eThekwini Municipality’s economic development-related capital programmes: Improving the prospects of the urban poor?

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Considerable attention has been focused on post-apartheid urban development challenges facing local government in South Africa. Much of this attention has reflected the national priority areas of basic needs and housing-related delivery priorities. However, there is a growing body of research and writing which examines the local economic development agendas and activities of local government in South Africa’s cities. This paper examines one such city, namely Durban. The intention of the paper is to understand the policy intent underlying the design of local government-funded, economic-oriented capital investments that have been managed within the context of municipal local economic development programmes. The paper also provides some preliminary reflections on impacts.

Introduction

In South Africa’s environment of high and persistent inequality and sustained levels of urban poverty, it is important to understand policy foundations and factors impacting on the development of local government policies and their conversion into resource allocation decisions. This environment of underdevelopment has prompted most municipalities in post-apartheid South Africa to allocate the bulk of their capital expenditure to programmes aimed at rolling back apartheid’s legacy. However, in the ten years since the first democratic elections, municipalities have also had to confront the requirement of meeting expenditure-sapping maintenance schedules on existing infrastructure and making new capital investments in pursuit of the country’s twin obsessions of growth and employment. Responses to these pressures by South Africa’s big cities have been somewhat erratic and suggest the presence of complex processes underlying decision making.

The paper will discuss these processes and provide a measure of insight into how one city has sought to confront these challenges in a manner less informed by grand narratives than by the pragmatic and often expedient choices that are characteristic of local governments the world over. The paper focuses in particular on one element of Durban local government’s recent programmes, namely economic development-related capital expenditure.

South Africa’s Post-Apartheid Urban Challenge

Apartheid policies have left a legacy of economic, racial and social scars across South Africa’s urban landscape. These policies sought to marginalise black South Africans from the opportunities that an urban existence might otherwise have offered through denying them rights to citizenship and ownership of fixed assets, and often violent repression of forms of social and economic organisation. The collapse of apartheid-based controls on urbanisation in the late 1980s led to burgeoning informal settlements. In this context it was no surprise that a key pillar of the Reconstruction and Development Programme (RDP) – the newly elected democratic government’s key policy framework – placed housing and the delivery of basic needs through large-scale public works programmes at the heart of the state’s redistributive agenda.

In addition, the government placed considerable emphasis on the urgent need to transform the structures and systems that underpinned local government. Not only was there a need to recast the fragmented race-based spaces into new democratic urban spaces, but the powers and functions of local government also needed to be reconstituted. The South African constitution gave
...recognition to local government as a third sphere of government with its own powers and functions. This was followed by the Local Government Structures and Systems Acts which sought to define the types of municipalities and their mode of operation alongside a commitment in policy to ‘developmental’ local government. By late 1999 the process of recasting local government had entered what was viewed as its final stage with basic needs and housing delivery programmes capturing the bulk of local government and national government attention.

Town and cities of developed countries had been explicitly tackling their local economic development challenges since at least the 1960s. However, it was only during the processes of post-apartheid local government transformation in the 1990s that local economic development (LED) emerged as a significant and explicit area of local government interest.3

In these urban policy frameworks LED was generally seen as a necessary part of an integrated drive to improve the quality of life of black, and particularly African, urban residents. Programmes such as the Department of Provincial and Local Government’s (DPLG) LED Fund provided opportunities for municipal actors to apply for funds to cover the costs of projects to improve the prospects of the urban and rural poor. These ranged from projects to support small-scale chicken farming to community-based tourism initiatives. Local governments over this period began to experiment with LED initiatives regardless of these national policy exercises as many municipalities and local stakeholder groups sought to respond to a much wider range of economic development challenges.4

Integrated Development Plans (IDPs), which capture the medium-term plans of municipalities, began to reflect an array of LED activities.5 The DPLG made an effort to provide a more prescriptive framework for LED, but to date little has come of this other than guidelines on suggested LED practice. In many ways LED practice in urban South Africa has therefore evolved in spite of, rather than because of, national policy, and as a result it is highly variable from place to place in both content and form.

Durban’s Economic Context

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. The impact of these reforms, together with the legacy of apartheid, has been enormous on cities such as Durban. Not only have democratic local governments inherited local economies with among 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. During the 1990s Durban’s economy grew at a relatively meagre 2.3% compared to 4.5% for Johannesburg.6 Only since 2001 has Durban’s growth performance caught up and surpassed national GDP growth, growing at 4.2% between 2001 and 2002. This lag in growth performance can be attributed to Durban’s relatively high proportion of traditional manufacturing sectors (such as clothing, textiles, footwear, primary processing of pulp and sugar), many of which suffered heavily with the opening up of the economy, its related increases in competition and declining commodity prices.7

Between 1993 and 1999, the two largest contributors to manufacturing employment, textiles and clothing, had negative growth levels of -2.97% and -1.39% respectively with employment in these sectors halving during the same period.8 The changing sectoral character of the Durban economy is particularly noticeable when looking at formal employment. Where absolute growth in formal employment has occurred, it is in service activities that it has been most significant.9 However, it is the growth in unemployment that has been the most striking aspect of labour market performance in South Africa in the last few years and this is also true for Durban as can be seen in Figure 1. While new jobs have been created and the absolute level of the 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.

In looking at Durban’s economy it is 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 revealing. Drawing on an analysis of the 1996 census, in a report by Casale and Thurlow, 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.10

More recent data reveals that this basic pattern has not improved significantly and in some instances has worsened. Analysis of the 2001 census figures reveals facts such as the growth in informal settlement households from 5.1% in 1996 to 13.7% of total households, that over 5 000 more households have access to electricity, and that the number of households registering zero income has grown by 152%. While public interventions have had a positive impact on the local Human Development Index
Whilst Durban was a pioneer in the development of such an LED 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 implement programmes. Therefore, whilst the policy in the 1996 Green Paper on Economic Development called for a series of programmes aimed at supporting strategies with a view to improving private sector investment and employment creation, growing the region’s share of tourism, creating opportunities for disadvantaged communities and small business development, it did not herald a major new commitment to “policy tools and resources through which to achieve economic development goals”. In particular, funds were limited to some minor research projects to support planning exercises. The municipality remained cautious of seeking to explicitly use its influence in regulation and expenditure on goods and services to achieve the objectives outlined in the policy documents.

However, the commitment of resources did gather pace as Durban moved towards elections for a single-tier metropolitan authority in 2000 and a more substantial economic development programme began to gather momentum.

Early drafts of the Integrated Development Plan (IDP) and the Long-Term Development Framework (LTDF) placed economic development objectives at the heart of local government planning. In the three legs of the strategic policy ‘pot’ highlighted in the LTDF, the emphasis was placed on strengthening the economy, improving skills and technology to underpin development progress, and meeting basic needs by addressing service and infrastructure backlogs. It was recognised that maintaining the status quo in the manner in which municipal resources were managed, with respect to economic development objectives, would simply reinforce outcomes that had persisted from the apartheid era.

Throughout this time, strategic planning documents on economic development reflected a requirement that the apartheid heritage in Durban be actively addressed 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 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.

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

**Durban’s LED Policy and Economic Development-related Capital Investment**

In 1996 the plethora of layers of local government systems and structures operating in the greater Durban region was brought together in a transitional local government structure made up of a series of local councils and a 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 and the environment.

- Development, transport and the environment.
- 'Green papers' on matters such as housing, economic development, transport and the environment.
- Action Programme which emerged from a series of policy decisions seek to give some sense of local government responsibilities.
- 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.
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.

Table 1 provides some indication of the programmes and projects that formed part of the economic development interventions of the various Durban local government structures during the period under consideration. Of particular interest in terms of this paper are those projects that were to result in capital expenditure. From the table it can be seen that these formed only one component of a relatively broad set of interventions. These allocations were made possible by the City's strong financial position resulting from its surplus resources in the form of a capital development fund. The municipality was able to use this position to place 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 around R70 million.

The Flagship Fund was geared to meeting the costs of major infrastructure that was seen to have a direct economic rationale (such as a particular transport infrastructure investment that would serve freight links to the port) 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 (ICC). Key allocations from this fund included developments at the Point Waterfront, the expansion of the ICC and development of a 250 ha mixed use light industrial estate – a project which included a major new access road to Durban's largest townships at KwaMashu, Ntuzuma and Imanda.

The idea of the Flagship and Regeneration funds was born out of a combination of factors. Key to council approval for the funds was a frustration shared by business, council office bearers and officials at the lack of progress in the development of the Point Waterfront area. The site, in excess of 60 ha, located at the entrance to the harbour with both beach and harbour frontages, was of historic significance and was seen to offer huge development potential in tourism terms. Development rights had been sold by Transnet in 1994 to a Malaysian-led empowerment consortium, Rocpoint. Only minor progress had been made with planning approval and construction by 1998. Renong, the Malaysian parent company (now controlled by the Malaysian government), had suffered in the Asian financial crisis of 1997 and could not muster either local partners or international funds to get the project moving. After a number of appeals by municipal delegations, including drawing on strong political connections between senior African National Congress (ANC) leaders in government and Malaysian political leaders, the Durban Metro Council team working on the project (a joint political/official team) recommended that should they want progress on the project to be made by 2000 they would have little choice but to drive development with public funds. The confusion surrounding the development and its lack of progress had resulted in the private investment community treating the initiative with considerable suspicion and it was only prepared to come on board as a limited partner.

The interaction between local business leaders and municipal political and bureaucratic role-players led to the formation of an informal coalition aimed at shoring up support for the proposals to get the project off the ground. Together these partners made a case that getting the Point development moving was critical to improving investor confidence in the City and would be an essential element of activities to recover the City's flagging tourism sector. This influential local group also secured provincial and national support for a series of proposals. Informed by supporting technical work, which concluded that such a public commitment could be made without endangering the municipality’s financial sustainability, approval in principle went through with little resistance.

Subsequent proposals were tabled which took the approach of strategically weaving together expenditure on what was obviously a growth-oriented project with a host of other initiatives that municipal officials had been working on at community level. This combined budgeting proposal was carefully negotiated by senior officials and politicians in an effort to pre-empt any criticism that the major investment commitments would simply reinforce the existing pattern of economic activity and do little for black residents of the City. This strategic packaging was also reinforced by support of the black business community who saw such a major public investment commitment as an opportunity to secure empowerment-related contracts in a context of weak local economic activity which had persisted through much of the 1990s.

However, the packaging of what was to become the Regeneration Fund together with the proposed Point expenditure was not only a matter of expedience. The restructuring of expenditure required by the Point project provided a much needed opportunity for officials to make the case for regeneration-type economic capital projects on their own merits. These had traditionally been seen as either being outside local government’s mandate by conservative officials or as lesser priorities by politicians understandably obsessed with housing and basic needs projects which had guaranteed impacts on their constituencies.

In this context it was not uncommon for local political leaders to insist that plans for housing projects forego space for potential future commercial development in new development nodes and rather secure the additional space for extra housing units. Despite scepticism, officials managed to convince political leaders that the municipality would need to step in as developer of last resort. This would enable the council to confront market and confidence-related failures that not only characterised townships denuded of formal economic activity, but had also begun to blight traditional commercial and industrial cen-
ttes. These areas were suffering from a combination of obsolete infrastructure and buildings and from the effects of a substantial decline in the quality of municipal services as attention had turned to the extension of services to previously unserviced communities.

Key to persuading influential officials of the case for these projects was the analysis of projected income trends from property taxes, which showed how dependent the municipality was for its rates income on the maintenance of property values in both primary and secondary commercial and industrial nodes. This was supported by a series of reports which showed that the withdrawal of mortgage-based lending from these areas by established financial service providers, and its complete absence from townships, was a major constraint to the development of vibrant economic activity and sustaining employment. Politicians had also become more aware of community concerns at the lack of economic opportunities – both in terms of households with high levels of unemployment and local or aspirant entrepreneurs frustrated at the lack of business infrastructure to scale up their activities and take advantage of large township markets.

In many instances project ideas had been in the public domain for a period of time and had entered the public discourse of ‘development needs’ of the local community and were articulated through various development forums or community consultation processes. Although these projects were rarely authentic bottom-up initiatives, many had their roots in development processes relating to township upgrades that had significant local buy-in from a range of civic structures that were still active in the early to mid-1990s. Equally so for commercial and industrial regeneration projects which were formulated out of the growing number of consultation exercises that characterised this period of local government where an ongoing search for legitimacy emphasised sustained consultative processes and buy-in.

While the origins of these projects could, in many cases, be linked back to processes with a relatively strong community participation ethic, their conceptualisation and conversion into formal proposals within the ambit of the Regeneration Fund rarely saw them as explicit and direct interventions to reduce poverty. More often than not reports to council and supporting studies motivated for the projects on the basis that they were creating opportunities for small, medium and micro-enterprises (SMMEs), building an improved economic fabric, reinforcing the economic and employment potential of existing businesses and securing property values to ensure sustainability of the rates base.

There were a number of exceptions where project processes themselves were designed to provide local employment in their development and existing community formations were intimately involved with design and implementation aspects. Economic development staff, and colleagues from other departments sensitive to the economic development agenda, 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 a set of services but also leveraged other opportunities.

Despite being under-resourced and in some cases under-skilled in managing programme and project interventions to maximise the impacts on the poor, efforts were made to secure secondary resources and matching processes such as contractor support in a manner that was absent from many mainstream council projects. For instance, a project in Tongaat Town Centre involved officials gathering local businesses together to talk through options and priorities and to contribute to detailed planning exercises. This allowed traders to plan construction activity that would not interfere with their passing trade and to make alternative plans.

The processes also built confidence among formal traders who were able to approach financial institutions to reinstate mortgage lending. A further example of a project which was successfully able to leverage such benefits for the urban poor was the much documented Warwick Triangle project centred around Berea Station in the Durban Inner City.18 This project effectively integrated policy sensitive to the needs of the urban poor in the form of street traders with substantial infrastructure reorientation to meet the daily needs of almost a million commuters and informal traders.

However, the lack of familiarity of many council officials with this type of community-oriented development work and the inflexibility of its bureaucratic processes often left these initiatives with little in the form of ongoing support. Processes also were generally devoid of effective monitoring and evaluation, and as such little concrete evidence could be provided for impacts. Monitoring failures led to the leverage effects of projects being curtailed.

Problems were also encountered with limits in terms of access to operating funds needed in support of capital projects, for capacity building and ongoing project support.

The Flagship Fund had as its focus two main projects in the form of the uShaka Marine World and Point Waterfront investments, and the development of the Riverhorse Valley Business Estate and its related infrastructure. The management of these two public investment drives was handed over to Moreland, a land development company of the Anglo American Corporation’s subsidiary Tongaat-Hulett, as part of a public-private partnership agreement.

In terms of the agreement Moreland would lend their development credibility and skills to managing the Point process (for a market-related fee) and the municipality would cover the infrastructure costs to bring onto the market well-located light-industrial land at Effingham Avoca belonging to Moreland (the future Riverhorse Valley Business Estate) in a 50:50 joint venture.
Despite considerable (and largely successful) efforts to allocate the bulk of development contracts to black-empowered consortiums, the two projects had little in terms of explicit activities seeking to make them relevant to the poor apart from indirect trickle-down effects of employment and economic growth. Whilst opportunities did exist to scale up public works opportunities and to consider creating effective linkages with processes likely to benefit the poor, these were largely bypassed. This was due in part to the lack of experience the private sector partner had in leveraging projects for the poor, but also due to the fact that, beyond the empowerment objectives in procurement activities, little effective direction was given on a consistent basis to those managing the project activities. This lack of attention to leveraging either the construction processes or the end products, in terms of their direct impacts on poverty, was also aggravated by pressure to complete the design and delivery as rapidly as possible so as to avoid cost escalations that a weakening exchange rate, high interest rate and relatively high level of construction cost inflation was having on the project. This was a shared concern of both the development managers and the council as they were aware that the somewhat fragile alliances that had been struck to initiate this scale of public expenditure on economic development-related projects would be damaged by the cost overruns that often characterise such large fixed investments.19

Reflecting on the Experience and Related Influencing Factors

Between 1998/99 and 2001/02, capital funds for economic development, compared to allocated economic development operating resources, had an estimated ratio of 7:1 in favour of capital investments. The scale of this commitment, close to one-fifth of total municipal capital expenditure in the period, reinforces the need to assess the intent behind this level of commitment in a context of a City where almost one-third of households live in poverty.

In broad terms the commitment of the municipality to tackling poverty through its more traditional instruments is difficult to fault.20 Whilst the language of ‘pro-poor ori-

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**TABLE 1: A SUMMARY OF LED PROJECT INTERVENTIONS IN DURBAN, 1996-2001**

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<tr>
<th>Project</th>
<th>Programme</th>
<th>Description</th>
<th>Capital/ operating</th>
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<tr>
<td>Community support</td>
<td>Community support projects</td>
<td>A range of projects in township and peri-urban areas with funding in support of community-based income-generating projects (urban agriculture, crafts, business training, skills development, etc)</td>
<td>Operating</td>
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<td>income projects</td>
<td>SMME Support Fund</td>
<td>Operating grant to Thekwini Business Development Centre for bulk of operating requirements SMME Fair Craft training Policy process to set in place affirmative procurement policy Research into informal economy</td>
<td>Operating</td>
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<tr>
<td>Small business</td>
<td>SMME Support Fund</td>
<td>Annual research programme on tourism trends and feasibility studies Grants in support of planning for new tourism nodes in township and peri-urban areas Grants in support of marketing and managing events with a tourism orientation Support fund for establishment of community tourism organisations in township and periphery areas Tourism marketing organisation support: Durban Africa</td>
<td>Operating</td>
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<td>development</td>
<td>Tourism Fund</td>
<td>Public-private partnership project to improve city’s responsiveness to investors (Best Practices City Commission) Marketing materials and information gathering Studies commissioned on key business trends Annual funding of non-profit investment facilitation and marketing company Incubator for new technology businesses and training centre (SmartXchange) Knowledge support centre for regional biotech (Lifelab) Establishment and facilitation of joint initiative between 40 regional auto firms including support for new entrants Facilitation of interaction and sharing of plans between major chemical firms</td>
<td>Operating</td>
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<tr>
<td>Private sector</td>
<td>Private sector and investment marketing fund</td>
<td>Development of major economic development infrastructure projects</td>
<td>Capital</td>
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<td>development</td>
<td>Point redevelopment</td>
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<td>River Horse Valley</td>
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<td>Business Estate</td>
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<td>ICC expansion</td>
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<td>Flagship fund</td>
<td>Tourism Fund</td>
<td>Upgrade of business centre environments in townships, town centres, business nodes and tourism nodes</td>
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entation’ is relatively recent 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 reworking its budget to invest the bulk of its capital and operating resources in communities that had the worst access to services. Despite having among the worst housing and basic services backlogs of any city in the country, Durban has consistently delivered more housing units and more electricity and water connections than other South African cities.

To what degree then did economic development policy frameworks give attention to the needs of the poor in the last decade? Views expressed on this subject, sourced from stakeholders and past research, are somewhat more ambivalent than those on the overall pro-poor orientation of the municipality’s 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 economic development policy frameworks identified the challenge of poverty as a key issue and proposed a range of responses to poverty.

During the period under consideration allocations to economic development increased substantially. Operating budget allocations rose from about R500 000 (including staff) in 1996 to more than R30 million in 2004 (with the bulk of these funds going to tourism and investment marketing bodies). Capital 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, 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 26% of total capital budget allocations.

According to staff interviewed, projects which might have had a direct impact on the poor in capital terms, in that they were located in physical proximity to the poor and identified them as the primary beneficiaries of the day-to-day operations, made up only 15–20% of capital allocations. However, the bulk of staff time allocations continued to be on projects oriented towards 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 participation intensive in design and the fact that day-to-day management of much of the capital project work was outsourced to public-private partnership entities. Township projects, on the other hand, 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 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 with communities 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. These linkage efforts were to a large degree absent or did not receive the requisite attention. Recognising that for the poor it is often people-based projects which transfer skills over a sustained period that are more meaningful than 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.

Rogerson’s discussion of the benefits from matching sectoral interventions with Johannesburg’s inner city re-development activities suggests that physical upgrades alone are insufficient to reach the poor from an economic development perspective. The allocation of capital resources, whilst commendable, was from a developmental perspective not necessarily always the most appropriate tool in meeting the needs of the poor where it was not leveraged for their benefit.

In interviews with local government officials and NGOs it was argued that the lack of an explicit local policy on dealing with poverty was also a problem as its absence might have contributed, to some degree, to the marginalisation of the poorest of the poor in some 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.

In the early post-RDP period the country’s new 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 grew 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 more time in front of various committees and less time out in the field. The consequence 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. Whilst corporate participation processes (in IDP activities for example) 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.

Despite some recognition of these capacity constraints and a commitment to participation at some levels, there was a cautious approach in the municipality to partnerships. The notion of such partnerships are only hinted at in municipal IDP documents. Interviews with municipal officials revealed a level of concern about entering into partnerships with NGOs or community-based organisations (CBOs) as politicians felt newly created 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 as a consequence of apartheid-era funding frameworks. However, respondents tended to be less cautious about partnerships with business as the view was expressed that businesses did not necessarily present the same capacity shortfalls or potential local political concerns that NGOs and CBOs did.

Taking these perspectives into account it is therefore not surprising that the most notable partnership operating during ten years after 1994, known as the Durban Growth Coalition, grew from a series of high-level engagements between prominent 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 series of major projects and involved lobbying with national government ministers. As the coalition formalised it developed a programme that included transforming the leadership of local business organisations 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 during 2002. Ultimately the coalition did not give serious attention to the challenges faced by the poor and as its name suggests was unashamedly growth-focused in its agenda. A different approach at this level and more explicit leadership related to issues facing the poor could have led to both Flagship and Regeneration Projects being cast in a very different light.

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 process 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 bypassed. The persistence of an economic structure that is highly unequal and distorted has certainly aggravated problems of poverty.

Concluding Comments

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 it could be argued that Durban might not have exploited this space enough and that it has not used this space primarily to the benefit of the poor, the fact that it has responded to its core basic needs delivery mandates in a comprehensive manner and on a significant scale has certainly laid a platform for improving the quality of life of its citizens.

However, the experience of Durban’s capital spending for economic development purposes has, to a large degree, lacked in intent to impact meaningfully and directly on the lives of the poor. A municipal official suggested this might have something to do with the fact that the bulk of municipal spending has poverty-reduction programmes as its direct focus, leaving economic development spending to respond to other objectives. However, the opportunities that were at least theoretically available to leverage large-scale capital spending on economic projects to the benefit of the poor were not taken up. In an environment of rising and deepening levels of poverty accompanied by high levels of inequality, this surely must be corrected in the design of future policy interventions.
The activity under the Regeneration Fund in particular was eclectic enough in its spread across activities to offer some insights and examples as to how this may be done, lessons which are equally true for larger scale projects such as those in the Flagship Fund expenditure category. An environment of improved economic growth, as has been experienced in the past few years, could provide far more opportunities for creative approaches to interventionist LED leverage projects where greater private sector risk taking might allow for public resources to be redirected to activities that more directly benefit the poor. In this light the notion of capital spending behind economic development programmes need not be abandoned, rather it should be reinforced with improved processes to empower the urban poor and be supported by appropriate levels of investment in developmental expertise, innovative and inclusive partnerships and better thought-out and funded linkage strategies.

Notes & References

2 The Durban Metropolitan Council became the eThekwini Municipality in 2001, but the place name for the City remains Durban. In this paper the term Durban generally refers to the greater Durban region.
3 This is not to say that apartheid-era local government did not address economic development challenges, but rather that these efforts were rarely part of an explicitly articulated programme, nor were the constitutional provisions in place for developmental local government.
7 A further factor to consider is the sustained political violence which characterised the region for much of the late 1980s and early 1990s. See M Morris, J Barnes and N Dunne, ‘From Import Substituting Industrialisation to Globalised International Competitiveness’, in B Freud and V Padayachee (eds), Durban Vortex: South African City in Transition, Pietermaritzburg: University of Natal Press, 2002.
16 Credit rating agencies have consistently given Durban the highest ratings of any municipality in the country. This has much to do with the risk reduction effects of the existence of the Capital Development Fund created in 1957 with the objective of enabling the municipality to borrow from its own resources for major investments. V Padayachee, ‘Financing Durban’s Development’, B Freund and V Padayachee (eds), Durban Vortex: South African City in Transition, Pietermaritzburg: University of Natal Press, 2002.
17 This informal coalition was later to become formalised as the Durban Growth Coalition.
19 Despite this caution, the weakening exchange rate, delays and under-estimates did result in the Point project in particular exceeding its initial cost estimates by more than 25%.
20 This widely recognised success is contest- ed by some: A variety of commentators point out that in many cases Durban’s rigorous financial controls not only meant that less money was spent than could have been, 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 the 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.
23 Relative institutional stability compared to the traumatic processes in cities such as Johannesburg, but not without its problems – such as four municipal managers in three years between 1999 and 2002.