Foreword and Acknowledgements

The Dutch Government, through the World Bank-Netherlands Partnership Program (BNPP), has approved a grant to the World Bank for a knowledge-generation activity entitled "Evaluating and Disseminating Experiences in Local Economic Development" with emphasis on their relevance to poverty reduction and applicability to low income countries". The motivation for the grant is specifically to expand knowledge about programs and approaches for "pro-poor" local economic development that have had some evidence of success and may be applicable to the conditions of low income countries and cities, specifically those in Sub-Saharan Africa. The program includes funding for a review of selected LED activities in South Africa and dissemination activities. South Africa was identified for the study as a country that has had a deliberate policy and practice of strategic local economic development, intended to support opportunities for low income individuals and their communities.

The information in the case study has benefited from the generous time of individuals interviewed and guidance from the South Africa project team in the form of Professor Etienne Nel and Professor Chris Rogerson.
1. Introduction

The eThekwini Municipality, centered on the city of Durban on South Africa’s east coast (see Annexure 1), is widely recognised as the country’s most competent metropolitan-level local authority. The Municipality has emerged from almost a decade of continuous restructuring under new legislative frameworks with a relatively stable political, administrative and financial position. Throughout this period of change the eThekwini Municipality and its predecessors have placed the improvement of the quality of life of the urban poor as a central objective in official planning frameworks (Durban Metropolitan Council, 1996; Durban Unicity, 1999; eThekwini Municipality, 2003; eThekwini Municipality, 2004). As with other South African cities, this period of change has also witnessed Durban local government increasingly giving attention to matters relating to the performance of the local economy and the position of the local economy in national and international economic processes. This report seeks to examine the relationship between municipal objectives to improve the living conditions of the poor and the economic development programmes of Durban’s evolving local government system. The focus of this examination is neither a comprehensive impact assessment nor a thorough academic analysis, rather it is an attempt to document policy approaches and practical experiences from which learning of relevance to other urban contexts could be generated. In this regard a note of caution should be sounded that the document which follows does not pretend to be more than a commissioned case study. Therefore, the lessons drawn from the case study must be viewed in the context of unique circumstances which have pertained in the greater Durban region and in the context of historical processes which have framed these circumstances.

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1 The eThekwini Municipality won the 2004 Vuna Award for South Africa’s best run metropolitan local government (see www.dplg.gov.za and www.sacities.net). This is another in a long line of awards since 1996.
In order to inform the broader study, of which this case study forms a part, attention will be given to policy intent and policy impact, the role of various institutions and actors and matters which from a learning perspective might have particular resonance in other developing country urban environments. To set a platform for this examination the document will provide an overview of economic conditions in the Durban region, outline the evolution of relevant aspects of policy within Durban local government, assess the pro-poor orientation of such policy and examine some specific interventions that offer useful insights before concluding with some key lessons that transcend the parochial.

2. Durban’s Economy
The past decade of evolving democratic local government in South Africa’s cities has occurred in a context of significant and far-reaching economic change. During this period South Africa has steadily shifted away from its status as an isolated pariah state with protectionist policies and increasingly unsustainable levels of debt. This Apartheid economic management framework was essentially geared to the exploitation of black people for the benefit of a minority white population. The impacts of the reform of this system have been felt in all spheres of the economy and left no spaces untouched. These reforms were dominated by rapid trade liberalisation, fiscal restraint and monetarist-orientated macro-economic management. In a context where for the bulk of the late 1980s the Country’s levels of economic growth were muted a considerable policy emphasis was placed on encouraging improved levels of growth.

The impact of these reforms, together with the legacy of Apartheid, has been enormous on cities such as Durban. Not only have democratic local

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2 In this SA context, the World Bank/Netherlands partnership is seeking to show evidence of the impact of pro-poor LED, including both community economic development and growth measures which also impact on poverty. Hence pro-poor refers to impacts, not necessarily to means, and we are seeking improvement in incomes, employment and livelihoods for poor residents. This is in the context of the Millennium development goals of halving poverty by 2015.
governments’ inherited local economies with amongst the highest levels of inequality in the world where the bulk of residents still live in conditions of unrelenting poverty, they have also seen the structure of their key economic sectors shift rapidly as a consequence of domestic and global policy adjustments (SACN, 2004; Parnell, 2004). The following information seeks to present, over time where possible, some indication of the economic circumstances pertaining in Durban during this period. In presenting this it should be noted that much of this information has only recently come to light and for much of the past decade cities such as Durban have had little more than a patchwork of unreliable and out-of-date data sources supplemented by anecdotes on which to base policy development and plan interventions.

Durban rivals Cape Town as South Africa’s second most important geographic centre of economic activity after Johannesburg. Whilst Johannesburg’s primacy in economic terms has never been in dispute, Durban, Cape Town and more recently Pretoria with their similar population sizes have been consistently present and significant also-rans. The figure below (Fig 1) gives and indication of the share on national product originating in Durban during the past decade.
The significance of this information is best seen together with information on average annual growth during this period. For Durban during the late 1990s this was a relatively meager 2.3% (SACN, 2004). During this same period Pretoria grew at 5.1% and Johannesburg witnessed growth levels of 4.5% (SACN, 2004). This suggests that economic restructuring in South Africa has left Durban with a disproportionate presence in lower-growth traditional manufacturing sectors and only a limited presence in higher growth technology and knowledge-based services activities. The figure below (Fig 2) illustrates the performance of key sectors in Durban at a broad level. Noteworthy is the growing impact of services type activity and in particular the transport sector with Durban being the location of the Country’s premier container and liquid bulk port.
The changing sectoral character of the Durban economy is particularly noticeable when looking at formal employment. The figure below (Fig 3) provides clear evidence of how employment has shifted into tertiary sectors in the past decade. Where absolute growth in formal employment has occurred, it is in service activities that it has been most significant. It should be noted that in many instances these services jobs are not particularly well paid, neither are they high-skill or as secure as the employment might have been in other sectors in the past (e.g., in government/community services or in highly unionised manufacturing sub-sectors).
However, when looking at employment in the South African context it is essential to examine issues of unemployment as it is the persistence of massive unemployment that continues to dominate the economic environment in the Country. The scale of this unemployment at a national level is replicated at the local level as can be seen in the figure (Fig 4) below. Whilst new jobs have been created and the absolute level of formally employed has increased in the past years this limited growth has been overshadowed by substantial growth in the numbers of unemployed – witnessed not only in the data, but also in the growing numbers of people resorting to informal activities for survival.
To understand matters of employment and unemployment and also other economic dynamics there is benefit in looking at key economic drivers in some more detail. Focusing on the key manufacturing sector, which was Durban’s economic mainstay for much of the last half of the last century, one can see in the figure (Fig 5) below the degree to which previously dominant traditional sectors have lost much of their lustre as drivers of local economic growth. This is equally true in terms of employment where, critically, major employment-intensive manufacturing employers such as clothing and textiles haemorrhaged jobs during the period of rapid trade liberalization in the 1990s. Whilst Durban remains a major location of manufacturing employment in South Africa (second after the East Rand in eKurhuleni Municipality), the sector has not proved to be a rapid generator of jobs.

Figure 5: Durban manufacturing sector growth (Global Insight)
However, looking through other lenses one can see the positive impact of policy adjustments. In the South African context the rapid growth of manufactured exports in the past decade has been a major success story. Fig 6 provides an indication of Durban’s significant share of national exports. A closer look at the data reveals that Durban has moved from a position of a local economy importing more than it exported in the 1990s to a trade surplus area. Durban has therefore kept pace with South Africa’s rapid growth in export activity in the past few years. Nevertheless, this has not translated directly into major employment gains in manufacturing, although employment growth in sectors such as transport, financial services and trade and retail can also be attributed, in part, to growth in trade activity.
In looking at Durban’s economy it is also essential to examine the economic state of households and individuals as it is at this level that the manner in which citizens experience the economy is most revealed. In the Durban context, the challenges that are faced in improving the regional growth performance and increasing levels of formal employment need to be considered in terms of how matters of growth and employment relate to household conditions.

Drawing on an analysis of the 1996 census in a report by Casale and Thurlow (1999) the scale and character of poverty in Durban is described as the most notable characteristic of the City’s households. The authors outline how, “As far as poverty is concerned, it was found that the poorest 40% of EAs (Census Enumerator Areas) earn less than R412 per month, and contain over 44% of the total population of the DMA. Furthermore, the poorest 20% of EAs, representing 23% of the population, earn less than R296 per month. … The analysis of poverty across population groups reveals that 93% of the total number of poor
people in the DMA are Africans. When this is compared to the rates of the other population groups it is clear that poverty and race are intrinsically linked in the DMA. Furthermore, the findings confirm the generally held view that women are more likely to be poor than men. Poverty rates between the genders show that while only 29% of males are poor, over 58% of women suffer from poverty. The findings of this study have also revealed a disproportionately high incidence of poverty amongst children in the DMA, confirming their particular vulnerability to poverty.” (Casale & Thurlow, 1999)

More recent data reveals that this basic pattern has not improved significantly and in some instances has got worse. Analysis of the 2001 census figures reveals facts such as the growth in informal settlement households from 5.10% to 13.74% of total households, that more households have got access to services and electricity and that the number of households registering zero income has grown by 152% (SACN, 2004). The figures below illustrate how public interventions have had a positive impact on the local Human Development Index (HDI), but how poverty is persisting and for the poorest of the poor becoming more extreme.
These snapshots of Durban’s economy create a complex and challenging picture. It is one in which there has been considerable economic upheaval and where mainstream economic change in a small open economy is likely to continue to be something of a roller coaster ride. In this environment household patterns have changed, urbanization processes continue to place pressure on the city and conditions of poverty remain the daily experience for almost half the citizens. Developing policy in such a context is no easy task and converting this to meaningful implementation is equally daunting. The following sections seek to give some sense of local government responses in this context and to examine the nature of pro-poor oriented economic development initiatives.
3. The Evolution of Economic Development Policy in the Context of Wider Policy Frameworks

In examining the emergence of key policy frameworks within Durban local government it is important to understand the context of local government transformation. Between the coming into being of South Africa’s first democratic government in 1994 to today there has been considerable attention paid to the role and form of local government in direct political terms as in terms of the fulfilling of various state functions. In the first stage of this process a range of interim local government structures were created within which representation of key political interests was secured whilst an agreed model of transitional local government was thrashed out. In this phase interim political structures began to call for the making transparent of a variety of explicit and implicit policies at the local level whilst at a national level the framing of national policy on local government proceeded.

In 1996 the plethora of layers of local government systems and structures operating in the greater Durban region was brought together in transitional local government structures made up of a series of local councils and a single metropolitan council. The elections for local representatives that underpinned this process gave legitimacy to the development of a coherent set of policy frameworks. In Durban this took the form of a Joint Steering Committee Rapid Action Programme which emerged from a series of policy “green papers” on matters such as housing, economic development, transport, environment etc. These planning and strategy documents outlined the challenge of service delivery backlogs to poor black communities as being the issue of the utmost importance and sought to align policy and action behind this thrust. This was the first time in which a formal and explicit policy on economic development was adopted and reflected an emerging trend in post-apartheid South African local government to address matters of local economic development in a direct and explicit manner.
Whilst Durban was a pioneer in the development of such a policy and the setting up of an economic development unit, these first moves were primarily focused on the creation of capacity and securing of limited resources to enable the prosecution of programmes. Therefore, whilst the policy in the 1996 Green Paper on Economic Development called for a series of programmes aimed at improving private sector investment and employment creation, growing the region’s share of tourism, creating opportunities for disadvantaged communities and small businesses development, it did not herald a major drive and new commitment of resources. However, such a drive and a commitment of resources did gather pace as the Metropolitan level of local government in Durban gained confidence and an improved sense of resources available for massive basic service delivery and housing projects was allowed for better medium term resource planning.

As Durban moved towards elections for a single tier metropolitan authority in 2000, within the framework of the Local Government Systems and Structures Acts, the development of a substantial economic development programme within the municipality gathered momentum. Draft integrated development plans for the local government structures and the Long Term Development Framework (2000), placed economic development objectives at the heart of local government planning. In the three legs of the strategic policy “pot” highlighted in the Long term Development Framework, emphasis was placed on strengthening the economy, improving skills and technology to underpin development progress and meeting basic needs through ongoing tackling of service and infrastructure backlogs.

Throughout this time, strategic planning documents on economic development reflected a requirement that the apartheid economic heritage in Durban be actively confronted through direct government intervention in infrastructure, skills
development, affirmative action programmes and community level activities to encourage improved incomes. However, economic development strategies also pointed out threats that existed from declining manufacturing, low levels of fixed investment, poor management of key transport assets such as the port and stagnant tourism performance. As the new single metropolitan structures came into being the issues seen to be influencing weak economic growth in the region began to secure not only abstract attention in policies but direct attention from decision makers in terms of the allocation of resources.

As South Africa’s only city with a strong financial position and surplus resources in the form of a capital investment fund, the Municipality was able to put substantial capital investment resources into an economic development flagship fund and a regeneration fund. By 2001 the annual contribution to the flagship fund was in the region of R250 million and the contribution to the regeneration fund was in the region of R70 million. The flagship fund was geared to meeting the costs of major infrastructure that was seen to have a direct economic rationale and for the delivery of a series of major economic “assets” such as had been done previously in the form of the International Convention Centre. Key allocations from this fund (which was projected to have R1 billion allocated to it over a period of five years) included developments at the Point including the Marine Theme Park and the 70ha redevelopment of historic and disused land adjacent to the port entrance, the expansion of the ICC to improve its exhibitions capacity and development of a 250ha mixed use light industrial estate in a joint venture with Moreland to the north of the city – a project which included a major new access road to Durban’s largest townships at KwaMashu, Ntuzuma and Inanda.

The regeneration fund involved a complex mixture of smaller discreet investments ranging from township centre renewal, tourism node developments, town centre upgrades, markets and informal trader facilities and smaller scale
industrial regeneration initiatives. Between 1999 and 2004 in excess of 30 specific projects obtained capital injections from these funds, although reviews found a number of them to be poorly planned and implemented (eg in one year agricultural equipment was purchased for rural co-operatives and problems were encountered with distribution and the lack of alignment of funds for ongoing development support).

These developments in policy and programmes were also substantially influenced by a variety of other initiatives engaged in by economic development and planning teams of the Municipality. These included the Warwick Junction upgrade project which had its origins in the mid 1990s, a variety of community-based projects such as those done in conjunction with the erstwhile Inanda Development Forum and action-based research undertaken in close conjunction with representatives of informal economy workers in the Inner City. In many instances the work and the approach was pioneering and helped position the Municipality in its various forms as a facilitator and supporter of processes with a strong grass-roots orientation that often had the poor as key beneficiaries.

Whilst the specifics of various programmes changed over the period under consideration they broadly encompassed the following categories:

- Providing access to economic opportunity for previously disadvantaged communities: Focus on small business development, community economic development and tourism
- Growing the economy: Focus on private sector development, infrastructure provision and sector support (tourism, manufacturing, logistics)
- Informal and capacity for effective intervention: Focus on building municipal capacity and awareness and partnerships as well as generating research and information.
The following table provides an indication of the project interventions that formed part of the economic development interventions of the various Durban local government structures during the period under consideration. Those with an explicit orientation towards poor communities are identified.

**Table 1: A partial listing of Durban local government economic development project interventions**

<table>
<thead>
<tr>
<th>Project</th>
<th>Programme</th>
<th>Description</th>
<th>Capital/operating</th>
<th>Direct pro-poor impacts? (Y/N)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Community income projects</td>
<td>SMME Support Fund</td>
<td>A range of projects in township and peri-urban areas with funding in support of community group-based income generating projects.</td>
<td>Operating</td>
<td>Y</td>
</tr>
<tr>
<td>Support for micro-lending</td>
<td>SMME Support Fund</td>
<td>Annual grant to Start-Up Fund and Get Ahead Foundation for micro-lending programmes</td>
<td>Operating</td>
<td>Y</td>
</tr>
<tr>
<td>Thekwini Business Development Centre</td>
<td>SMME Support Fund</td>
<td>Operating grant to TBDC for bulk of operating requirements</td>
<td>Operating</td>
<td>Y</td>
</tr>
<tr>
<td>SMME Fair</td>
<td>SMME Support Fund</td>
<td>Annual fair for small businesses to promote opportunities and offer training</td>
<td>Operating</td>
<td>Y</td>
</tr>
<tr>
<td>Craft training</td>
<td>SMME Support Fund</td>
<td>Training of local crafters in business skills</td>
<td>Operating</td>
<td>Y</td>
</tr>
<tr>
<td>Informal Economy survey</td>
<td>SMME Support Fund</td>
<td>Research into Informal economy</td>
<td>Operating</td>
<td>Y</td>
</tr>
<tr>
<td>Tourism research</td>
<td>Tourism Fund</td>
<td>Annual research programme on tourism trends and feasibility studies</td>
<td>Operating</td>
<td>N</td>
</tr>
<tr>
<td>New tourism nodes</td>
<td>Tourism Fund</td>
<td>Grants in support of planning</td>
<td>Operating</td>
<td>Y</td>
</tr>
</tbody>
</table>

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3 This is not a comprehensive listing as poor record keeping and time constraints prevented the inclusion of further project details.
<table>
<thead>
<tr>
<th>Project</th>
<th>Programme</th>
<th>Description</th>
<th>Capital/ operating</th>
<th>Direct pro-poor impacts? (Y/N)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tourism events</td>
<td>Tourism Fund</td>
<td>Grants in support of marketing and managing events with a tourism orientation</td>
<td>Operating</td>
<td>N</td>
</tr>
<tr>
<td>Community tourism organisations</td>
<td>Tourism Fund</td>
<td>Support fund for establishment of community tourism organizations in township and periphery areas.</td>
<td>Operating</td>
<td>Y</td>
</tr>
<tr>
<td>Development of marketing collateral for investors</td>
<td>Private sector and investment marketing fund</td>
<td>Marketing materials and information gathering</td>
<td>Operating</td>
<td>N</td>
</tr>
<tr>
<td>Best Practice City Commission</td>
<td>Private sector and investment marketing fund</td>
<td>Public-private partnership project to improve city’s responsiveness to investors</td>
<td>Operating</td>
<td>N</td>
</tr>
<tr>
<td>Research on business trends</td>
<td>Private sector and investment marketing fund</td>
<td>Studies commissioned on key business trends</td>
<td>Operating</td>
<td>N</td>
</tr>
<tr>
<td>Annual business conference/Durban Growth Coalition</td>
<td>Private sector and investment marketing fund</td>
<td>Annual event hosted by Municipality and subsequently by Durban Growth Coalition to profile economic prospects</td>
<td>Operating</td>
<td>N</td>
</tr>
<tr>
<td>Council affirmative procurement policy development</td>
<td>SMME Development programme</td>
<td>Policy process to set in place affirmative procurement policy</td>
<td>Operating</td>
<td>N</td>
</tr>
<tr>
<td>Point redevelopment</td>
<td>Flagship fund</td>
<td>Re-development of major inner city node for tourism</td>
<td>Capital</td>
<td>N</td>
</tr>
<tr>
<td>River Horse Valley Business Estate</td>
<td>Flagship fund</td>
<td>Development of mixed use node north of the city between KwaMashu and Effingham including major new road route into KwaMashu</td>
<td>Capital</td>
<td>N (although road to reduce transport times and increase efficiency)</td>
</tr>
<tr>
<td>ICC expansion</td>
<td>Flagship fund</td>
<td>Expansion of convention centre</td>
<td>Capital</td>
<td>N</td>
</tr>
<tr>
<td>Township business</td>
<td>Regeneration Fund</td>
<td>Upgrade of business centre</td>
<td>Capital</td>
<td>Y</td>
</tr>
<tr>
<td>Project</td>
<td>Programme</td>
<td>Description</td>
<td>Capital/operating</td>
<td>Direct pro-poor impacts? (Y/N)*</td>
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</tr>
<tr>
<td>centres</td>
<td></td>
<td>environments in townships for formal and informal businesses</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tourism nodes</td>
<td>Regeneration Fund</td>
<td>Upgrade and development of tourism nodes</td>
<td>Capital</td>
<td>N (with some exceptions)</td>
</tr>
<tr>
<td>Markets</td>
<td>Regeneration Fund</td>
<td>Upgrade of existing markets</td>
<td>Capital</td>
<td>Y (in some cases)</td>
</tr>
<tr>
<td>ITRUMP</td>
<td>Regeneration Fund</td>
<td>Range of inner city projects to upgrade formal and informal trading zones/areas</td>
<td>Capital</td>
<td>Y (in some cases)</td>
</tr>
<tr>
<td>Southern Basin</td>
<td>Regeneration Fund</td>
<td>Upgrade of industrial areas and industry-resident interface zones</td>
<td>Capital</td>
<td>N</td>
</tr>
<tr>
<td>Town Centres</td>
<td>Regeneration Fund</td>
<td>Upgrade of smaller town centres</td>
<td>Capital</td>
<td>N (with a few exceptions)</td>
</tr>
<tr>
<td>South Durban environmental improvement</td>
<td>Regeneration Fund</td>
<td>Purchase of equipment for pollution monitoring and facilitation of community-council-business partnership</td>
<td>Capital and operating</td>
<td>N (although reductions in pollution could benefit poor)</td>
</tr>
<tr>
<td>Durban Africa</td>
<td>Tourism development</td>
<td>Annual funding of section 21 tourism marketing company</td>
<td>Operating</td>
<td>N</td>
</tr>
<tr>
<td>Durban Events Corporation</td>
<td>Tourism development</td>
<td>Annual funding of section 21 eventing company</td>
<td>Operating</td>
<td>N</td>
</tr>
<tr>
<td>Durban Investment Promotion Agency</td>
<td>Private sector development</td>
<td>Annual funding of section 21 investment facilitation and marketing company</td>
<td>Operating</td>
<td>N</td>
</tr>
<tr>
<td>Smart x Change</td>
<td>SMME and Private sector development</td>
<td>Incubator for new technology businesses and training centre</td>
<td>Operating</td>
<td>N</td>
</tr>
<tr>
<td>Durban Biotech initiative</td>
<td>Private sector development</td>
<td>Knowledge support centre for regional biotech</td>
<td>Operating</td>
<td>N</td>
</tr>
<tr>
<td>Durban Auto Cluster</td>
<td>Private sector development and SMME</td>
<td>Establishment and facilitation of joint initiative between 40 regional auto firms including support for new entrants</td>
<td>Operating</td>
<td>N</td>
</tr>
<tr>
<td>Durban Chemical</td>
<td>Private sector development</td>
<td>Facilitation of interaction and</td>
<td>Operating</td>
<td>N</td>
</tr>
<tr>
<td>Project</td>
<td>Programme</td>
<td>Description</td>
<td>Capital/operating</td>
<td>Direct pro-poor impacts? (Y/N)*</td>
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</tr>
<tr>
<td>Sector Cluster development</td>
<td></td>
<td>sharing of plans between major chemical firms</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Point skills support programme</td>
<td>Community economic development</td>
<td>Training of new contractors and skills for previously unemployed to be brought in as employees in construction and operating phase</td>
<td>Operating</td>
<td>Y (to some degree)</td>
</tr>
<tr>
<td>Urban agriculture support</td>
<td>Community economic development</td>
<td>Training and equipment support for urban agriculture projects</td>
<td>Operating</td>
<td>Y</td>
</tr>
</tbody>
</table>

* This is a rough categorization as many projects were not exclusively focused at the poor. Rather it reflects whether or not there was a significant degree of orientation in the project to the poor.

At the conclusion of 2004 the Municipality had just issued the first major review of its 2003 Integrated Development Plan (2004). This recommended a continued emphasis on a strong orientation to economic development as proposed in the Long Term Development Framework (2000) but also called for a much greater emphasis on matters of sustainability which had been seen to be relegated in the post 1994 rush to deliver services and infrastructure to the bulk of the region’s citizens. Analysis in the planning documents suggests that improved integration, improved sources of information, more transparent planning and a broadening of agendas to include matters such as HIV and AIDS would go some way to improving the sustainability of key programmes in the region.

4. Current Economic Development Strategies In Ethekwini
Since the issuing of the first IDP for the eThekwini Municipality in 2003 there has been a process to develop and confirm a new economic strategy for the municipality. This process remains incomplete with only a series of rough draft documents being available in restricted form in the public domain. This extended process of policy development reflects the impact of changes resulting from restructuring and a capacity crisis that is only now being resolved. However, it also reflects to some degree a level of contestation over whether on not a stand alone policy framework is needed on economic development in addition to the IDP and a lack of consensus over both content matters and process. Nevertheless, a strategy framework is emerging and it likely to be concretised during the course of 2005.

Before outlining some of the focus areas of the strategy there is some value in reflecting on some of the issues raised by participants in the process and their municipal colleagues. These are presented below to provide some contextual insight into points of emphasis:

- A requirement that the strategy document is founded on a strong platform of data and research;
- The imperative to align strategy content and contextual analysis with national government policy and programmes;
- To ensure that the strategy provides meaningful direction in terms of information and strategy needs of internal Council departments;
- To support restructuring of functions and the re-allocation of budgets in line with new institutional priorities and arrangements (for example the dis-establishment of partnership marketing bodies and to separate out strategy and research functions from project management and implementation functions);
- To link the strategy to the IDP review (2004) focus on sustainability issues;
• To give much greater emphasis towards black economic empowerment at the business leadership level; and
• To link strategies to key performance measures identified in the IDP and in management KPIs.

The emerging strategy identifies four areas of focus for municipal responses:
1. Creating a system where there is understanding the dynamic macro environment and micro environment which is generating the present economic development outcomes in the region;
2. Taking stock of the platform on which this economic activity depends inclusive of physical infrastructure, telecommunications, skills, social capital, capital availability and facilitating the alignment of this platform with desired outcomes;
3. Identifying and facilitating development of sectors of economic activity which have the greatest potential to drive Durban’s future positioning in terms of national strategy and desired local outcomes relating to export performance, growth, employment, value chain positioning;
4. Supporting key existing economic drivers (formal and informal) through processes of growth, restructuring and decline and build linkages with processes in above category.

Preliminary documentation identifies the importance of interventions which are appropriate spatially from a sustainability point of view and from the perspective of unwinding apartheid’s impacts. Working through sectors and value chains is seen to offer the best route to connect those outside the mainstream formal economy with opportunities that could improve their livelihoods. Earlier strategy proposals from 2002/2003 which sought to identify a set of strategies focused directly on households in addition to those with a firm/enterprise orientation do not appear to have been carried forward in any explicit manner.
This emerging framework (with the stress on emerging) reflects to a large degree a measure of continued uncertainty as to the degree to which economic development policy and programmes need to have a substantial explicit focus on the poor. This is a continuation of a theme that has been present throughout the evolution of economic development programmes since the mid 1990s where it remains a matter of internal debate as to whether or not economic development should be viewed as having a relatively mainstream economy focus as the rest of the municipality has as its focus delivery of services to the poor or whether it should take as a core focus work which has an unambiguous pro-poor orientation. The present Economic Development Unit’s partner Unit, Business Support, does take as its focus informal economy matters, markets and finance and support for small business schemes but this continues to reflect an orientation towards the target unit as some form of enterprises and does not see households of the poor as a explicit target group for direct interventions.

Under the present circumstances of institutional and programme flux as well as in a context of a strategy vacuum it remains difficult to get a handle on the degree of orientation of initiatives towards one objective or another. To paraphrase from a comment from one municipal staff member, it is expected that with a strong sustainability focus in the IDP that each and every municipal unit makes explicit its contribution to the IDP goals but this is a process and there remains work to be done to achieve this on an ongoing basis. The fact that monitoring and evaluation systems are still evolving makes it difficult to provide an objective framework against which to measure activity and impacts.

5. Assessing the Pro-Poor Orientation of Durban Local Government Policies (With An Emphasis On Economic Development)

This section draws primarily on interviews as a source of information for making the assessment of the policy frameworks outlined in the previous section. It is
supplemented by knowledge from the author’s own experience as a key role player in the Durban local government administration during much of the period under consideration and further supplemented by a handful of other studies that have to varying degrees touched on the subject matter at hand. Upfront it should be noted that in a context of an evolving local government system very little attention was paid to documenting processes and even less to monitoring and evaluation. Therefore the assessment is based more on impressions of stakeholders than it is on objectively verifiable measures. It should also be noted that different viewpoints were expressed in interviews and as such contradictory conclusions were reached in relation to some points of evaluation.

To make some useful conclusions on the pro-poor orientation or otherwise of initiatives in Durban local government it is important to consider the issues from a variety of perspectives. The key issues informing this discussion are framed as questions (see below). These questions were either explicit or implicit in many of the discussions held with those interviewed.

To what degree did overarching policy frameworks in Durban give attention to the needs of the poor in the last decade?

Whilst the language of “pro-poor orientation” is a relatively recent development in South Africa, the early and more recent policy documents produced by Durban local government did give priority attention to those residing in townships and informal settlements that had historically been denied basic infrastructure and services. Policy documents committed the Municipality to comprehensively reworking its budget to invest the bulk of its capital and operating resources in communities that had the worst access to services. The adoption of a low cost housing programme with substantial local top ups reflected an eagerness to improve the scale and impact of such programmes and the context of a population where half the households lived in poverty and a third lived in informal
settlements or backyard shacks. The strength of this orientation towards the poor was further seen in Durban local government consistently securing the lions share of national grants for extending service delivery – helped substantially by having maintained and even enhanced its administrative capabilities despite the upheavals of major restructuring. Despite having amongst the worst backlogs of any city in the country, Durban consistently delivered more housing units and more electricity and water connections than the other cities.

However, this widely recognised success is also contested by some. A variety of commentators pointed out that in many cases Durban’s very rigorous and tight financial controls not only meant that less money was spent than could have been (had Durban been a bit less obsessed by financial controls), but also the poorest of the poor lost out either because projects did not make financial sense in strict evaluation terms or because they could not afford service costs that came with the new development. While Durban might be praised by National Treasury and credit ratings agencies for limiting its exposure to bad debts, others point out that the policies inherent in such an approach affect the very people whom development is supposed the help the most in an adverse manner.

Nevertheless, despite this attention given to large projects, Durban has consistently focused the bulk of its financial and administrative attention on rolling back the Apartheid service and infrastructure inequalities. In this process the sensitivity to the needs of the poor and to opportunities to respond in a more sustainable manner might have been absent in many processes, but on balance Durban local government was seen by those interviewed as having an orientation to the needs of the poor.

To what degree did economic development policy frameworks in Durban give attention to the needs of the poor in the last decade?
Views expressed on this subject were somewhat more ambivalent than those on the overall pro-poor orientation of the Municipalities overarching planning frameworks. In part the problem can be attributed to a lack of public documentation of policy frameworks guiding action where the tendency was for “sector” policy frameworks to remain as internal discussion documents and only integrated plans such as the LTDF and IDP saw the light of day. However, despite these cautionary comments, the bulk of those interviewed did recognise that policy frameworks did identify the challenge of poverty as a key issue and did propose a range of responses to poverty.

Worth noting in the interview responses was a perspective that the main response to poverty by the Municipality was to be through its basic service provision agenda: through extending services, delivery of low cost housing and upgrading infrastructure (together with many other national and provincial initiatives in field such as health and education) poor communities would be the primary beneficiaries of government activities and as such quality of life would improve and poverty reduced. In this context a direct approach at the local level to address income poverty or more innovative approaches to improving household resources (including skills) was seen to be outside the responsibilities of the local state – especially in a context where national economic policies were supposed to deal a major blow to problems of persistent unemployment and weak growth. It was therefore never an imperative to view economic development activities as an appropriate vehicle to roll out LED-type programmes at scale focusing on the poor that would necessitate a reorientation of housing or basic services expenditure. In the Durban context economic development activities were rather seen as evolving over time into strategic interventions in alignment with national objectives to boost key growth sectors and discreet, local scale initiatives that, often through a demonstrator effect, would encourage a range of role players to make a difference to conditions in a range of communities.
A number of specific policy initiatives did tackle issues of the poor in a direct manner during the time period under consideration and reflected the degree to which the Municipality was grappling with its response to the poor. Prime examples of these were the Durban Metropolitan Council/Durban Central Councils Policy on the Informal Economy (2000) and the policy framework on community economic development (2000). The first of these is covered in more detail in the case study but involved a unique attempt in South Africa’s city to develop a facilitatory approach to matters of the informal economy – especially public space trading – through a highly participatory process backed by thorough research and local and international expertise. Whilst this policy framework has not been translated into anything approaching effective implementation, it has set a benchmark against which stakeholders would assess municipal performance, not only at the local level, but also nationally and internationally. In an environment where public space trading was often viewed by business, politicians and bureaucrats as something to be managed through enforcement and generally undesirable, the emergence of the policy framework was testimony to a level of commitment to the urban poor from a broad coalition of stakeholders.

The policy on community economic development also heralded an important recognition of the centrality of facilitating local action for economic transformation of townships where the bulk of the urban poor reside and will continue to reside in the future. As with the Policy on the Informal Economy, implementation of the framework on community economic development was sketchy (mainly because political leadership in Council were unwilling to cede resources and implementation responsibility for community-level projects to independent local development institutions in an environment where the local state itself was still encountering legitimacy and capacity problems). However, the policy framework and its processes did yield the benefit the importance of sustained township-based urban regeneration and economic empowerment programmes being
recognised in funding through channels such as the Township centres component of the Regeneration fund and in launching satellite programmes of the Thekwini Business Development Centre (providing support to start up businesses).

Other policy initiatives driven by the economic development staff in the Municipality such as the Affirmative Procurement Policy, the investigation into micro finance support systems and investigations into policy responses to support community tourism, eventing, training and input into general municipal budgeting activities all reflected a degree of policy concern with issues of the poor as viewed from an economic development perspective. However, with the benefit of hindsight, almost all those interviewed took the view that the policy response was inadequate (woefully so according to some). Reasons for this included those outlined in the preliminary comments made earlier, but also reflected a naïve faith in the potential impact of national economic policy and in the service delivery orientation of local government. In this context, for example, the failure to carefully consider the impacts of poorly designed housing policy which created large low income housing developments far from places of employment reflected a level of policy disconnect at both the local and national level that has generated sustainability problems that impact very directly on the prospects of the poor.

*Did resource allocations generally, and specifically in terms of economic development, respond to the needs of the poor?*

As with other South African cities, economic development programmes in Durban took some time to be recognised as important enough to secure dedicated funding in proportion with the degree to which economic development was seen as important in plans. This was certainly not aided by operating budget constraints which effectively required restructuring in other municipal functions to
free up resources for new staff and programmes.\(^4\) This generated some considerable organisational inertia further exacerbated by ongoing debates at the national and local level as to the degree to which economic development could/should be considered a local government function.\(^5\)

The change that was facilitated during this time was the result of a handful of factors. Firstly, the economic development staff managed to secure increasingly larger funding commitments from other spheres of government – especially from national departments with a limited local presence who were struggling to spend their treasury allocations. These included Public Works, Tourism, Trade and Industry, science and Technology and Labour. With two minor exceptions Durban was not successful in applications to the DPLG’s LED funded due to its status as a “privileged” municipality (although Durban received the lion’s share of funding from schemes such as CMIP for infrastructure in poor and under-serviced communities). Secondly, the staff of the economic unit, together with like-minded political leaders, made an effort to get involved in budgeting processes at the highest level and therefore were able to influence strategic changes whilst also adding value in terms of improving budget alignment to the economic objectives in the LTDF.

During the period under consideration allocations to economic development increased substantially. Operating budget allocations rose from in the region of R500 000 (including staff) in 1996 to in excess of R30 million in 2004 (with the bulk of these funds going to tourism and investment marketing bodies). Capital

\(^4\) Operating budgets of municipalities are subject to rigorous controls enforced by National Treasury where on an annual basis a “macro control” is set by which increases in operating budgets are not allowed to grow. In Durban local government this translated into a framework in which each department could not increase its operating allocation by more than the set macro in every year placing severe limitations on growing budgets of newly established functions.

\(^5\) The ordinance governing local government in KwaZulu-Natal at the time only allowed for municipalities to allocate resources to functions that were expressly provided for in the ordinance and national policy frameworks appeared somewhat ambivalent at first.
allocations were non-existent in real terms but began to escalate rapidly from the 1998/99 budget year to reach a peak of R350 million in 2002/03. In discussing these figures with the respondents (in particular those familiar with the details of expenditure) a number of points are worth making. In proportionate terms operating allocations rose from an estimated 0.02% of total municipal operating budgets to 0.4% in the period – still reflecting, in institutional allocation terms, a somewhat marginal position for economic development. In capital terms the figures rose from nothing to in the region of 26% of total capital budget allocations. According to staff interviewed and the author’s own notes projects which might have had a direct impact on the poor in capital terms made up in the region of 15-20% of capital allocations (varying from year to year), whilst the bulk of staff time allocations continued to be on projects oriented towards making direct impacts in poor communities. This apparent contradiction is explained by the fact that mainstream economy capital projects often involved large scale and expensive capital allocations but were not people-process intensive, whilst township projects generally involved some limited capital expenditure (such as refurbishing a building) but capacity and institutional vacuums in townships required much more people-oriented process work.

Respondents all noted that in order to make programmes work in local communities the municipality required the right numbers of skilled personnel – and in many instances these were not available and partnerships were not in place to ensure projects were undertaken in a sustainable manner. However, it could also be said that in order to ensure mainstream economy projects (such as new tourism infrastructure) did yield benefits for the urban poor they needed to be leveraged through sustained support programmes (training, linkage etc). These linkage efforts were to a large degree absent or did not receive the requisite attention. Recognising that for the poor that it is often people-based projects that transfer skills over a sustained period that are more meaningful that functional infrastructure it could be said that local government resource allocation
to operating and programme activities in Durban local government did not enable scale and impact to be achieved in any significant measure when assessed against the level of need. The allocation of capital resources, whilst commendable, was from a developmental perspective not the most urgent need in a context of large scale urban infrastructure upgrades.

To illustrate this point a staff member of the municipality outlined how a township centre upgrade project in a major township was designed as a multi-layered intervention with capital works forming only one component of this. Pre-project consultation processes, pre-project capacity and institution building, along with intensive facilitation during the project in support of local contractors and a series of post-project follow up programmes that made the capital intervention viable and sustainable went largely unfunded as they required operating commitments whilst capital allocations were actually made in advance of needs. Had other spheres of government with relevant programmes been more responsive to local needs at the time this might not have been a serious problem, but their long lead times and convoluted processes rendered such options largely unworkable. The result is a project which exists and has made a difference, but the sustainability of the facility and its usefulness to the poor remains largely questionable.

*To what degree were the poor involved in planning and decision making as well as action around local government economic development activities?*

In the early post RDP glow of the country’s new democracy economic development processes involved extensive and sustained interaction with community groups, trade unions, business associations and NGOs on programmes and policies. These interactions were seen as important in providing forums for stakeholders to outline their needs in an environment where participation was not taken seriously by other local government departments. However, as planning moved from a more fragmented processes to a corporate
endeavour stakeholder participation in broad strategic planning processes became less regular and more generalised. Project level participation was nonetheless sustained in the field of economic development projects with often extensive planning in conjunction with community forums or other stakeholder bodies. But as numbers of projects and their sizes escalated and as the Municipal leadership began to become more confident with their elected mandate even project level consultation began to be replaced by elaborate internal decision making exercises. For economic development staff this meant much more time in front of various committees and less time out in the field. The consequence of this was a noticeable decline in project-level participation of direct beneficiaries. At times this did allow for faster implementation (allowing funds to be spent within the allocated budget year) but in other instances a lack of stakeholder buy-in did create serious delays in projects.

There were some exceptions where processes continued to secure the requisite attention, but as time has progresses these have become few and far between. Whilst corporate participation processes (in IDP activities for example) and legislation consultation processes through things such as EIAs are far more substantial today than in the past, most stakeholders admit to substantial inadequacies in participation processes – especially for the poorest of the poor.

Was there integration between those core infrastructure and service delivery programmes of the municipality oriented towards the poor and economic development activities?

The bulk of corporate planning in Durban local government, as it evolved in the late 1990s, focused on improving integration and alignment between what were often fragmented development thrusts by local government departments. However, the legacy of fragmented planning, the contradictions apparent in some national policy frameworks (such as those encouraging compact and efficient...
spatial form and those promoting housing opportunities in lowest land cost areas on the extreme periphery) and ongoing processes of institutional restructuring did little to ensure such integration became meaningful at scale. A number of exceptions did stand out in the environment such as the Cato Manor Development Project where much greater care was taken to ensure alignment. So for instance, capacity building and training programmes to equip Cato Manor residents with life skills and basic technical skills in anticipation of major construction work made a significant impact on the degree to which local labour could benefit from public-sector projects. Cato Manor’s access to European Union funds also enabled them to deliver a higher level of amenities (parks, trading facilities etc) in new housing areas than was possible under the national housing subsidy framework in other low cost housing projects.

As these major programmes for service delivery gathered momentum for rapid delivery the economic structures were still in their infancy and programme funds and additional capacity needed to inform and guide major projects targeted at the urban poor (from an economic development perspective) were to a large degree absent. In cases where support was made available – such as in the form of the Inanda Housing Support Centre (offering a range of services including skills development for potential contractors to housing projects) – it was not possible to replicate because of resource limitations. The fact that national policies did not take into account the requirement of matching resources for such developments – whether they were in low cost housing projects, upgrades of slums or delivery of bulks – did little to encourage municipalities such as Durban to take the issues seriously. This is apparent in the arena of public works programmes which remained generally unfunded and unsupported in the absence of a national focus and did not in turn create space for local economic development officials to commit major service provider entities in the municipality to adjust project systems to maximize labour intensity. The very recent responses in Durban to the Extended Public Works Programme (EPWP) adopted at a national level
illustrate how important national policy can be in generating effective local responses as Durban local government is now setting the pace nationally in a context where for years it was underperforming despite pressure from economic development staff to do otherwise.

*What was the knowledge base and understanding of issues facing the poor like in the administration?*

In the immediate pre-democracy phase work done in processes such as the Tongaat-Hulett Planning Forum and by bodies including the Provincial Town and Regional Planning Commission and independent groups of researchers at various tertiary institutions did much to create a platform for post-apartheid local government to tackle some of the most glaring urban challenges. The fact that some of the specialists involved in these processes were drawn into the Municipal structures gave a boost to local government capabilities. Clearly providing services in a short period of time to millions of residents in previously under-serviced areas was going to be quite a different proposition from service delivery to a relatively smaller group of white residents. However, much of the early policy work was bedeviled by inadequate sources of information and many of the early responses to challenges were characterized by learning-by-doing testing of new approaches.

Since the mid 1990s, the Urban Strategy Department (now called the Geographic Information and Policy Office) developed considerable data interpretation capacity. With its GIS resources it managed to produce much information of relevance to the Municipality. Furthermore, exposure to national policy processes and international expertise also improved knowledge bases amongst senior officials. However, stakeholders familiar with the Municipal processes made the point that much of the knowledge was fragmented and focused on reorienting discreet functions and not on a collective and co-ordinated response
to issues of poverty. As one respondent put it, “Delivery targets were output based so each department did what it could to meet targets for delivery to previously under-serviced and often poor communities, but no one was really trying to establish whether or not people’s quality of life was improving overall.” (Staff member, Economic Development and Facilitation Unit)

The move towards outcomes-based planning in the late 1990s, lessons from failed projects and external critics all contributed to an approach where the needs of citizens were thought of in much more integrated terms. The conducting of a number of Quality of Life Surveys enabled Municipal decision-makers to get a much improved sense of how the plethora of Municipal activities impacted on households and where future emphasis might need to be placed.

Despite these improvements it is recognised within the Municipality that a lack of expertise on understanding poverty and inadequate data on the poor continue to undermine the effectiveness of programmes. This is equally true for economic development activities as it is for other functions such as water and sanitation services. A number of respondents made the point that the Municipality did not seem to have an explicit set of programmes dealing with the poor. These respondents suggested that not have an explicit policy on dealing with poverty was a problem as it could result in marginalisation of the poor in mainstream programmes. This was also true in spatial terms where, despite information being available on where the poorest communities were, there did not appear to be specific and focused endeavours for these communities over and above common programmes implemented in many other locations.

A further point raised is the lack of a coherent and consistent national policy framework to guide local processes and choices. The policy uncertainty within DPLG on matters of LED was a case in point where contradictory messages on what municipalities should focus on were sent out. This was further impacted on
by the notion in national policy frameworks that poverty was predominantly and rural phenomena and that urban poverty, such as it was, would be rapidly overcome through national economic growth programmes and extension of basic services. It is only in the past few years, culminating in the drafting of a new urban policy framework in 2004, that urban poverty has begun to be recognised as a major national challenge and one that is unlikely to disappear without sustained attention from different spheres of government.

*Did the Municipality seek partnerships to enhance the reach of its programmes targeted at the poor?*

The view of most respondents was that, beyond partnerships generated out of institutional need (such as those with Provincial authorities where common sources of funding were involved) and a few project specific partnerships (such as those with community housing initiatives), in general terms the Municipality did not secure the formation of partnerships with stakeholders to tackle the needs of the poor. Community-level organizations working with the poor went through a massive post-apartheid funding crisis as resources from donors were channeled through the state. This was aggravated by the drawn out and uncertain processes associated with the formation of the National Lottery and its fund distribution mechanisms. Municipal structures tended to be very cautious about entering into partnerships with NGOs or CBOs as on the one hand politicians felt newly created legitimate local government structures should do the job whilst officials raised concern about the effectiveness of many such organisations in the context of the more general funding crises they were facing.

Within the Municipality, grant making mechanisms such as the Grant-in-Aid fund aimed at supporting charitable institutions and community based organisations became mired in complex wrangling at a political and bureaucratic level as the previous Durban City Council had seemed to make decisions on fund allocations...
in the absence of a coherent policy. Whilst in some instances some worthwhile grants were made that did have the required impact, these could hardly be seen to amount to a partnership as there very rarely involved joint planning or follow up activities. A few exceptions could be found in projects funded from an economic development perspective as portions of grant money were put aside for the Economic Development Steering Committee of the Metropolitan Council to allocate to community based projects such as community gardens, donation of sewing machines to sewing clubs and training support to youth employment groups. Where possible substantial support was allocated to assist the successful applicants in utilizing the funds and in some cases support was provided to community groups to enable them to access to grants in the first instance. However, the decisions on which projects to support were ultimately made by the political committee (Economic Development Steering Committee of the Metropolitan Council) and together with a tendency by the Committee not to apply agreed criteria in decisions and limitations on staff capacity in economic development the projects were in many stances unsustainable. This grant-making process did lend itself to the formation of NGO partnerships to secure improved capacity, a wider reach and greater community level interaction but proposals in this regard were never given serious consideration by the elected politicians as they involved removing project level decisions away from the committee.\(^6\)

Probably the most notable partnership operating during this time became known as the Durban Growth Coalition. This grew from a series of high level engagements between prominent black and white business leaders in the City and their political counterparts in the ANC. Initial interactions were focused on trying to combine business influence and political will to resolve blockages to a

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\(^6\) It is worth noting that terms of reference that guided the activities of the Council political committees generally required that they limited their role to a policy development one, but in a context of low levels of trust between newly elected Councillors and an established bureaucracy such limitations were effectively ignored.

series of major projects and involved lobbying with National Government Ministers. As the Coalition formalised it developed a programme that also included transforming the leadership of local business organizations to ensure greater representivity and tackling the development of black economic empowerment strategies. The leadership of the Coalition were unapologetic about their approach to kick-start large growth-oriented projects and made it clear that the absence of growth in the region was their main concern. Whilst the Coalition did for a time seek to align corporate social investment spending with Municipal projects focused on the poor this project became mired in process disagreements and poor management and eventually collapsed.

In economic development programmes focused on generating economic growth and formal employment creation were there activities aimed to linking growth and employment creation to the poor?

Respondents to this issue generally agreed that little effective action was taken to ensure and sustain linkages of major growth generating projects to the poor. In some cases these were planned for to some degree (training and employment programmes of the Point project) and in other cases they were absent (ICC expansion). Municipal officials point out that once the go-ahead was given for these projects they were managed by other Departments (or in case of the Point by a public-private partnership venture) that did little to carry the linkage agenda. Furthermore, limitations in terms of operating funds meant that parallel initiatives could not be sustained – and in some cases could not even be initiated. This has opened up the Municipality to considerable criticism from a variety of stakeholders that in real terms the projects represent projects aimed at reinforcing the economic status of a the few rather than benefitting the wider Durban community, especially those living in poverty. Notions of trickle down benefits from jobs created and increased expenditure in the City are hard to sustain where these have not been made explicit project objectives.
However, it is also pointed out by Municipal officials that Durban in the 1990s was in the midst of a period of very poor economic growth and low business confidence. Private sector investment had not been significant for much of the period and failure to respond in an aggressive pro-growth fashion could have generated an even longer period of economic downturn with serious consequences for the poor. Furthermore, these projects represented frustration amongst a range of role players at the failure of the market to deliver growth and employment and as such the projects represented a strong sense of disillusionment with the market. As one Municipal respondent put it, “One needs the momentum of some growth to begin to consider how to make the growth work for the poor.” (Staff member, Economic Development and Facilitation Unit, eThekwini Municipality)

What has been the experience of monitoring and evaluation with respect to economic development programmes?

Experience with monitoring and evaluation of economic development programmes and projects in the municipality has been highly uneven and erratic. Where it has taken place it has generally been of a limited technical nature and has generally not drawn programme beneficiaries or partners into an explicit monitoring and evaluation processes. According to those involved in the processes this weakness (and it is recognised as a weakness) reflects a general lack of priority given to M & E in the municipality as a whole. One respondent mentioned that the focus by the administration and the politicians is generally on spending the allocated sums within the approved budget year rather on providing for resources to examine impacts over a longer period and in more complex ways. Project teams therefore generally deliver on the project requirements and

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7 A case which is argued in the Monitor Report produced for the Durban Unicity Committee in 2000.
then move on to other commitments as they are under considerable pressure to ensure allocated funds are spent. It appears there remains a perception that M & E is a nice to have and one which takes resources away from tangible projects. A economic development staff member pointed out how Council committees generally responded with outrage to funds being put aside to post project impact monitoring but would also raise concerns about previously funded projects having collapsed. In a context where there is vary little effective monitoring and evaluation it is likely that making informed comments on whether or not projects have reached their target audience can be very difficult. The lack of effective M & E systems would in all likelihood hinder the design of future interventions of relevance to the poor and the benefit of past experience would not necessarily inform future actions.

*What were the key obstacles in improving the pro-poor orientation of the Municipality’s economic development programmes?*

Perspectives on this issue varied from respondent to respondent. However, most were in agreement that the post-apartheid urban reconstruction project in South Africa was seen in overly functional terms resulting in a fragmented response to poverty. In this environment the core thrust of the Municipality was seen as the delivery of basic services to under-serviced communities. It was widely expected that national economic policies would drive growth and employment in parallel with these and other social initiatives dealing a major blow to poverty. Economic development policies and programmes at the local level were seen as supplementing these activities in a number of conventional local government LED fields such as small business support, investment facilitation and place marketing. Whilst the economic challenge, in one form or another, was always seen as central in Durban it took some time for agreement to be reached that this necessitated increased capacity and resources as well as a more central role for economic development in guiding the overall programme of
the Municipality. The capacity sapping restructuring processes (despite increased budgets the economic structure had almost 50% less staff in 2000 than it had in 1997!) did little to allow a handful of effective programmes and projects to be scaled up and an increased focus on managing capital projects detracted in many instances from projects that had a greater potential to reach and impact on the poor.

Whilst no one can doubt that massive programmes to deliver services to the poor have been successfully undertaken in Durban during the past decade. It is also clear that these have been less effective than originally expected and in many cases the poorest of the poor have been by-passed. The persistence alongside this of an economic structure that is highly unequal and distorted has certainly aggravated problems of poverty. In this context, and NGO worker pointed out that the failure of the Municipality to place the poor at the centre of its activities on a consistent basis also reflected a failure of leadership.

6. Case Studies of Two “Successful” Pro-Poor Interventions8

The case studies below offer insights into two initiatives which in the Durban context could be said to have stood out in their pro-poor orientation and because they offer some lessons about how to ensure greater pro-poor orientation through both the initiatives’ successes and their failures. The two initiatives selected are the Warwick Junction (later ITRUMP) upgrade initiative and the Regeneration Fund.

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8 The word “successful” is placed in inverted commas as the success being claimed is in relation to other Municipal activities and not in some absolute sense.
From the Warwick Junction upgrade to the Informal Economy Policy – making space for the poor in the Inner City and in Policy

The Warwick Junction area is spatially on the fringes of Durban’s Inner City. At its heart is the Berea Station and its associated taxi and bus ranks through which hundreds of thousands of mostly black commuters travel on a daily basis. Apartheid planning sought to minimise investment in this precinct as it was seen purely in terms of its functional role as a transport interchange for black workers. However, over time the area developed beyond the original station and public markets into a zone of major trading activity that thrived off the thresholds of commuters. It is the responses of the Municipality (and other stakeholders) to these changes that make this case study of particular interest.

The collapse, in the mid to late 1980s, of effective apartheid controls on commercial activity (formal and informal) and reduced enforcement of racial groups areas brought more residents and those seeking to make a living to the area as townships remained devoid of business infrastructure and many township and rural areas in KZN were locations of violent state-sponsored conflict between the IFP and ANC. Whilst other areas of the Inner City appeared relatively unchanged (aided in part by ongoing efforts at regulation that had been abandoned in the greater Warwick Junction zone) the Warwick Junction area was placed under enormous pressure. Building uses were changed, public space trading grew exponentially, the taxi industry and its related conflicts added to the chaos. Infrastructure designed for much less stressful circumstances began to crumble.
However, instead of Durban local government, now under democratically elected leadership, responding by trying to reverse this chaos a decision was taken that a special team needed to develop plans to enable the area to perform its new more complex role in a more effective manner.\(^9\) The team took the view that the area needed to be celebrated as a zone representing a new urban context in which black people were catered for and not excluded. Whilst this initiative had its origins in a period before economic development structures were formally established, the Warwick Junction officials rapidly reached the conclusion that creating space for the urban poor to trade and consume in public spaces was an essential element of the future of the precinct. This was reinforced by extensive consultations with many different stakeholders ranging from established independent formal retailers to women selling fruit on top of boxes at street corners. The nature of the teams response was also very significantly informed

\(^9\) It should be noted that the private sector initiative, Operation Jumpstart, first placed the redevelopment of the area on the agenda in 1993, but it was only after a couple of years that any profound interventions began to surface (Saunders, 2004).
by organized formations such as those representing street traders who took advantage of opportunities to place their issues on the agenda (Saunders, 2004; Horn, 2004).

At the heart of the pro-poor orientation of this project was the decision to accommodate thousands of public space traders that had located in the area in the early 1990s – seeking to make a living off the estimated 300 000 commuters passing through the area on a daily basis. In a context where many established stakeholders were decrying the presence of traders as contributing to urban decline, the Warwick Junction team understood that in a context of growing unemployment the City had to make space for people trying to eek out a living. Initial responses involved a series of pilot projects where trading was seen to be contributing to pavement congestion and safety problems (spilling into the road or forcing pedestrians onto the busy roads). Here drawn out negotiations recognised the right of traders to a space and sought to create alternative opportunities and improved infrastructure for trading (stalls). These early projects built a degree of trust between stakeholders and this was reinforced by delivery of pilot interventions where interested parties could see the results of improved planning and organization.

These early success encouraged the Municipality to allocate further funds to the project and allowed the project co-ordinator to draw in resources from other Departments that had an interest in the area such as City Health officials to work in an integrated way to resolve problems and contribute to plans. The profile of the project also encouraged the newly formed Economic Development Unit to allocate significant research funds to a pioneering study into informal traders in the Inner City. This was pioneering as no survey of this scale has been done in the informal economy field in South Africa and in terms of the methodology which involved participation by key stakeholders in planning and the use of focus groups to examine key issues. The survey results confirmed the positive impact
of the project and revealed areas needing attention that could be accommodated in future planning. This allowed for the survey to be closely connected with action and gave further confidence to stakeholders.

![Informal Traders in Warwick Junction](image)

**Figure 9: Informal Traders in Warwick Junction (Picture: Theresa Gordon, DIT)**

The experiences in the survey and in the project over time laid the basis for a processes whereby Durban sought to develop and innovative response to informal economy activity that was not biased by regulatory obsessions but rather aimed to secure improved urban management outcomes through facilitation. Whilst the processes associated with the Warwick Junction Project and later in the Informal Economy Policy processes were by no means smooth and without problems (such as irregular City Police enforcement raids on traders located in zones that were deemed problematic), they reinforced one another in many positive aspects. These processes were further reinforced by the allocation of operating funds, albeit on an erratic basis. This enabled both the project work and policy work to take root through initiatives such as those by City
Health to train traders preparing food in hygiene and Economic Development in supporting the provision of business development services in the area through the TBDC. These supporting endeavours created a sense of ownership amongst the key stakeholders that ensured agreements could be enforced, facilities would not be vandalised and local government was accessible should problems or issues arise.

Today the area still thrives on the basis of the activities that characterised the earlier phases of the project. However, ongoing capacity pressures have seen less dedicated support from other Departments and more pressure on the delivery of a range of capital projects throughout the Inner City. As such Warwick Junction does not get the attention it did previously. This has been aggravated by policy confusion and institutional restructuring rendering informal economy processes ineffectual. Enforcement processes are once again random and communication channels with stakeholders weak and inconsistent. A number of the organizations representing the local stakeholders have also suffered from organizational difficulties. Nevertheless, the project and its related processes did for a time represent a very positive response to the needs of the poor and its legacy continues to have a positive impact.

**Some key pro-poor lessons of the Warwick Junction project**

- Projects involving the urban poor as beneficiaries need to secure their participation in planning, implementation and monitoring.
- Processes must empower the poor to participate and benefit through explicit interventions that include empowering representative organizations of the poor.
- In the context of rapid urban change a lack of sustained attention and management can see gains rapidly evaporate – so for instance the stakeholder interests and key people involved change in poor
Some key pro-poor lessons of the Warwick Junction project

<table>
<thead>
<tr>
<th>communities from month to month and normal assumptions about project sustainability cannot be made under these circumstances.</th>
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<tbody>
<tr>
<td>• Solid and accurate information/research can reinforce initiatives and empower processes where often issues relating to the urban poor are informed more by urban legend than fact (eg most street traders are fronts for large businesses).</td>
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<tr>
<td>• Integrated responses to issues confronting the urban poor can improve impact (eg City health working with business facilitators in the informal economy).</td>
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<tr>
<td>• A dedicated team with strong foundations in the municipality can assist in “getting things done”.</td>
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<tr>
<td>• Confidence needs to be built with tangible deliverables (not always physical).</td>
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The Regeneration Fund – making capital expenditure work for the urban poor

Some might consider this a peculiar choice for a case study as the Regeneration Fund involved activities ranging from upgrading beachfront parking lots to city centre intersection redesigns. However, on a consistent basis between a third and a half of the money in this fund (averaging at around R60 million between 1999 and 2003) went to projects that were focused on areas that were marginalised in one way or another from the mainstream economy. The very fact of this measure of balance in capital spending, in an environment of relatively powerful commercial interests placing considerable pressure on the Municipality to increase upgrade allocations to existing core business nodes, is noteworthy. Furthermore, where expenditure was allocated to core businesses nodes, significant allocations were made to projects that concerned the marginalised...
(informal trade infrastructure and markets in the Inner City, upgrading safety aspects of traffic intersections for residential areas in proximity to major industrial and logistics nodes).

The Regeneration Fund had its origins in proposals made by the Economic Development Department to allocate capital to key existing and potential economic nodes with a number of objectives in mind. The objectives included: sustaining rates income from existing economic nodes; encouraging new investment and renewal in declining economic nodes; and delivering basic public infrastructure in nodes with potential to support economic activity or nodes that had been neglected under apartheid and therefore undermined community-level economic fabric. In an environment where municipal expenditure on such items was almost non-existent (for instance compared to over R100 million a year in some years to new sports facilities and parks) it was a sign of major progress that there was recognition that some capital had to be redirected behind explicit economic development agendas.

Between 1999 and 2003 a number of expenditure categories evolved within the Regeneration Fund reflecting needs strategic renewal projects of metropolitan scale significance and thematic priorities (as distinct from the Flagship Fund which had as its focus individual projects of metropolitan impact scales). Allocations were generally made to:

- South Durban Basin urban renewal
- Inner Thekwini Renewal and Urban Management Programme
- Town Centre Renewal (for secondary and tertiary towns/nodes)
- Township Centre Renewal
- Tourism projects
- Informal Trade/Markets/Urban Agriculture
The first phase of projects funded through this mechanism had their origins in detailed planning and consultation work that had either been done by the local councils or the metropolitan councils (with town centre, township centre and tourism projects emerging in the main from integrated planning processes in local councils or specific area planning initiatives). A range of criteria were established, which although applied erratically and flexibly, did test project submissions in advance of political decision-making processes. Whilst the larger scale initiatives had the capacity to absorb the entire fund, efforts were made to facilitate project planning and viability testing in areas that had not received much attention but fulfilled some criteria. So, for instance, initial submissions on the KwaMashu Town Centre project gave little indication that sufficient planning work had been done, however, in an environment where operating resources were scarce initial allocations were made to the project to allow capital funds to be drawn down for detailed planning although Council expenditure frameworks discouraged this. The result was that projects that might have been delayed for years or by-passed were given momentum.
However, it was not just the existence of the fund and the types of projects it supported that was of significance. Economic development staff, and colleagues sensitive to the economic development agenda in other departments, provided a range of facilitation, linkage and advisory services to implementing agents to try and ensure the projects did not merely provide a building or services but they leveraged other opportunities. Despite being under-resourced and in some cases under-skilled, efforts were made to secure secondary resources and matching processes such as contractor support in a manner that was absent in many mainstream council projects. So for instance, a project in Tongaat Town Centre involved officials gathering local businesses (formal and informal) together to talk through options and priorities and to contribute to detailed planning exercises. This allowed traders to plan for construction activity that would interfere with their passing trade and to make alternative plans. The processes also built confidence amongst formal traders who were able to approach financial institutions that has redlined certain commercial areas to reinstate mortgage lending crucial to the operation of many smaller businesses. Whilst such consequences might have been unplanned and unintended they reflected the potential of opportunities arising where the appropriate level of project leveraging was present. This is in marked contrast to other examples where such “economically minded” capacity was absent with the result that at best opportunities were not exploited and at worst impacts undermined economic activity – for instance when water and sanitation maintenance crews programmed major works in a key beachfront zone in the middle of the Southern Hemisphere’s major ocean sporting festival (Beach Africa).

The absence of effective monitoring and evaluation systems, lengthy delays in tendering and contract approval from Council committees and loss of skilled and
experienced economic development staff meant that in many instances the more positive aspects of the Regeneration Fund work were not sustained. However, despite these problems the approach adopted reflected a sensitivity to leveraging pro-poor outcomes absent to a large degree in many mainstream capital project activity in the Municipality. The Regeneration Fund also benefited from processes within the Municipality to extend public involvement and engagement in annual budgeting processes. This, whist adding to the length and complexity of decision making processes did ensure that initiatives could secure might wider endorsement than was previously possible.

<table>
<thead>
<tr>
<th>Some key pro-poor lessons of the Regeneration Fund</th>
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<tbody>
<tr>
<td>• Capital allocations with specific economic development objectives can offer the opportunity to leverage benefits for the poor in the context of weak economic fabrics in communities and market failure.</td>
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<tr>
<td>• For capital allocations to offer a leverage opportunity they need to occur in the context of sustained programme interventions related to capacity building.</td>
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<tr>
<td>• Capital allocations and the related projects that are not consciously leveraged can end up offering benefits to only a limited few.</td>
</tr>
<tr>
<td>• Development of partnerships and effective beneficiary participation are essential in creating the conditions for effective leveraging.</td>
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<tr>
<td>• Converting successful pilots into initiatives of scale is a major logistical and institutional challenge.</td>
</tr>
<tr>
<td>• Building local ownership of projects is essential.</td>
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7. Concluding Comments on Lessons from the Durban Case Study
Local government in Durban has clearly had an opportunity in the past decade to test a range of policies, programmes and projects – an opportunity that might not have been available to other cities in that they were operating in a far more resource constrained environment. Supported by an environment of relative institutional stability plans were developed and restructuring of priorities took place in a manner which rapidly reoriented the bulk of municipal capital expenditure (and less rapidly operating expenditure) towards the infrastructure and services needs of historically disadvantaged black communities. Whilst some might suggest this strong financial position and relatively stable institutional context renders much of the Durban experience irrelevant to other developing country urban local governments which are often plagued by instability and financial crisis, there is a case to be made that some of the learnings referred to have resonance in other locations.

Perhaps the most obvious of these is that administrative and political stability together with financial stability do allow for room for local government administrations to respond to opportunities and challenges and to move beyond crisis focused operations. Whilst it could be argued that Durban might not have exploited this space enough and furthermore that it has not used this space primarily to the benefit of the poor, the fact that it has responded to its core mandates in a comprehensive manner and at significant scale has certainly laid a platform for improving the quality of life of its citizens.

An example of where perhaps the Municipality, together with social partners, could have made significantly greater impact from its key outputs is if these had been supplemented by an integrated set of operational programmes strongly oriented towards the needs of the poor. So, for instance, large low cost housing projects and upgrades of infrastructure and services in townships could have

10 “Relative” institutional stability compared to the very traumatic processes in cities such as Johannesburg but not without its problems (such as four municipal managers in 3 years between 1999 and 2002).
been matched with significant investments in improving economic fabrics in strengthening institutions, opening access to skills and work experience and facilitating nodes of economic activity at a community level.

The two specific initiatives examined in the report give an indication, despite their unique histories and circumstances, of how economic development can be integrated with other programmes and how economic development itself might be made more meaningful in a direct manner for the poor. Both the successes and failures of the projects associated with these interventions offer insights which could inform local government approaches in other environment. These include:

- Careful consideration of budgeting processes in the municipality and how they allow for objectives to be met and in particular alignment of capital and operating expenditure (not easy when operating expenditure is mostly locked up in existing dominant departments and the skills associated with them);

- An emphasis on process and participation founded on partnerships as informed by “good development practice” but also as insurance against the consequences of inevitable instability in government and the consequences this can have on projects where a strong state hand is displayed;

- Seeking to align knowledge with action to enable improved focus of activities and empowerment of stakeholders;

- How the neglect of monitoring and evaluation undermines institutional memory and learning and disconnects outputs from outcomes;

- Explicit and sustained leverage programmes are needed to yield an ongoing impact on the poor and without these programmes are bound to miss their targets;
• Flaws in policy frameworks guiding local government and a lack of direction can hamper local responses to key challenges;
• Leadership and governance weaknesses at the local level can have a major impact on sustaining initiatives that have long time frames and few immediate impacts;
• Moving from pilot interventions to scaled up projects can present major challenges which must be carefully planned for.

In examining the strategic framework being worked on by the economic development teams in the eThekwini Municipality at present there is a strong sense of the need to tackle matters of poverty in a direct manner. Certainly there is no illusion that the persistence of poverty needs a new set of creative responses. However, the fact that at the time of interviews levels of economic growth in Durban were at a ten year high seemed to be presenting as many challenges as opportunities. High levels of developer interest and new commercial projects demand much time and attention from staff in a stressed capacity environment. This, together with the institutional ramifications of having an economic function split into two units (Business Support – focusing on small business issues and community economic development and Economic Development and Facilitation focusing on strategy development and strategic projects) presents daily challenges for staff to find space for explicit and sustained activities that have the poor as their primary focus. It appears that considerable benefit could be obtained by the utilisation of logical planning frameworks or other such devices to make more explicit intended project results, roles and responsibilities and assumptions in order that improved upfront planning could secure in institutional terms a better recognition of the capacity and resource needs to make development work for the poor.

A senior official responsible for processes around the IDP made that point that,
“Poverty alleviation must be mainstreamed in everything that we do and hence reducing poverty is one of the core values that underpins our focus on sustainability in eThekwini.” (Subban Interview, 2004)

It is recognised that there have been shortcomings in the manner in which budgets have been allocated and initiatives have been undertaken, especially in the relationship between capital interventions that have been core to post-apartheid municipal activity and the delivery of a basket of services. However, municipal officials believe that greater institutional stability combined with improved capacity and management will enable these shortcomings to be addressed.
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INTERVIEWS

Fred Pietersen, Head: Economic Development and Facilitation, eThekwinì Municipality

Denny Thaver, Economic Development and Facilitation Unit, eThekwinì Municipality

Zolile Machi NGO worker

Darlene Menzies, NGO Worker

Protas Madlala, CEO Thekwini Business Development Centre

Jacquie Subban, Head: Geographic Policy and Information Office, eThekwinì Municipality

Julie Ellingson, ITRUMP, eThekwinì Municipality
Annexure 1

Location of eThekwini Municipality
Annexure 2

Chronology of key Durban local government institutional and policy developments with respect to economic development.

<table>
<thead>
<tr>
<th>Year</th>
<th>Institutional developments</th>
<th>Policy developments</th>
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<tbody>
<tr>
<td>1994</td>
<td>Formation of interim Durban local government structures</td>
<td>Drafting and endorsement of first economic development programme and production of report on Durban’s economy</td>
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<tr>
<td>1995</td>
<td>Employment of first dedicated economic development staff</td>
<td>Hosting of first economic development policy consultations with stakeholder groups</td>
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<td></td>
<td>Production of Green Paper on Economic Development</td>
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<td></td>
<td></td>
<td>Establishment of economic development project funds under Metropolitan Economic Development Standing Committee</td>
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<tr>
<td>1996</td>
<td>Formation of 6 transitional local and a metropolitan council on basis of first democratic local government elections</td>
<td>Revision of economic development strategy</td>
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<td></td>
<td>Formation of Economic Unit within Urban Strategy Department</td>
<td>Development of affirmative procurement policy as well as policy on tourism, small business and private sector support</td>
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<tr>
<td>1997</td>
<td>Formation of Economic Development Department</td>
<td>Production of community economic development strategy</td>
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<td></td>
<td></td>
<td>Large scale research and survey work on</td>
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<td>1998</td>
<td>Restructuring of Tourism marketing body</td>
<td></td>
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<td></td>
<td>Formation if Thekwini Business</td>
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<tr>
<td>Year</td>
<td>Institutional developments</td>
<td>Policy developments</td>
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<tr>
<td>1999</td>
<td>Formation of interim Unicity structure to facilitate creation of unitary council structure</td>
<td>Long Term Development Framework tabled</td>
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</tbody>
</table>
| 2000 | Election and formation of unitary eThekwini Municipality  
Restructuring process of internal Departments initiated  
Loss of bulk of economic development staff through resignations attributed frustration with restructuring processes | Long Term Development Framework approved  
Monitor report, “Durban at the Crossroads” commissioned by Unicity team with extensive strategy proposals for economic development |
| 2002 | Formation of new internal institutional structure with economic development functions shared between Economic Development and Facilitation Unit and Business Support Unit in the Sustainable Development and City Enterprises Cluster | Various economic development strategy drafts prepared to inform restructuring processes, spatial development framework and IDP |
| 2003 | Appointment of new management structure finalised | IDP issues  
New economic development strategy process initiated |
| 2004 | Disestablishment of section 21 companies (tourism, events, investment support and ICC) | IDP review undertaken |