometimes frustrating for Aspire staff. Therefore, careful management of staff is crucial to maintain the high level of involvement and motivation in the mid to long run. There is probably no recipe for this, but a good mixture between facilitation and coordination and project management – that allows for concrete and tangible results – might be helpful.

- The inclusion of development agencies to the Municipal Finance Management Act (MFMA) has created insecurity about the role and desirability of Aspire in the district municipality and local municipalities.
- There is “lip service cooperation” on the surface but signs of distrust and passive resistance towards ADM from local municipalities. Political agendas were a threat to many initiatives and discussions.

Based on these concerns which were confirmed by officials and business people, the needs of ADM and Aspire were:

- To develop a shared understanding of the conceptual positioning of LED with regard to enterprise development and social transformation and upliftment;
- To develop a better understanding of the role of government in economic development and of key economic drivers in the district;
- To develop an improved communication model between ADM, local municipalities and the business sector;
- To clarify the role, responsibilities and delegated authority between ADM and Aspire.

In order to initiate the process, the following stakeholders in the Amathole district were mobilized: Amathole LED Portfolio Committee, Aspire Board of Directors, ADM LED management team, Border Kei Chamber of Commerce, regional Mayors Forum, regional Municipal Managers Forum, provincial departments and organisations (Department of Economic Development and Environmental Affairs, Department of Agriculture, Department of Environmental Affairs and Tourism, ECDC).

The process started with workshops at the regional level in which these stakeholders participated. The objective of these workshops was to introduce the stakeholders to the strategy formulation process, its goals, steps and methodology.

**Phase 2: Data Mining**

The research phase of the Genesis process focused on Amathole as a locality and its economy in the context of the national and provincial space.

The district has four main routes along which the main development axes lay: R63, R72, N2, N6. Along these routes are situated major urban centres such as East London and smaller towns.

In terms of infrastructure, there is the port located in East London and two airports, one in East London and one in Bhisho. Road infrastructure is only recently being upgraded and there are many challenges of long neglected investment and maintenance. In general, there has been a lack of investment in economic infrastructure. This has also to do with the fact that there is dispersed settlement in the area and the related agricultural practices of the former homelands. People in the area have access to land, but do not hold any land titles, so trading of land is not possible.

An analysis of the economic sectors indicates that the public sector is the most important sector in the district, even more important than the service and retail sector. This implies a dependency on funds by transfers from outside the regional economy. Based on an analysis of economic sectors and their importance for the regional economy and their capacity to absorb labour, the manufacturing, the agriculture and the tourism sector were identified. Since mining contributes only a small part to the regional economy, it is not included.

Based on this economic analysis of the Amathole district, the following conclusions can be drawn:

- The bulk of the areas in the district were former homelands. This implies social and economic implications such as lack of investment in human capital, lack of social capital and lack of infrastructure investment.
- There have been only limited economic infrastructure investments, resulting in ineffective linkages with the economic centres in the district.
- There has not been significant investment in agricultural infrastructure in the past so that the potential of this sector has not been realized.

**Phase 3: Fact finding and scenario building**

In sector workshops, the stakeholders developed different scenarios for the future development for each economic sector: the manufacturing, the agriculture and the tourism sector.
4.6.6 Institutional arrangements and the legislative environment

Key message: There is a need for guidance and coordination in terms of LED tasks and responsibilities and the role of EDAs. Therefore, the dplg and IDC have jointly developed Guidelines for Local Economic Development Agencies as Municipal Entities.

Aspire is a Proprietary Limited company, wholly owned by the Amathole District Municipality (ADM) which implies that the agency falls under the Municipal Finance and Management Act (MFMA). Based on the Act, Aspire reports to the ADM and needs a mandate from the ADM for any work it undertakes. Direct agreements with other partners are not possible.

- This hampers the flexibility and dynamism of the agency, but at the same time allows for streamlining of mandates in regional economic development.
- The MFMA is very restrictive in terms of procurement processes. This leads to lengthy and inflexible processes that forbid long term partnerships with service providers. Aspire’s argument for long term partnerships with service providers is that service providers learn to apply Aspire’s concepts and this is another form of capacity building for regional economic development in Amathole. Time and resources are lost every time that a completely new procurement process has to be launched.
- It is problematic for Aspire to implement projects on behalf of local municipalities since under the MFMA, Aspire belongs and reports to ADM. There is no specification in the MFMA of how a regional economic development agency is supposed to deal with this "double mandate".

Aspire has a board to which it reports. At the same time, as a company owned by the ADM, Aspire reports to the ADM council. This reduces the role of the Aspire board to a consultative body while decisions are taken in the ADM council.

As defined in AREDS, the regional economic development builds on corridor as well as sector development. This is a paradigm shift in "doing things" and has implications in terms of institutional set up in the district municipality, the local municipalities as well as in Aspire. Aspire has completed its institutional adjustments by assigning corridor managers. The ADM however is still organized in sectors only, having sector specialists assigned for tourism, agriculture, heritage, SME development and cooperatives.

At national level, there is a need for guidance and coordination in terms of LED tasks and responsibilities and the role of economic development agencies: The dplg promotes and supports the establishment of LED units with an LED manager in municipalities. IDC promotes and supports the establishment of local economic development agencies as an implementing arm of the municipalities’ LED units. This is no contradiction, but needs careful consideration in practical terms: small municipalities with weak institutional set ups might be overwhelmed with both tasks. Furthermore, there are 7 development agencies in the Eastern Cape, with Aspire being the only regional one.

An important agency is the Buffalo City Development Agency with East London at its heart. Currently, there is no framework in place that specifies Aspire’s collaboration with these agencies. Therefore, the dplg and IDC have jointly developed Guidelines for Local Economic Development Agencies as Municipal Entities.

4.6.7 Sustainability

Key message: Core funding should be dedicated to operational costs related to project management, not to sustain the organisation as such.

Core funding is a challenge for Aspire. As pointed out by representatives of the Department of Economic Development and Environmental Affairs (DEDEA), Aspire’s achievement to mobilize funding from a variety of funds for its corridor projects makes the agency independent from the funding by IDC. This is unique. As the CEO of Aspire confirms, they assessed the possibility to apply for funding from IDC for the phase of project planning and implementation. However, their assessment concluded that the eligibility criteria for funding by the IDC are not useful for Amathole’s approach to economic development. Funding from IDC depends on milestones and is cash flow based. Amathole’s approach to corridor development however is outcome oriented. It would be desirable if IDC could adjust its funding criteria from cash flow to outcomes.

Having no core funding is a danger to Aspire’s sustainability beyond projects, as has been stated by some interview partners. In their view, there is no sustainability model in place on how to sustain operations. For example, an
A regional agency can influence the development of a region through strategic interventions designed to address market failures and mobilize resources. Such interventions must be catalytic to unlock development potentials. The concept of Economic Development Agencies (EDAs) is applied all over the world, and Europe has made interesting experiences with local and regional EDAs that on one side focus on the sustainable economic development of a locality like a city (see www.lda.gov.uk) and on the other side emphasize regional economic development through national cooperation among EDAs and with different levels of government (see www.euredda.org).

3.2 The Genesis methodology

3.2.1 What is Genesis?

Genesis is an approach that addresses the challenge of strategic interventions. It creates a strategic decision-making framework built around the competitive advantage of a region and those interventions that are likely to provide the greatest leverage in the medium to long term. At its heart, Genesis is a strategy tool and a methodology to identify and to prioritize catalytic projects in the context of territorial development initiatives. It involves a variety of activities, often based on close interaction between government and the private sector, that aim at addressing market failure and build a unique competitive advantage for a given territory, which may be a municipality, an urban agglomeration or a sub-national region. Genesis addresses a given territory as an entity, not a fragmented agglomeration of disconnected sectors and players.

Underlying Genesis is the insight that there is no point in formulating detailed masterplans and multi-year planning documents for the development of a local or regional economy at large in today’s highly volatile globalised economic environment. And individual entrepreneurship and ad-hoc collective action is not sufficient to mobilise and dynamise territories that stagnate or grow only slowly. Strategic interventions with a high leverage potential are crucial to unlock development potentials in such regions. Therefore, so called catalytic projects are identified that have a strong leverage and/or multiplier effect by addressing a critical market failure, or by creating a strong leverage factor. A catalytic project addresses the root cause of obstacles to development, rather than symptoms. It unlocks resources and business opportunities. It addresses issues that will not be addressed through business entrepreneurship because the risk is too high, the amortisation period too long or the immediate profit too low. In other words, it addresses market failures that stand in the way of growth.

Catalytic projects can have very different characteristics and prerequisites:

- Major financial resources needed (e.g. investment and infrastructure projects, rehabilitation of abandoned industrial estates, creating a small business estate);
- High commitment to cooperation needed (e.g. addressing critical gaps in skills development, linking providers of Business Development Services (BDS) and SMEs);
- Very specific know-how needed (e.g. certification, standards, connecting SMEs with research and development institutes);
- Serious and persistent political backing needed (e.g. land reform)

Genesis addresses the following main objectives:

- Verify the overall economic development vision and strategy of the territory’s stakeholders (or possibly the multitude of visions and strategies), stimulate reflection on it, and contribute to its further evolution (and consolidation, if there are several competing visions and strategies).
- Create a shared understanding of expectations and aspirations among core stakeholders, and improve the decision-making framework for all decision makers.
- Create a process where local stakeholders consider alternative scenarios before they take decisions on territorial development.
5 Conclusions

5.1 Areas for improvement

The AREDS catalytic projects are initiated and on their way. In a next step, it is important to reconsider the following areas for improvement:

- Overall impact orientation and assessment: ADM is the owner of AREDS and therefore ultimately responsible for the results and impact achieved through the AREDS projects. Based on a thorough understanding of AREDS, ADM has to develop ownership and provide for a system (including transparent responsibilities) that monitors the implementation of AREDS and allows for feedback to its stakeholders.
- There is room for improvement in terms of how Aspire communicates with its stakeholders: it has to better illustrate how the project interventions ultimately lead to increased employment and income opportunities. This allows Aspire to:
  - To provide the political leaders with arguments for AREDS;
  - To help the local municipalities in their communication to their constituency;
  - To contribute to the understanding of what Aspire does and how this contributes to overall sustainable development.

5.2 Outlook

5.2.1 Performance of Aspire up to date

Some quotes from interviews partners highlight the work and performance of Aspire up to date:

"It's a people's business"

All interview partners confirmed that Aspire's technical expertise as well as facilitation and networking competence is very high. "Aspire's CEO Phila Xuza has demonstrated a clever hand in recruiting the right people and personalities for this job", says Les Holbrook of the BKOK.

"Aspire is Amathole's flagship"

In order to become this flagship, political support was needed and provided by the district mayor of Amathole. This led to the ADM being convinced and not threatened about the role and importance of Aspire. Aspire is competent in presenting to and engaging with political leaders to get their support and approval to go ahead with projects. However, it is essential that an economic development agency does not become an independent "giant", but the responsible municipality has to ensure the capacity to manage in this case Aspire.

"Aspire has the potential to be a centre of excellence"

Aspire envisions for itself a long term role as an adviser and think tank for Amathole. It also has the potential to serve as a reference at national level. Aspire’s staff members have established national networks in LED during their careers which are important and helpful not only to lobby for projects, but also to influence the national agenda on LED. "Other regions are observing the development in Amathole and are in touch with Aspire to learn from its approach.

"It's a people’s business" All interview partners confirmed that Aspire’s technical expertise as well as facilitation and networking competence is very high. “Aspire’s CEO Phila Xuza has demonstrated a clever hand in recruiting the right people and personalities for this job”, says Les Holbrook of the BKOK. “Aspire is Amathole’s flagship” In order to become this flagship, political support was needed and provided by the district mayor of Amathole. This led to the ADM being convinced and not threatened about the role and importance of Aspire. Aspire is competent in presenting to and engaging with political leaders to get their support and approval to go ahead with projects. However, it is essential that an economic development agency does not become an independent “giant”, but the responsible municipality has to ensure the capacity to manage in this case Aspire. “Aspire has the potential to be a centre of excellence” Aspire envisions for itself a long term role as an adviser and think tank for Amathole. It also has the potential to serve as a reference at national level. Aspire’s staff members have established national networks in LED during their careers which are important and helpful not only to lobby for projects, but also to influence the national agenda on LED. “Other regions are observing the development in Amathole and are in touch with Aspire to learn from its approach.”, says Noludwe Ncokazi of ECDC.

With the integration of all role players in the district, Aspire’s role will change gradually. The emphasis of Aspire’s work currently is on demonstrating partnerships in project implementation. The objective of this demonstration effect is to hand over project implementation responsibilities to other role players in the district, especially to the district and local municipality by providing assistance and capacity building.

As Aspire’s CEO Phila Xuza summarizes: “In 2007, we focused on the mobilization of stakeholders; our vocabulary mainly consisted of soft terms like buy-in, stakeholders, facilitation, workshops, etc. It was the time of talking to people, convincing them, raising awareness and ultimately motivating them to participate and contribute. Then, in 2008 we changed our language completely: we are fully involved in the design stage of our projects where we..."
engage with engineers, architects, constructors, etc. Their language is technical and now all these technical terms fly through our offices. Let’s see what terms come up once we start implementation and construction in 2009.”

5.2.2 Future role of Aspire

Up to 2014 (time horizon of the Aspire strategy), the following main tasks will remain with Aspire:

- Communication: continuous interaction with municipalities to ensure their understanding of LED and their role in LED. Aspire has to ensure that the municipalities understand their role, what they can do and how Aspire can assist them in this.
- Mobilization, facilitation and coordination: for every project, stakeholders need to be mobilized and engaged so that partnerships for project implementation can be built. Aspire is responsible for the facilitation of stakeholder processes as well as for the coordination of these processes.
- Project management: within the existing context, there will remain constraints in terms of capacity and resources for the implementation of LED. Therefore, it is most probable that Aspire will continue managing some projects under AREDS, while in others Aspire will only support and advice the implementing municipality.

It is difficult and probably also not meaningful to think of Aspire’s role beyond 2014 – too many parameters might change until then. Emphasis should be on the consolidation of good practice and the establishment of a system that allows for learning, monitoring, impact assessment and resource mobilization in coordination with ADM.

5.2.3 Outlook for the Amathole district

As stated by some interview partners, the future of the Amathole district looks bright and is exciting. Stakeholders have a high awareness of the potential of the region, but also its challenges and the huge amount of work that needs to be done. Together, they have to focus on accelerating the pace to ensure the delivery of results as planned. 2009 therefore will be a crucial year, since it will focus on the implementation of most projects. An agency like Aspire is there to guide and ensure this process. But it can only be successful if there is smooth collaboration between all partners, in delivery of tasks and results and ongoing political support.

Desk research based on documents provided by Colin Mitchell, facilitator and technical adviser to the AREDS strategy formulation process;

Interviews with Phila Xuzza, CEO Aspire, and telephone interviews with the Aspire Corridor Managers (Julia Du Pisani, Saskia Haardt, Nhlanhla Ndebele, Elaine Hann);

Interviews with the main stakeholders at the district level: Mr. Les Holbrook, Executive Director, Border Kei Chamber of Business; Ms. Mpumi Fundam, Manager LED, ADM; Counsellor Mr. Samkelo Janda, Portfolio Head LED, ADM;

Interviews with partner local municipalities: Mr. Ondala, Strategic Manager, Amahlathi Local Municipality; Mrs. Bukena Maliza, LED Manager, Great Kei Local Municipality, Mr. Nako, Acting Strategic Manager, Mbashe Local Municipality, Mr. Mxoliswe Waxa, Strategic Manager, Mnquma Local Municipality;

Interviews with implementing partners at the provincial level: Mr. Philip Howes, Amathole Berries; Mrs. Noludwe Ncokazi, Executive Manager Development Services, ECDC; Mr. T. Mdunyeleva, Senior Manager, ECDC; Mr. Zongi Mbekeni, Director Economic Affairs, DEDEA.

The interviews covered aspects of LED concepts, strategy alignment processes, project management, partnership approach, funding sources, institutional arrangements and sustainability, the legislative environment and developmental impact.

2.3 Amathole’s Local Economic Development Agency

Aspire, the Amathole Economic Development Agency, was established in September 2005 as a Proprietary Limited company, wholly owned by the ADM – which implies that the agency falls under the Municipal Finance and Management Act (MFMA). The agency was established within the operational framework of the Agency Development and Support Unit of the IDC, with initial establishment funding coming from IDC and ADM. The Aspire board consists of six directors drawn from the private sector, academia and provincial government. There are two business men representing the private sector on the board, however currently there is no formal representation of the private sector on Aspire’s board.

The dti and the dplg developed draft Guidelines on Local Economic Development Agencies as Municipal Entities which characterize a LEDA. This characterisation of LEDAs provides a benchmark for the work of Aspire.

1 Executive Summary

Local Economic Development (LED) has become a critical issue in South Africa in the effort to fight poverty and unemployment. Many institutions, both public and private, at national, provincial, district and local level, are involved in different aspects of LED. Over the last years, Economic Development Agencies (EDAs) have emerged as new players in LED that aim at driving economic growth initiatives in a locality.

In the Amathole district, a multistakeholder process led to the formulation of the Amathole Regional Economic Development Strategy (AREDS) that is now being implemented. The different role players at local, district and provincial level contribute to the implementation of the strategy by committing to specific projects. The coordinating role is performed by Aspire, the Amathole Economic Development Agency.

One year into implementation of the strategy, this case study looks at the ongoing activities that contribute to strategy implementation. The findings allow for insights of alignment processes, coordination in project implementation and the roles of stakeholders in the district. Special emphasis is given to the role of Aspire as a regional economic development agency.

2 Introduction

2.1 Context

In South Africa, the Constitution gives local and district municipalities the mandate to act as a catalyst for sustainable development. The fundamental objective of local government is to promote localities by facilitating and supporting Local Economic Development (LED) while ensuring the equitable distribution of benefits. The local level of government is crucial as this is where interventions take place and impact can be demonstrated most profoundly. However, local government’s mandate is not only LED as the Integrated Development Plan (IDP) of every municipality demonstrates, but also the provision of basic infrastructure and social development. In the view of capacity constraints local government is confronted with in South Africa, it tends in many places to focus on the delivery of basic services only. This results in LED being the worst performing indicator of development at municipal level.

One response to the need to enhance the development of local and regional economies is to establish a focussed delivery mechanism that bridges the gap between the private and public sector. Economic Development Agencies (EDAs) are such a mechanism. These are established to drive economic growth initiatives in defined geographical spaces such as provinces, districts and local municipalities.

The Industrial Development Corporation (IDC), a development finance institution of the Department of Trade and Industry (the dti), has a dedicated unit that supports municipalities with financial resources and technical expertise to establish and run EDAs. IDC has established 8 EDAs in the Eastern Cape of which Aspire is the only agency.

2.2 Objectives and methodology of the case study

In May 2007, the Amathole District Municipality (ADM) adopted a long term economic strategy for the Amathole district. The strategy formulation process was managed by Aspire and supported by GTZ.

One year into implementation, this case study aims at highlighting the results of the process as well as the activities that came out of the process. Special emphasis is thereby given to the roles that ADM, Aspire, the local municipalities and the private sector have in the implementation of the strategy. The time period under review is July 2007 to July 2008.

This case study is directed to the broader LED community consisting of practitioners in government as well as in the private sector. It looks at the experience made in the implementation of a regional economic development strategy and the role an EDA can play in it. It is a contribution to the broader discussion on EDAs. It is not an evaluation of Aspire or any other role players and their performance.

The information for the case study was collected from:

Annex

List of References

- Amathole Growth and Development Summit process report, ADM, March 2007
- Amathole Regional Economic Development Strategy, ADM, March 2007
- Aspire project activities (www.aspire.org.za)
- draft Guidelines on Local Economic Development Agencies as Municipal Entities that were developed by DPLG and IDC, July 2008
- GTZ, Compass of Local Competitiveness, Manual Version 0.2, October 2006
- GTZ, mesopartner, Genesis, Manual Version 0.9, April 2008
- IDC Agency Development and Support (ADS)
- Information on LED in South Africa: see http://www.led.co.za
- International Labour Organization (ILO), Innovations for Development and South- South Cooperation: The Local Economic Development Agency, September 2003
- National Treasury, Neighbourhood Development ProgramGrant, presentation to municipalities, August 2007
- Renewal of Small Town Economies, The case of Alice, Eastern Cape Province, South Africa, Mrs. Phila Xuza, Africa Insight Vol. 35, No. 4, December 2005
- Report on Investigation into Institutional Location and Roles of Local Economic Development Agencies (LEDAs)
- Thinasinako LED Support Program (http://www.thinasinako.co.za/)
List of Acronyms/Abbreviations

<table>
<thead>
<tr>
<th>Acronym/Abbreviation</th>
<th>Full Form</th>
</tr>
</thead>
<tbody>
<tr>
<td>ADM</td>
<td>Amathole District Municipality</td>
</tr>
<tr>
<td>AEDA</td>
<td>Amathole Economic Development Agency</td>
</tr>
<tr>
<td>ASGISA</td>
<td>Accelerated and Shared Growth Initiative of South Africa</td>
</tr>
<tr>
<td>BDS</td>
<td>Business Development Services</td>
</tr>
<tr>
<td>BKCOb</td>
<td>Border Kei Chamber of Business</td>
</tr>
<tr>
<td>CEO</td>
<td>Chief Executive Officer</td>
</tr>
<tr>
<td>CMC</td>
<td>Community Management Committee</td>
</tr>
<tr>
<td>DBSA</td>
<td>Development Bank of Southern Africa</td>
</tr>
<tr>
<td>DEAT</td>
<td>Department of Environmental Affairs and Tourism</td>
</tr>
<tr>
<td>DED</td>
<td>Deutscher Entwicklungsdienst</td>
</tr>
<tr>
<td>DEDEA</td>
<td>Department of Economic Development and Environmental Affairs</td>
</tr>
<tr>
<td>DLPlw</td>
<td>Department of Labour and Public Works</td>
</tr>
<tr>
<td>DPLG</td>
<td>Department of Provincial and Local Government</td>
</tr>
<tr>
<td>DTI</td>
<td>Department of Trade and Industry</td>
</tr>
<tr>
<td>DoA</td>
<td>Department of Agriculture</td>
</tr>
<tr>
<td>DORT</td>
<td>Department of Roads and Transportation</td>
</tr>
<tr>
<td>ECDC</td>
<td>Eastern Cape Development Corporation</td>
</tr>
<tr>
<td>ECPB</td>
<td>Eastern Cape Park Board</td>
</tr>
<tr>
<td>EDA</td>
<td>Economic Development Agency</td>
</tr>
<tr>
<td>EIA</td>
<td>Environmental Impact Analysis</td>
</tr>
<tr>
<td>EU</td>
<td>European Union</td>
</tr>
<tr>
<td>GTZ</td>
<td>German Technical Cooperation</td>
</tr>
<tr>
<td>IDC</td>
<td>Industrial Development Corporation</td>
</tr>
<tr>
<td>ITP</td>
<td>Integrated Development Plan</td>
</tr>
<tr>
<td>IGR</td>
<td>Inter Governmental Relations</td>
</tr>
<tr>
<td>LED</td>
<td>Local Economic Development</td>
</tr>
<tr>
<td>LEDA</td>
<td>Local Economic Development Agency</td>
</tr>
<tr>
<td>MFMA</td>
<td>Municipal Finance and Management Act</td>
</tr>
<tr>
<td>MLL</td>
<td>Minimum living level</td>
</tr>
<tr>
<td>NDPlw</td>
<td>Neighbourhood Development Partnership Grant</td>
</tr>
<tr>
<td>PGDP</td>
<td>Provincial Growth and Development Plan</td>
</tr>
<tr>
<td>PSC</td>
<td>Project Steering Committee</td>
</tr>
<tr>
<td>RIDS</td>
<td>Regional Industrial Development Strategy</td>
</tr>
<tr>
<td>Ruil</td>
<td>Promotion of Rural Livelihoods Program</td>
</tr>
<tr>
<td>SME</td>
<td>Small and Medium Enterprise</td>
</tr>
</tbody>
</table>

Table of Contents

1 Executive Summary .............................................................................................................................................3
2 Introduction ..........................................................................................................................................................3
  2.1 Context ..........................................................................................................................................................3
  2.2 Objectives and methodology of the case study .............................................................................................3
  2.3 Amathole’s Local Economic Development Agency .......................................................................................4
3 Amathole Regional Economic Development Strategy (AREDS) ....................................................................5
  3.1 Background ....................................................................................................................................................5
  3.2 The Genesis methodology .............................................................................................................................6
  3.2.1 What is Genesis? .......................................................................................................................................6
  3.2.2 Genesis in the case of AREDS ..................................................................................................................7
  3.3 Results of the strategy formulation process ................................................................................................11
  3.3.1 AREDS Strategy .......................................................................................................................................11
  3.3.2 Roles and responsibilities of stakeholders in AREDS ...............................................................................16
  3.3.3 Resource mobilization .............................................................................................................................20
  3.3.4 Catalytic projects ....................................................................................................................................21
  3.3.5 Overview of catalytic projects ..................................................................................................................23
4 Interpretation of findings from interviews ......................................................................................................28
  4.1 AREDS concept of LED ...............................................................................................................................28
  4.2 Increased collaboration ................................................................................................................................28
  4.3 Alignment of local strategies .......................................................................................................................28
  4.4 Identification of catalytic projects ...............................................................................................................29
  4.5 Monitoring and impact assessment ..............................................................................................................29
  4.6 Role and performance of Aspire ..................................................................................................................30
  4.6.1 Establishment of Aspire ..........................................................................................................................30
  4.6.2 Communication ........................................................................................................................................30
  4.6.3 Mobilization ............................................................................................................................................31
  4.6.4 Expertise ..................................................................................................................................................31
  4.6.5 HR issues ................................................................................................................................................31
  4.6.6 Institutional arrangements and the legislative environment ..................................................................32
  4.6.7 Sustainability ..........................................................................................................................................32
  4.6.8 Regional versus local municipalities .......................................................................................................33
5 Conclusions ........................................................................................................................................................34
  5.1 Areas for improvement .................................................................................................................................34
  5.2 Outlook ........................................................................................................................................................34
  5.2.1 Performance of Aspire up to date .............................................................................................................34
  5.2.2 Future role of Aspire ...............................................................................................................................35
  5.2.3 Outlook for the Amathole district .............................................................................................................35
Annex ..........................................................................................................................................................................36

37