

**ECONOMIC DEVELOPMENT PLANNING IN THE MBASHE LOCAL MUNICIPAL AREA IN
THE EASTERN CAPE: A CASE STUDY**

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Abstract

Planning for economic development at the local level has become increasingly important in many countries of the world. South Africa is no exception and has had the local focus entrenched through constitutional provisions for developmental local government.

In this paper, the Mbashe Local Municipal area is used as a case study for an examination of the linkages between economic development planning at the local, provincial and national levels. This case study serves as a lens through which the economic development planning activities of the three spheres of government are viewed. Its value as a lens lies in its location in the former Transkei, which is characterised by high levels of unemployment and poverty and low levels of service infrastructure, and in its status as one of the newly demarcated local municipalities in South Africa. Mbashe is also a pilot site of the Promotion of Rural Livelihoods Programme and includes one of the nodes of the Wild Coast Spatial Development Initiative, which has been promoted as a vehicle for economic development in the former Transkei.

It is argued that the severe resource constraints faced within Mbashe, combined with limited knowledge of and participation in larger planning and resource mobilisation frameworks, lock Local Economic Development within the top-down and investment-led approaches, rather than the more integrated approach that is promoted in terms of legislation and that is required if poverty is to be addressed successfully. The scope for creative engagement with the interlocking local, provincial, national and continental economies by actively shifting resources in support of integrated, endogenous approaches, is explored.

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In this paper, the Mbashe¹ Local Municipal area is used as a lens through which the economic development planning activities of the three spheres of government are viewed. Its value as a lens lies in its location in the former Transkei, which is characterised by high levels of unemployment and poverty and low levels of service infrastructure, and its status as one of the newly demarcated local municipalities in South Africa. Mbashe is also a pilot site of the Promotion of Rural Livelihoods Programme and includes one of the nodes of the Wild Coast Spatial Development Initiative, which has been promoted as a vehicle for economic development in the former Transkei.

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The research on which this paper is based consisted of extensive documentary research, complemented by key informant interviews, including a group interview with members of the Local Economic Sub-Committee of the Mbashe Local Municipal Council. A more substantive account of this research can be found in Reynolds (2003).

Local government planning in South Africa

Since the transition to democracy, South Africa has been facing the difficult task of undoing the multiple layers of the legacy of apartheid and colonialism. This has included a flurry of legislative and policy documents and the allocation of the bulk of national fiscal resources to so-called social needs expenditure. Included in the Bill of Rights in the Constitution of the Republic of South Africa Act 108 of 1996, have been a series of socio-economic rights.

¹ Mbashe is one of eight local municipalities that fall within the Amatole District Municipality (Amatole District Municipality, 2002:1) and lies at its northeastern end. Mbashe falls within the former Transkei and includes the towns of Idutywa, Willowvale and Elliotdale/Xhora. Prior to the establishment of the new municipal boundaries in November 2000, a Transitional Local Council (TLC) administered each of these towns, with the areas surrounding them administered by Transitional Rural Councils (TRCs). Idutywa, on the N2 national road, is the main seat of the local municipality.

The democratic state has functioned in terms of three spheres of government, namely the local, provincial and national spheres. The functioning of the local sphere of government has taken some time to establish, with a transitional regime leading to local government elections for newly demarcated local government areas in 2000, nearly six years after South Africa's transition to democracy. The Constitution and the White Paper on Local Government entrenched and defined the principle of developmental local government. The local government sphere was defined further in a series of Acts of Parliament, all of which emphasised its developmental mandate (as explicitly provided for in the Constitution). The Local Government: Municipal Demarcation Act 27 of 1998 removed racialised local government boundaries and allowed for the creation of "wall-to-wall" local government in South Africa. The possibilities and mechanisms for formal establishment of these new municipalities were defined in the Local Government: Municipal Structures Act 117 of 1998, and reorganisation of municipal systems around local government's developmental mandate was provided for in the Local Government: Municipal Systems Act 32 of 2000. Local government elections in November 2000 brought these new municipalities into being and heralded the final phase of the establishment of democratic and participative local government positioned for integrated and coordinated development. A key process through which local government and development was to be linked was the integrated development plan (IDP), a key component of which is a plan for local economic development (LED).

The IDP is meant to be central to the work of municipalities, guiding their budgets, staffing and performance management systems. In practice, however, this has rarely occurred, particularly in municipalities that include large portions of the former Bantustans (cf. NLC, 2000; Rogerson, 1998). There, low rates bases, difficulty in attracting experienced staff (partly due to the limited revenue capacity of such municipalities), and logistical difficulties in meeting all of the requirements of integrated development planning and LED. In many cases, the virtual abdication of the IDP process to consultants led to IDPs that found little articulation with the running of the municipalities themselves.

LED itself has been constrained by a number of factors, including the limited resources and expertise for LED planning, the depth of poverty and unemployment faced by many rural municipalities, and the resource limitations faced even by social partners in these localities. There has also been a limited emphasis on strategic planning, in the sense of identification of key strategic priorities and the optimisation of linkages between basic infrastructure development and economic development. Linked to this has been limited integration of poverty alleviation measures into LED.

So, what is the issue? Are municipalities simply not sufficiently equipped for their developmental tasks? Should we simply improve training and systems? Is it a question of human and financial resources? Is it a matter of municipal administrations taking effective ownership of their IDP processes, ensuring that they are indeed the guides to municipal management that they were meant to be? Will more effective management of the IDP process itself enhance local economic development planning? Although all of

these are important considerations, the context within which local economic development planning occurs is critical to the successful development of endogenous economic development solutions that address the legacies of apartheid and colonialism.

Economic development planning in Mbashe

Viewing LED and tourism development within a broader provincial and national perspective can contribute to our understanding of the economic development planning initiatives in Mbashe to date. Although a relatively new entity, the Mbashe Local Municipality has been engaging actively with economic development challenges in its area of jurisdiction, particularly through the LED Sub-Committee. In this process, it has encountered the opportunities and constraints associated with a range of provincial and national policies and planning frameworks, and has attempted to define roles for itself in engaging with these.

The Wild Coast Spatial Development Initiative (SDI), which is the planning initiative most directly linked to Mbashe, through the Dwesa-Cwebe node, and which has featured in many of the provincial strategies aimed at economic development in the Eastern Cape Province, has served as a good example of these challenges and opportunities. Through work on tourism opportunities at the Dwesa-Cwebe Nature Reserve on the Coast, a range of actors engaged in promotion of the Wild Coast SDI, tourism development, provision of basic service infrastructure and land restitution, have attempted to find common ground. In doing this, they have moved away from the original approach to the Wild Coast SDI, which was associated with promotion of large-scale investment in neo-modern forms of tourism with their emphases on luxury accommodation located in sophisticated infrastructure network and aimed at the international tourism market (also see Clancy, 2001; Jaakson, 2000; Palmer & Viljoen, 2002). The realities of poverty and limited provision of basic services, the need for consensus around community-based natural resource management, the need to redress the history of land dispossession and regional marginalisation, the current patterns of tourism to the Eastern Cape, and the legislative and policy framework for developmental local government have served as the contexts within which these various institutions, through the actors within them, have mobilised themselves for locally negotiated solutions. These solutions are still in the making and have begun to fill the vacuum left by the failure of investment-led development to materialise.

However, these locally based developments, such as the mobilisation of resources made available through the land restitution process at Dwesa-Cwebe and the work of the Promotion of Rural Livelihoods (RuLiv) Programme², have been constrained by limited coordination with provincial and national planning

² The RuLiv Programme is a three-year Eastern Cape pilot programme, funded by the Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ), and implemented under the auspices of the Office of the Premier, Eastern Cape Province (Office of the

frameworks and programmes and have not managed to address the structural dynamics that have limited the scope for integrated rural development within the former Bantustans, such as the former Transkei. Even though national level programmes have been mobilised to establish water supply and sanitation projects in the Dwesa-Cwebe area, and the offices of national and provincial departments and parastatals have been used to deploy financial resources and expertise, these have been confined mainly to that portion of Mbashe that has had the good fortune to be labelled as a site of economic (particularly tourism) opportunity.

Although this can be viewed as evidence of the value of spatial identification of opportunity, it also shows the potential for isolation of benefit to particular localities within local municipalities and disputes regarding leveraging of resources for a larger area. The conflicts over the spread of resources for wider spatial development that have arisen between the Mbashe Local Municipality and the Dwesa-Cwebe Land Trust are examples of this dynamic.

The work of the RuLiv Programme shows the potential value of well-researched support for a wider range of development initiatives over a wider spatial expanse, undertaken in coordination with a local municipality. Members of the Mbashe LED Sub-Committee have expressed appreciation for the broadening of thinking that has come with research, project identification and experiential learning provided by the RuLiv Programme. This value has come predominantly from the focus by the LED Sub-Committee on local needs and innovations, rather than on promises of assistance from other spheres of government or other external agencies, such as non-governmental organisations and private investors. Even though the RuLiv Programme itself is an external agent, it has emphasised its role as an enabler and facilitator of local innovation.

Although this micro-focus has clearly struck a cord with members of the LED Sub-Committee, and fits with the innovative approaches to road maintenance and agricultural revitalisation that have emerged under their guidance, it has not succeeded in mobilising resources for more significant structural interventions into the local economy. For the possibilities associated with such interventions, one has to turn to planning frameworks and programmes at the provincial and national levels.

The Provincial Growth and Development Strategy (ECSECC, 1997) never functioned as an effective planning framework for the coordination of planning and development in the Eastern Cape Province. Although the new process of developing a Provincial Growth and Development Plan (PGDP) for the province has so far managed to mobilise a greater number of stakeholders, including district municipalities, in support of a coordinated and participatory planning process, and has delivered its first

Premier of the Eastern Cape & GTZ, 2000). It has been recognised as a pilot programme of the Provincial Integrated Sustainable Rural Development Programme.

product, namely the Strategy Framework. Even though it is still too early to judge its value to local municipalities such as Mbashe, it holds the potential for a significant improvement in vertical and horizontal coordination of planning and mobilisation of resources for development. Already there is a strong emphasis on rural development aimed at structural intervention in the former Transkei.

The Integrated Provincial Development Programme (2003-2005) (Government of the Eastern Cape, 2002), in terms of which the provincial government is currently coordinating its efforts in the medium term, includes provision for accelerated delivery of basic services and interventions into the rural economy, particularly through Transkei Rapid Impact Programme (TRIP). However, the projects that have been identified for inclusion in TRIP (ECSECC, 2002) are at varying stages of preparation (many still at the pre-feasibility stage) and packaging and financing has not been finalised. Also, the service infrastructure projects that have been identified for Mbashe again emphasise the privileged position of Dwesa-Cwebe. More general hope is held out for the rest of Mbashe through the contractor-focussed Rural Enterprise Advancement Programme and economic infrastructure projects such as the East London – Umtata Railway Line and the upgrading of the N2. However, neither of these projects has been finalised and the socio-economic costs and benefits still need to be understood. For example, the proposal for the N2 includes construction of a ring road around Idutywa, which might have negative consequences in terms of loss of trade in the town (unless consciously mitigated), and the charging of a toll fee, which might add to the transaction costs associated with local trade, which already faces multiple barriers.

The Mbashe IDP (Mbashe Local Municipality, 2002), which, ideally, should be the vehicle for coordination and integration of planning at the local level, shows clearly the lack of knowledge of budget commitments by national and provincial government, both in terms of intergovernmental fiscal grants and programmes by provincial and national line departments, as well as limited synchronisation of the planning cycles of the different spheres of government. This means that LED planning, as contained in the IDP, still amounts to the production of wish lists.

The IDP of the Amatole District Municipality (Amatole District Municipality, 2002) suffers from the same constraints, but does offer a vision for support to local municipalities that could be of value. In particular, the establishment and mobilisation of resources through a LED Unit/Directorate could assist local municipalities, such as Mbashe, to link local needs, priorities and innovations to plans, programmes and budgets of provincial and national government departments, parastatals and even private sector organisations. It certainly can assist in developing a regional approach to economic development, ideally fitted into a provincial framework such as a new PGDP, which would reduce the transaction costs of private investors by bringing greater clarity on opportunity and greater predictability of both opportunities and constraints. More significantly, given the scale of the developmental challenges in Mbashe, it is at the district municipal level that coordination of the planning and resource deployment activities of the different spheres of government can be most realistically and cost-effectively achieved, partly because

these allow for a smaller number of units of coordination, and partly due to the move to synchronisation of delivery districts of provincial departments such as Social Development and Health with municipal boundaries. Although the boundaries of these delivery districts are not coterminous with those of the district municipalities (which would allow for the greatest institutional elegance), they do maintain the integrity of local municipal boundaries.

It seems clear that integrated development planning within Mbashe has yet to emerge, in spite of a clear commitment and energetic planning within the municipality. The focus of this paper has been on LED, but with reference to the importance of linkages to other aspects of local integrated development, such as active creation of employment and contracting opportunities in relation to infrastructure development, thereby meeting infrastructural needs while creating opportunities for LED. A reading of the IDP and inputs from the Municipal Manager and members of the LED Sub-Committee indicate a general understanding of the principles of integrated development planning, and of the linkages between LED, poverty alleviation, gender equity, infrastructure development, safety and security and institutional development. However, strong needs for further assistance in planning and project management expertise and for innovative ideas have been articulated.

Interestingly, it is not the shortage of innovative project ideas that seems to hamper integrated development planning, in general, and LED, in particular. Rather, it is the mobilisation of external agencies, both public and private, and their resources that constitute the most pressing needs. Such mobilisation requires knowledge by municipalities of plans, programmes and resource availability, as well as project management skills to package local needs into project format and link those projects to available programmes and funds. Where such mobilisation has occurred, it has happened in the context of external facilitation, most particularly in developments around Dwesa-Cwebe. There, support from service providers, the Amatole District Municipality and the Eastern Cape Development Corporation illustrate the roles of institutional agents in resource mobilisation. Again, what appears to have galvanised this active external interest is the awareness of local needs and opportunities created through the Wild Coast SDI and, more particularly, the mobilisation of resources in the context of the land restitution settlement. The size of the resources that were made available in this case and the strong interest by state agencies to ensure that the ecological integrity of the Dwesa-Cwebe Nature Reserve be maintained, have drawn a range of national and provincial government departments, parastatals and community bodies (particularly the Dwesa-Cwebe Land Trust), as well as an assortment of service providers, into a comprehensive planning process. In this instance, it appears that planning support and institutional integration followed resources, rather than the reverse.

Is this an inescapable reality that should be given more credibility than the theoretical position that effective institutional integration will bring greater resources in response to local needs? I would argue that the “wish list” characteristic of many IDPs, including the Mbashe IDP, is not only associated with

poor project conceptualisation and poor project planning, but, perhaps more strongly, with a desperate need for resources by municipalities. Mbashe, with its high rate of unemployment, widespread poverty, levels of service, and an economy dominated by the government sector (Mbashe Local Municipality, 2002), is locked in a vicious dynamic in which the larger the development need, the smaller the rates base, and the larger the need for external resources. Although fiscal flows associated with the municipality's equitable share of national revenue do bring funds into Mbashe, such funds cover only a portion of the basic service requirements of the area and leave LED completely without dedicated funds (Mbashe Local Municipality, 2002). LED, then, appears to be the "unfunded mandate" par excellence.

The concerns of municipalities regarding funding for LED emerged again in a District Workshop held in November 2002 as part of the new PGDP process (PGDP Project Management Unit, 2002). Several of the participating district municipalities confirmed that they would, without hesitation, change their LED plans, and even their IDPs, to suit resource availability, even after formal adoption of these plans in the designated forums at municipal level. This indicates again the desperate need for financial resources, on the one hand, and the vanity of participatory and integrated planning in the face of severe resource constraints. Combined with fragmentation of planning within the provincial and national spheres, this reality leaves poor municipalities scratching for any available hooks on which to hang development projects. This constitutes de facto "top-down" LED, but of a fragmented variety. Even where integrated planning frameworks exist at provincial level, their contents are not widely communicated and they are accessed with difficulty, as experienced directly during my research. At the same PGDP District Workshop, participating district municipalities also expressed limited knowledge of the integrated plans of the provincial government.

The Mbashe case is illustrative in this regard. Even though the Mbashe IDP was studied during the development of the TRIP document, and a selection of large projects were included in TRIP, this cannot be said to constitute active engagement with local needs in planning for the facilitation of LED. The predominance of projects associated with the Dwesa-Cwebe area, or which have been planned for regional purposes (such as the upgrading and partial rerouting of the N2 and the East London-Umtata Railway Line), is perhaps no accident. These are the ones that have attracted attention in a rapid planning process as the best-known options for stimulation of development. Planning frameworks designed for larger geographical areas, such as the former Transkei or the Eastern Cape Province, also require projects that will generate multiple spin-offs and show tangible results.

The question that arises is whether this means that the Mbashe Local Municipality will remain trapped between, on the one hand, top-down plans that incorporate projects that have already attracted either resources or interest from other spheres of government, and, on the other hand, local micro-based planning aimed directly at local needs and facilitated through donor-funded entities. Top-down LED appears to perpetuate itself, whatever its sector of focus or its stated target beneficiaries. Unless this

approach to planning at the broader level is altered, a municipality such as Mbashe will not be able to escape this trap.

One key ingredient is active participation by municipalities in planning processes that cover larger geographical areas than the municipal areas of jurisdiction. Neither the PGDS, the Integrated Provincial Development Programme, nor TRIP have included significant involvement from municipalities, except as key informants for service providers or sources of documentation. As shown above, reliance on documentation and even interviews with selected officials can still mask a dynamic of piecemeal, resource-led development, even when attempts at integrated planning are being made and innovative approaches are being tested (without resources, these will remain test cases).

The Integrated Sustainable Rural Development Strategy (Government of the Republic of South Africa, 2000), although designed at national level, is more of a guide to shifting the planning dynamic in favour of needs-based (particularly pro-poor) planning than an actual plan. Although, for the medium-term, financial resources will continue to be packaged within national and provincial departments, the longer-term vision is for the transfer of funding directly to municipalities in the form of intergovernmental grants to place national and provincial departments increasingly in a service provider role in terms of integrated plans developed at the municipal level. Implementation of the Integrated Sustainable Rural Development Programme (ISRDP) has yielded mixed results, which leaves us with little evidence on which to base an assessment of the effectiveness of this attempt to shift the planning dynamic. The RuLiv Programme, which has been incorporated as a pilot programme of the ISRDP, has had a limited effect on integration of government interventions within the Mbashe Local Municipality.

There is, therefore, a need for the mobilisation of far greater resources in support of planning in areas such as Mbashe, but if this resource mobilisation is confined to financial and project management resources only, without a concomitant mobilisation of institutional support, the top-down approach to LED will continue and poor communities will remain at the mercy of externally planned and funded projects. Even the experience of participatory planning is likely to sour in the face of post hoc alterations of plans in the face of new information on the best hunting grounds for funds. Even the much-vaunted varieties of the new tourism, such as Afrikatourism (cf. Palmer & Viljoen, 2002), will continue as isolated endeavours that face financial crisis as soon as larger-scale investments to which they are attached dry up. The real innovations in the approach to LED in Mbashe are institutional. These include institutional arrangements for the mobilisation of community participation in road maintenance, agricultural revitalisation and crime and safety. These are the kinds of institutional arrangements, developed under the guidance of municipalities, that hold potential as vehicles for integrated development practice. These are the kinds of institutional arrangements through which employment/economic development and infrastructure needs can be met while encouraging local people to take ownership of their surroundings

and lives. This is the principle that underlay the Reconstruction and Development Programme's (African National Congress, 1994) emphasis on community-based public works and development with democracy.

However, these approaches are unlikely to develop beyond the micro-scale unless the structures of the provincial and national economies are changed. The insistence by the national government on fiscal restraint and utilisation of markets for service provision and investment, as provided for in *Growth, Employment and Redistribution: A Macroeconomic Strategy* (Government of the Republic of South Africa, 1996), limits the opportunities for active state investment in response to locally identified needs, locally negotiated plans and with a view to active crowding in of private sector investment. Although there are international structural economic constraints that impact on the scope for endogenous economic development in developing countries (cf. Adedeji, 2002; Adésinà, 2002; Amin 1994; Bond 2000 & 2001; Gore, 2000), there are also limited opportunities for the national government to adopt neo-Keynesian approaches while working with other African countries, both in the immediate Southern African Economic Community and beyond, to construct alternative approaches to economic development in which neoliberal policies are replaced with credible alternatives (Bond, 2000; Fine & Padayachee, 2001; Le Roux, 2001; Michie & Padayachee, 1997; Wittenberg, 1997). Until these opportunities are exploited, the provincial and local spheres of government will be limited in their ability to engage in truly integrated and participatory planning. Even where participation is achieved and plans are integrated, the dynamics of resource mobilisation will remain piecemeal and top-down.

Restructuring and development of administrative arrangements in all three spheres of government are still underway. The problems associated with this process are particularly apparent in the Eastern Cape Province, in which the civil services of two former "independent homelands" had to be amalgamated with remnants of the former Cape Provincial Administration, and in which local government transformation is being undertaken in resource-poor conditions. The most recent call for assistance by the national government in improving the service delivery function of provincial line departments is testimony to the on-going difficulties. The administrative difficulties and limited project management experience at provincial and municipal levels are likely to remain as constraints to the application of financial resources, even if these are mobilised through more active public expenditure by provincial and national government departments.

Conclusion

The challenge to the state is an enormous one that requires multiple and integrated mobilisation of plans and resources. In current practice, top-down LED (cf. Nel, 2001) continues to be reproduced through the selection of projects that have already attracted some resources, and by developing larger projects that create new opportunities (and encouraging municipalities to take hold of them). At the same time, local municipalities are still left out of the planning loop and are involved after the fact. Municipalities are

expected to identify local needs and plan an LED programme that will serve as a mechanism for the deployment of a range of resources in meeting those needs. Yet, resource availability and deployment are defined elsewhere, leaving municipalities off-balance and guessing. Unless there is active investment in municipal planning, synchronisation of planning cycles that privileges local level planning, and integration of planning in support of local needs, integrated development planning at municipal level will be left with a disjuncture between formal participatory planning processes and their implementation, with the latter defined more in terms of resource availability rather than consensus positions reached at a local level.

South Africa's macroeconomic strategy, with its promotion of fiscal restraint and active eschewal of even a neo-Keynesian approach to state investment, leaves limited room for large-scale mobilisation of resources. The emphasis on market solutions also promotes the market-led approach to LED in terms of which an entrepreneurial search for market opportunities remains the only realistic option available to municipalities and in which competition for resources within and between municipalities becomes unavoidable (also see Cabus, 2001; Helmsing, 2001; Maharaj & Ramballi, 1998; Rogerson, 2000; Wolfson, 2000).

Municipalities with poor rates bases are in a particularly invidious position in that they face the most severe developmental challenges while requiring the greatest financial support (coupled with difficulty in attracting skilled personnel). Principles such as "pro-poor", "gender mainstreaming" etc are added after the fact or applied most successfully in micro-projects facilitated by progressive NGOs. There appears to be a significant need for investment by the national and provincial spheres of government in planning at the local level, in support of an integrated approach to development, and an active deployment of resources to turn plans into reality and to crowd in private investment.

Although appeals can be made to the responsibility of capital to invest in the reconstruction of South Africa, experience shows that capital responds most actively where opportunity is created. Such opportunity has to be created in the former Bantustans by increased public expenditure, not in a disjointed manner, but integrated with IDPs and their LED components. Although the level of need in areas such as the former Transkei tempts one to insist that any development is better than none, the market-led approach to LED clearly holds the least advantages for the poor and might lock them in economic relationships where even their last remaining resources (their cultural practices and natural environments) are commodified in a situation of deteriorating terms of trade (also see Clancy, 2001; Cottrell, 2001; Cooper & Morpeth, 1998; Little, 2000; Palmer & Viljoen, 2002; Viljoen & Naicker, 2000).

The "local" is necessarily embedded in larger contexts, including provincial, national and international economic contexts. Local needs arise in these overlapping contexts and resources are deployed within the institutional frameworks created around government and capital. The national context is situated within

an international context in which the options for developing countries have been limited. The local in the global context is seen most concretely in the active competition between urban areas to attract international capital by improving their “investability” (cf. Begg, 2002), but it is to be found in the rural areas of the third world also in terms of the effects of macroeconomic policy on employment levels and public expenditure and on the solutions adopted for social services. What is needed is active challenge and change to the institutional arrangements through which policy and planning are deployed, and an active approach to the construction of alternatives to continued marginalisation of developing countries, regions and localities.

In this regard, Mbashe serves as a useful example of both challenge and scope for opportunity and intervention. It supports the rural development lessons distilled by authors such as Singh (1999) and provides useful insights for debates around the interlinking of national, provincial and local level planning, particularly in addressing the development challenges in the former Bantustans.

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