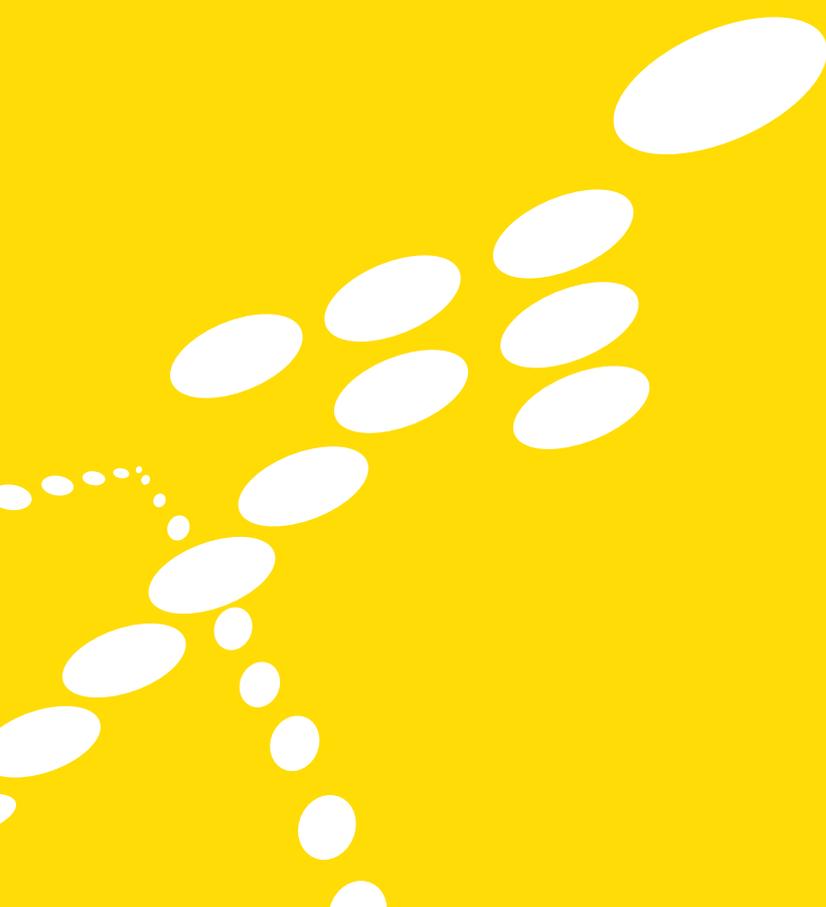




5 YEAR
REVIEW
2005-2010



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LIST OF ACRONYMS USED

ADM	Amathole District Municipality
AEDA	Amathole Economic Development Agency
CBD	Central business district
COGTA	Cooperative Governance and Traditional Affairs
DPLG	Department of Provincial and Local Government
DTI	Department of Trade and Industry
ECDC	Eastern Cape Development Corporation
EDD	Economic Development Department
EU	European Union
GIS	Geographic information systems
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit (GmbH)
ICT	Information and communication technologies
IDC	Industrial Development Corporation
IDP	Integrated development plan
LED	Local economic development
LEDA	Local economic development agency
NDPG	Neighbourhood Development Partnership Grant (National Treasury)
OECD	Organisation for Economic Collaboration and Development
OD	Organisational development
PSC	Project steering committee
RIDS	Regional Industrial Development Strategy

A five-year review of Aspire,

Amathole District Municipality's Economic development agency

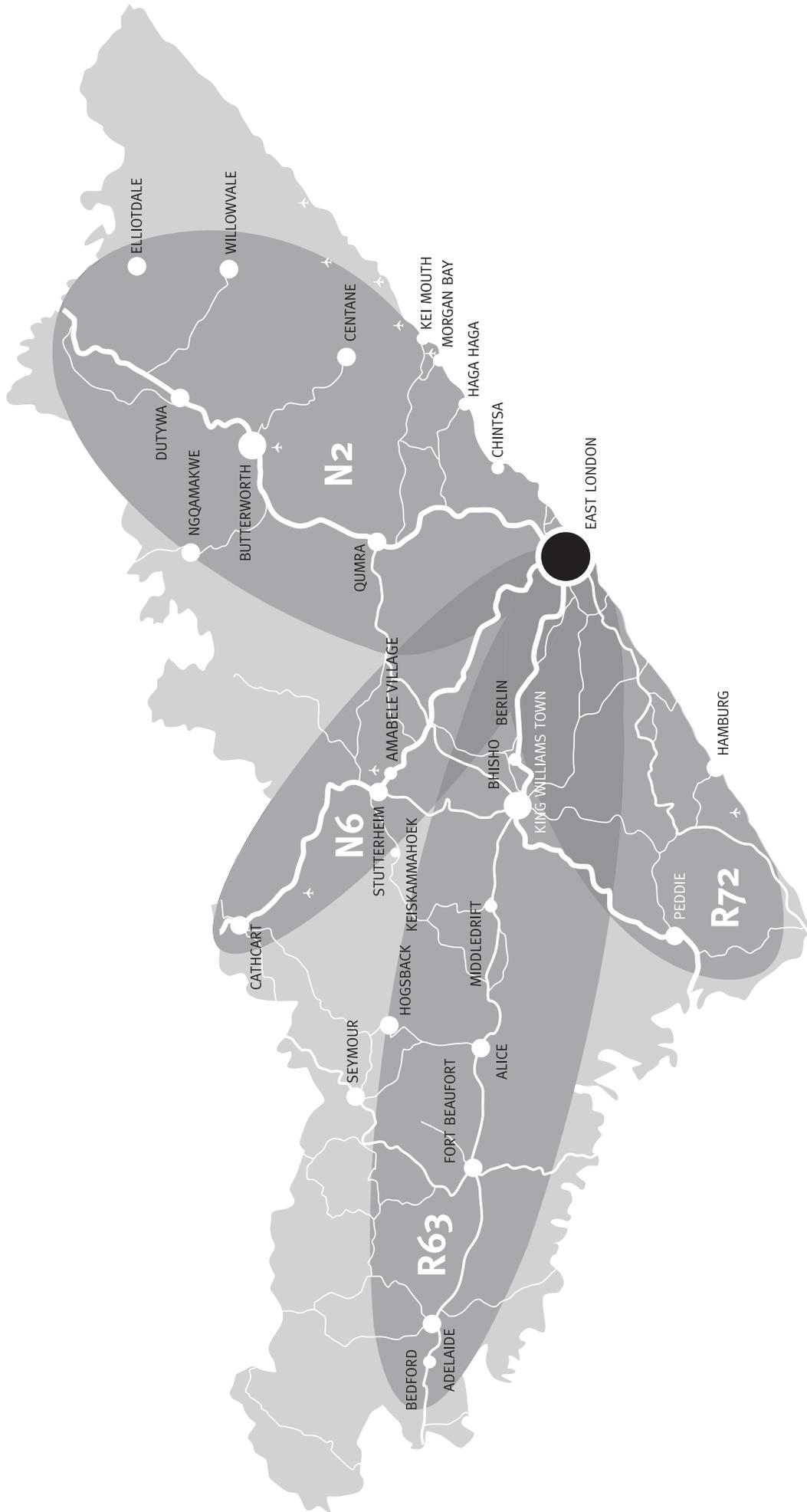
EXECUTIVE SUMMARY

This review was commissioned by Aspire, the Amathole District's regional development agency. The review describes the progress of the agency since 2005 and provides an analysis of its work. The significant lessons learned by the agency in the delivery of regional economic development are identified, and a series of recommendations are set out for consideration by the Board and senior management. The conclusion drawn by the review is that Aspire has developed an effective management process for intervening in regional economies. The strategic paradigm it has chosen – small town regeneration within spatial economic corridors – has been well researched and has widespread acceptance by its stakeholders, including funding agencies. The agency employs participatory approaches in the delivery of its work in line with its mandate from its parent body, the Amathole District Municipality (ADM), and works closely with both municipalities and communities. The review concludes that the agency has developed effective mechanisms for intervening in Amathole's regional economy and can enhance its own understanding of these mechanisms by further consideration of the processes it has at its disposal to measure the impact of its work. Aspire's management is of the view that it should consider relinquishing some of its implementation role and revert to a stronger facilitation role. The review supports this perspective, and especially encourages increased facilitation with the private sector if public sector investment made by the agency is to leverage a significant private sector response. The report points out that Aspire is unique in South Africa in pursuing regional economic growth through the use of spatial economic development corridors and, as such, can be considered to be a pilot programme.

This review commences from the perspective of Aspire's mandate *to promote and implement development policies in production and development*. It describes why the agency was established, and how Aspire's relationship with the ADM has evolved. The programme that Aspire inherited from the ADM is described, followed by the process that was to lead to a more strategic approach based on small town regeneration and spatial economic development. The progress made by Aspire was found to be significantly and positively influenced by its leadership, supported by the development of a results-orientated approach to management. The relative degree of freedom that the ADM affords to Aspire is recognised as a significant factor in allowing this functional organisational culture to develop. The network that Aspire has built with provincial and national institutions is outlined and the contribution that these institutions make to the work of the agency is explored. Central to Aspire's ability to change things on the ground are the close ties it has established with local municipalities and communities. These, and the way Aspire interacts with both, are examined. The status of each of Aspire's four corridor development programmes are presented as at December 2010, providing a tangible indication of the direction in which Aspire is moving and providing evidence of its progress. The review concludes with 11 significant contributions made by Aspire in respect of regional development and suggests eight broad recommendations for its future.

Aspire has the potential to make contributions to the national policy debate on regional development at three levels. The first is in respect of the contribution it can make in terms of effective management in delivery of regional development, the second concerns the promotion and role of small town regeneration and spatial corridors, and the third is the development and accumulation of social capital through its interaction with communities. The review outlines the contributions that Aspire can make to the national policy debate.

Figure 1: ASPIREs spatial development corridors



1 INTRODUCTION

1.1 Rationale for the five-year review

This five-year review of the work of Aspire, the Amathole District Municipality's regional development agency, has two broad purposes. The **first** is to provide an overview and assessment of the progress made by the agency in the delivery of its economic development mandate through the strategy it has conceived, developed and implemented since its inception in 2005. The review assesses the extent to which Aspire is responding to this mandate and provides feedback on this to the agency and its stakeholders. The **second** is to assess the contribution that Aspire's experiences can make to regional economic development elsewhere in South Africa in the absence of a formalised national regional development policy.

There are a number of other initiatives that can usefully be considered along with this review. One is the Economic Development Department's (EDD's) New Growth Path¹. Another is a Department of Cooperative Governance and Traditional Affairs (COGTA) study that was commissioned in October 2010 to support the development of a small town regeneration policy². A third relevant report is the Industrial Development Corporation's (IDC's) national review of the development agency network, commissioned in late 2010 and to be published in 2011. Pretoria's recent thinking on local government, as set out in the "State of Local Government in South Africa"³, which is described as government's turnaround strategy for the sector, provides a supporting reference, especially in relation to local municipalities.

In summary, the report:

- Provides an overview of Aspire's growth and development
- Describes how Aspire (with others) developed a spatial strategy for economic growth in the Amathole region and how it is implementing this
- Offers feedback to the Board and its stakeholders on Aspire's performance
- Provides additional support and insight to assist Aspire in mapping out its future
- Benchmarks Aspire against the generic constraints that have been found to apply to development agencies
- Begins the process of mapping and packaging the intellectual property that Aspire has developed since 2005
- Advocates for the creation of a more conducive environment for regional development agencies
- Looks at the work of Aspire through the contribution its experience can make to an understanding that is developing of social capital among communities
- Offers evidence to national government for finding a "policy" space for regional development and to identify the role of development agencies within that policy.

Social capital

Government, in discussion of its New Growth Path, has instigated a debate on the role of developing social capital as a driver of job creation in the social economy. The social economy includes co-ops, non-governmental organisations, stokvels and communities. Aspire has developed effective processes that are useful in engaging, organising and empowering communities, and through this, can make a significant contribution to the debate on social capital.

1.2 Management

A significant motivation for undertaking this work is to support Aspire in becoming more conscious of the way in which it is managed and the organisational culture that it has developed. An understanding of the agency's approach to management is central to understanding the progress that it has made. In identifying and synthesising Aspire's management culture and processes, and associating these with its achievements, it is hoped that these techniques will become more concrete and discernible and that their consideration by other South African agencies will be encouraged.

Aspire has developed a strategy for regional economic development, has facilitated the instigation of programmes to drive the strategy, and more recently, has implemented these programmes. Management is now of the view that Aspire's primary role should eventually revert back to a facilitator of development while others support and gradually take on an implementation role. A critical accompanying purpose of this work is to help Aspire identify how it can eventually make this transition back to a more reflective and facilitative organisation at the end of the current planning cycle. The space created for an increased facilitation role might be useful for increasing the level of engagement with the private sector.

1 <http://www.info.gov.za/view/DownloadFileAction?id=135748>

2 Report due early 2011

3 <http://www.polity.org.za/article/state-of-local-government-in-south-africa-october-2009-2009-10-22>

The landscape of regional and local economic development in South Africa is constantly shifting, as will be evidenced by the review of local economic development (LED) commissioned by COGTA in late 2010. The establishment of a National Planning Commission and an Economic Development Department may also have implications for regional development agencies, and these are also considered by the review. The IDC has suggested that, in time, it may wish to move away from direct support of the IDC movement and investigate other approaches to rural development. Each of these changes has implications for Aspire and the rest of the agency movement.

1.3 How the work was undertaken

The review was undertaken by spending eight weeks in close contact with Aspire and its stakeholders. The purpose was to describe the agency and the work it does in some detail, rather than to offer a broad and more abstract external perspective of a regional development agency. The close-up perspective offered by the review is intended to be useful in assisting Aspire in assessing its own performance and, in time, perhaps influencing regional development outside of Amathole.

The approach used is essentially pragmatic. Broad conceptual frameworks have largely been ignored in the body of the review except when they are useful in understanding why Aspire has adopted a particular approach, or whereby, in adopting new principles, the future agenda of the agency might be assisted (such as developing an understanding of the concept of social capital). Aspire is long past requiring a generic perspective, such as might be served by including a history of the regional development agency movement, and no such review is included. Rather, the report is intended as an objective assessment of Aspire. In respect of terminology, the agency was re-branded in 2008 and took on the name, "Aspire", which has since been used in addition to the formal registered name, the Amathole Economic Development Agency (AEDA). For the sake of consistency, the new name, Aspire, is used throughout this review. The review does make extensive use of annexes. For example, in context of the new thinking about agencies, recent work by the Organisation for Economic Collaboration and Development (OECD) is reported on in Annex 7. Annexes contain the more factual and descriptive elements of the study, whereas the body of the document has tried to focus on analysis and informed opinion.

In gathering information for the review, the consultant spent time in Aspire's East London offices, and accompanied its management and professional staff on field trips. In addition, briefings with stakeholders at district and local municipal level were attended, as were meetings with the communities that Aspire serves. Provincial officials were interviewed, as were those at national level with knowledge of Aspire and the agency movement. Discussions with academics assisted in giving a broader perspective of the state of regional and local economic development in South Africa.

1.4 Structure of the report

The review is not a strict chronological account of the development of Aspire. The agency's annual reports from 2005 to 2010 provide such a detailed and sequential timeline and are found on Aspire's website⁴. Comments of the executive mayor of Amathole⁵ and the chairperson of the Board of Aspire⁶, taken from annual reports, have been summarized in table form (Annex 1) to give a loose timeline. Rather, the review centres on developing an understanding of the key events and milestones that have shaped the agency's strategy and the ensuing programme of implementation. There have been times in the history of Aspire (particularly its first two years) when the agency has focused on its relationship with the district municipality and its own institutional development. These activities are explored alongside those more recent periods of intense external activity that have resulted in an impact on Aspire's external environment.

A review should be carried out against some benchmark or criteria. The criteria for this review rest on the mandate given to Aspire in 2005 by its founders, and which is discussed on the following pages. Broadly, this mandate was the promotion and implementation of development policies in areas of economic production and investment in the Amathole region. Given the length of the planning cycle for effective regional spatial-economic development, three years (the plan was approved in 2007) is too short a time span in which to make a quantitative assessment of Aspire's delivery of its flagship small town regeneration programme. To assist in this process of benchmarking and to give it a more objective perspective, Aspire is assessed against a range of constraints previously known to inhibit the performance of development agencies in South Africa (see Annex 5)⁷.

Aspire, from the perspective of the wide range of people interviewed for this work is perceived to be a "success" or an example of "good practice" although these are terms that

Plans and results

"A municipality can have plans, but a development agency needs results."

Aspire stakeholder on distinguishing the roles of a municipality and development agency

4 www.aspire.org.za

5 Cllr Sakhumzi Somyo

6 Dr Mvuyo Tom and more recently Mr Simphiwe Kondlo

7 Development of a Policy Statement or Regulatory Framework to Govern the Establishment and Operation of Local Economic Development Agencies in South Africa, final report (2009)

the management of Aspire does not use. Rather, management says “we are doing *something*”. Part of this review assesses what is meant by “success” in the context of a national background in which regional development has never been adequately defined and in one that by common agreement has generally shown only limited progress.

1.5 Aspire and its mandate from ADM

Aspire was founded as the Amathole Economic Development Agency (AEDA), a proprietary limited company, on 1 September 2005. Its mandate was the “**promotion and implementation of development policies in areas of economic production and investment in the Amathole Region**”⁸. A 20-year economic development strategy, “Khul’ Amathole 2025”, was envisaged, and AEDA was to provide project management experience for this. In time, Aspire abandoned an inherited programme and projects approach, and developed, not without controversy, a more strategic perspective based upon the region’s spatial economy. The agency’s early priorities, as outlined in the 2005/06 annual report, were to:

- Contribute to sustainable growth.
- Facilitate the development of an integrated district-wide economy.
- Develop appropriate and responsive institutional capacity.

Over time, management, in discussion with stakeholders, decided that to make significant impact on its region, a more strategic approach was required than one that focused on specific programmes and projects. A spatial strategy evolved as Aspire’s experience and understanding of the Amathole region and its challenges grew. Not all of the agency’s stakeholders agreed that this was an appropriate strategy, but convinced by the findings of its own research, Aspire has fought for and stuck to its chosen spatial approach. The priorities outlined in 2005/06 say little about implementation and project management, yet these were issues that came to dominate Aspire’s thinking in 2009/10, leading management to consider whether or not Aspire had begun to drift away from its original purpose of facilitation and was becoming an implementation agency. Aspire’s extensive implementation role is an indication of limited capacity elsewhere.

1.6 Aspire and stakeholders

1.6.1 The district municipality’s vision and mission. The *vision* of the Amathole District Municipality is to become a leading, dynamic, innovative, pioneering and focused district municipality dedicated to servicing the needs of its communities and their social and economic development. Its mission includes contributing to the betterment of its communities’ lives through a participatory development process to ensure that they have access to socio-economic opportunities⁹. The role of Aspire is to assist the municipality in attaining its vision and to support a mission that specifically spells out the participatory nature of the development process. Consequently, the agency has no mandate to order or drive development, but must facilitate its progress. It is this facilitation role that binds Aspire to its stakeholders, notably local municipalities and their constituent communities. Facilitation implies “making possible”, suggesting a somewhat elastic role for Aspire, dependent on what others are able to bring to the process of development. Especially in the early years, there was often a vacuum where the contribution of others should have been, and in order to make spatial development possible, it has had to engage in a range of activities, from visioning to project management.

Aspire’s specific role is to assist local municipalities to “do” economic development through supporting the development of partnerships, the acquisition of finance, the provision of technical advice, and the provision of project management. A required skill of its managers is the ability to engage with a range of stakeholders, from isolated rural communities to technocrats in national ministries and departments. The key is the building of networks with counterparts by investing upfront in relationship building – and this takes time. Aspire believes that any subsequent success emanates from this investment and from the consistent involvement of local municipalities and communities in the development process.

1.6.2 Local municipalities. The local municipalities that Aspire works with are the ADM “family” of constituent local authorities. These are:

- **Amahlathi Municipality** (main towns are Cathcart, Stutterheim and Kei Road)
- **Buffalo City Municipality**¹⁰
- **Great Kei** (Komga, Kei Mouth, Haga Haga, Morgan’s Bay and Chintsa)
- **Mbhashe** (Dutywa, Willowvale, Elliotdale)
- **Mnquma** (Butterworth, Nqamakwe, Centane)
- **Ngqushwa** (Peddie, Hamburg)
- **Nkonkobe** (Seymour, Fort Beaufort, Alice, Middledrift)
- **Nxuba** (Bedford, Adelaide).

8 Amathole Economic Development Agency annual report, 2005/06

9 Amathole District Municipality website, <http://www.amathole.gov.za/>

10 Aspire focuses on rural Amathole, and does not work in Buffalo City Municipality

Much has been written about the local municipalities and their capacity to facilitate development. The experience of Aspire is that municipalities are not uniform in their abilities to support the processes of local economic development; also, the capacity of an individual municipality to work in this field is not consistent over time, but varies with political change and with staff changes among officials. There is no “opt-out” clause for a municipality in terms of LED. A local municipality must include its plans for economic development within its broader integrated development plan (IDP), which is updated yearly and presented to COGTA. For many local municipalities, service delivery issues take precedence over LED, and consequently, LED strategies are often among the weaker parts of an IDP. LED is also famously described as an “unfunded mandate” in that municipalities have a constitutional responsibility for facilitating it, but receive no direct subvention for doing so. One of Aspire’s roles has been to support local municipalities in helping them discharge this constitutional responsibility that they have for LED and to assist in finding funding for the process. In this, Aspire plays a role in helping municipalities better understand economic development and supports them to create more integrated approaches to it. The agency has shown how to use infrastructure spend in the promotion of local economic development. As discussed elsewhere in this review, many municipalities have become somewhat jaundiced about LED, and the concept of regional development used by Aspire may have greater appeal.

1.6.3 Communities. In the rural Eastern Cape, communities are not synonymous with local municipalities. Some communities may be aligned closely with the municipality and work with it; others may often be in opposition to it. One of Aspire’s roles is to encourage improved dialogue between the local municipality and its communities to take development forward. This often involves bringing traditional, political and informal groupings closer to government in order to encourage consensus on possible development opportunities. It is particularly important for Aspire to secure buy in from leaders of local communities for its corridor and small town development. This is best initiated by working with a community to establish a “vision” for the area, although many communities may be wary of new initiatives because of promises made previously and not delivered on. Aspire’s increasing portfolio of projects has gradually taken it beyond such a point of distrust to a level where it is approached directly by communities who are seeking assistance with projects.

Box 1. Neighbourhood Development Partnership Grant

The aim of National Treasury’s NDPG programme is to support neighbourhood projects that provide community infrastructure and create the platform for private sector investment. Conditional grants are applied to this programme to provide technical assistance and contribute to capital costs. The NDPG supports and facilitates public sector funding into townships in order to leverage private sector investment. It focuses on providing municipalities with the financial assistance to develop appropriate project proposals and to support approved proposals with capital grant funding when appropriate.

The NDPG appears to play a successful role in regional development. It has disbursed about 92% of the R10 billion grant allocated to it, indicating that better-capacitated municipalities, along with metropolitan municipalities, know how to make successful applications. It is strategic in its intention, encouraging municipalities to take a broader and longer perspective of their development than is the case with recurrent budgets. It appears to be managed in a pragmatic manner, based on the principle that its interventions must unlock further development. Using this principle, the NDPG has allowed town development to facilitate township development. The fund is not normally available for bulk infrastructure development, but Treasury has indicated that if spending on bulk infrastructure is the only way in which broad-based development can be unlocked, then NDPG funding may be available.

The aspiration of the NDPG to assist spatial development makes it an appropriate vehicle to support corridor-based regional development. Considered as something of a pilot, the NDPG set out to test the use of grants in spatial development. It has the scope to play a long-term role in supporting South Africa’s regional development beyond its original mandate.

1.6.4 Self-help in communities. An earlier review of Aspire¹¹ has pointed out that Aspire’s relationship with communities cannot include the role of assisting communities in organising themselves. There must be a certain level of motivation and capacity present in the community if Aspire is going to be in a position to assist, and evidence of this is the capacity of that community to mobilise an interface for Aspire to work with. The term, “community”, is difficult to define, and here it is taken to mean a “group of people”. Examples of the varied communities with which Aspire works include the following:

11 Implementation of the Amathole Regional Economic Development Strategy (AREDS), Aspire-GTZ, November 2008

- Amazibula Traditional Authority at Amabhele
- Ndakana Community Development Trust
- Ward 11 and Ward 12 committees at Hamburg
- Keiskamma Arts Project
- Cebe Community Trust and the Dwesa Cwebe Community Trust
- University of Fort Hare.

Evidence of the way in which Aspire works with its communities is found in the minutes of the various project steering committees (see Annex 2 for an example). These meetings have evolved under Aspire's stewardship, and are both formal and well documented. Their main purpose is to drive the corridor development process, but Aspire uses the minutes of their proceedings as evidence for National Treasury in respect of progress in the delivery of the Neighbourhood Development Partnership Grant (NDPG) programme (See Box 1). The issue of working with communities and the lessons that Aspire has learned from doing so are found in Section 7.3.

1.6.5 National entities. Aspire may be the delivery arm of Amathole District Municipality, but in order to dispatch its mandate, it has been essential for it to establish a relationship with national departments. Since its inception, Aspire has received many policies and guidelines that national government has hoped might help shape its approach to regional development¹². The agency finds these documents to be of interest as they each provide new perspectives and insights into the delivery of regional economic development. Aspire's approach to such guidelines and strategies has been to examine them for the relevance that they might have for its work on the ground in Amathole. Management appears open and receptive to new insights into regional development, but does not feel that national departments and agencies are in the best position to provide instruction on how to implement regional development in its area. New ideas and approaches are welcome and carefully considered, but only likely to be applied if they have a good fit with Aspire's chosen strategy.

a) Industrial Development Corporation. Aspire, as the Amathole's District Municipality's economic development delivery arm, was stimulated by the district's dialogue with the Industrial Development Corporation (IDC) from 2004 onward. The IDC remains one of the national entities with which Aspire has a close relationship, although it is now a minority funder of the agency's work. The relationship between Aspire and the IDC has not always been easy; it is described more fully in Box 2.

Box 2: IDC and the agency movement

The Industrial Development Corporation (IDC) is a self-financing, national development finance institution. It was established in 1940 to promote economic growth and industrial development. The IDC only funds project of R1 million or more, and confines its portfolio to agriculture, industry and tourism. The corporation will take up to a 60% equity stake in a venture, so performing a venture capital function. Given these parameters, there was limited scope for the IDC's traditional approach to provide a supporting development role in such areas as rural Amathole. Because it was thought not to be making an impact outside of urban centres, parliament started to question the IDC's role in poorer rural communities.

Responding to this challenge required the IDC to abandon its customary reactive approach to investment and to be more proactive. It saw local government as the medium through which it should work, and was optimistic that municipalities would want to work with it. Initial discussion with local government confirmed that municipalities would support the IDC working in areas where there would be some real and tangible evidence of development. The IDC realised that the issue of economic development should be undertaken without putting too much pressure on municipalities. Further analysis suggested that while municipalities could often raise investment funds, it was more difficult for them to raise finance to project manage these funds. The IDC decided to create dedicated capacity to drive economic development through funding project management capacity. The institutions designated to provide this project management function (eventually development agencies) were to become sustainable in the longer term by managing bankable projects and earning fees or commissions on these. They were not necessarily seen as permanent entities and had the freedom to become "single project agencies" where this was seen as the best approach. For example, a single project agency was established to rejuvenate the beachfront in East London in the Eastern Cape.

¹² These include the Provincial Growth and Development Strategy, RIDS, LED guidelines, LED framework and others

From the outset, the IDC saw the role of an agency as being to help the private sector to function, reducing regulatory and administrative burdens, improving infrastructure and unlocking opportunities for growth in rural South Africa. To do this, it would work with the “dead assets” that a municipality could not use (such as brown-field sites that required investment). In fulfilling its commitment to fund project management, the IDC allows 30% of its funding to be used in project management costs, but only if an agency has enough in the way of alternative funding sources to drive projects.

Agencies, a long-term investment. The IDC saw its investment in the creation of development agencies as a long-term programme that would create a conducive environment in rural South Africa for both public and private sector investment; over time, it would create conditions for “bankable projects” within which the IDC could make investments, producing a financial return for the corporation and building capital investment for rural communities. From the outset, the IDC identified a series of steps through which agencies were to progress to maturity (detailed in the table).

Progression up the “ranks” depends on attainment of the milestones. The IDC believes it will be a long time before municipalities can take the lead in driving economic development and sees a long-term role for agencies, although not necessarily with continued IDC direct support.

Structuring the growth of agencies. The table implies the IDC’s intention to withdraw from general direct support of agencies after Phase 4. Beyond this, the IDC-agency relationship would be determined through the agency bringing to the IDC bankable projects that the IDC could invest in and that would have the potential to deliver an income stream to the agency.

What makes a good agency? The IDC believes that the characteristics of a good agency are:

- Sustainability (no short termism)
- Leverage of funds from other government agencies and the private sector
- Capacitation, empowerment of its own institutional capability and that of municipalities
- Checks on unintended consequences of its work.
- On these measures, Aspirescores well. It has not engaged in political short termism and has leveraged funds of R250 million from an IDC investment of R2.5 million. In terms of capacitation, Aspire has both capacitated its own team of professionals and supported empowerment in many of its projects. How well Aspire has been able to check on unintended consequences of its work will be revealed over time, although the agency does have monitoring systems in place to give it early feedback of these.

Table: IDC’s developmental phases for development agencies

Operational phase	Milestone to be achieved
Phase 1: Pre-funding phase	Political buyin of the agency concept This is a not a funding phase for the IDC
Phase 2: Pre-establishment phase: funding capped at R800,000	Prepare internal and external systems and procedures and initiate operational planning
Phase 3: Establishment phase: funding capped at R2.5 million	Agency establishment and project planning
Phase 4: Operational phase: funding capped at R5 million per annum for three years	Programme and project implementation
Phase 5: Exit phase	Final evaluation and IDC withdrawal

Source: IDC website 2010

For more on the IDC, please go to the corporation’s website: <http://www.idc.co.za/>.

- b) National Treasury.** With time, Aspire has developed strong links with the National Treasury's Budget Office. The agency has played a role in helping Treasury take a more flexible approach to the way in which it applies the Neighbourhood Development Partnership Grant. The grant is Aspire's single largest funding source, and funds to the value of R300 million have been approved to the agency. Aspire's relationship with Treasury is set out more fully in Section 4.3.
- c) DTI.** The Department of Trade and Industry's (DTI's) regional work has gradually taken a backseat in the department's priorities, and with it, Aspire's opportunity to interact with the department has waned. Reasonability for the IDC as an implementing agency has been transferred to the new Economic Development Department (EDD). The DTI's Regional Industrial Development Strategy (RIDS), which might have given Aspire a policy steer, has not been formally adopted by cabinet. The DTI is further considering its approach to regional development and what that role should be alongside the work of COGTA and the EDD. Professional staff members in the DTI still maintain an interest in regional issues, and the department's Critical Infrastructure Programme¹³ may at some stage be useful to Aspire.
- d) COGTA.** The Department of Corporate Governance and Traditional Affairs is the ADM's line ministry and, as such, its work (including recommendations that it may make to cabinet on the reorganisation of local government) is of long-term importance to Aspire. Aspire's relationship with COGTA is less strong than it was during 2005/06 while the department (then the Department of Provincial and Local Government, or DPLG) was formulating its LED framework¹⁴. ASPIRE's CEO presented a significant paper on its approach to a DPLG LED conference in 2006. Opportunities and rationale for interaction with COGTA have declined, mainly because the department's interest in regional and local economic development seems to have waned since the launch of the LED framework. Signs of renewed interest might be evidenced by the launch in 2010 of a major review of the LED framework and a study examining the possibility of establishing a small town regeneration policy. Given Aspire's expertise in the field of small town regeneration, COGTA's interaction with the agency has been surprisingly limited.
- e) Economic Development Department.** It is to be hoped that the long debate between the DTI and COGTA on who does what in regional and local development might be given clarity by the emergence of the EDD. The transfer of responsibility for the IDC from the DTI to the EDD may be a sign that the EDD will have a proactive interest in regional development. Evidence of further interest in regional issues came in late November 2010 when the Economic Planning and Coordination Department of the EDD requested development finance institutions and agencies (including Aspire) to indicate how they can align their growth and development strategies with government's New Growth Path. Developing a relationship with the EDD can support Aspire in using its experiences and lessons learned in regional development and small town regeneration more broadly (see Section 4.6).

“New Growth Path” and spatial development

“Enhancing rural employment requires finalisation of a spatial perspective that sets out the opportunities available and the choices that we must make in order to lay the basis for aligning government spending, with infrastructure and economic development initiatives.”

***Economic Development
Department's New Growth Path –
The Framework***

1.6.6 Winning over stakeholders. Aspire believes that “quick wins” are essential in convincing stakeholders that its interventions mean business. Local stakeholders need to see physical evidence of development, and national stakeholders, such as Treasury, track Aspire's spend as a performance indicator that also provides a motivation for quick disbursement.

“Quick wins” or “picking the low-hanging fruit” has become a somewhat clichéd approach to development, but in an environment like regional and local economic development, where much has been promised and less delivered, it is important to deliver some early physical evidence of seriousness of intent if credibility is to be established. These “quick wins” need to be thought through in advance and designed into business plans that will steer the implementation process¹⁵.

1.6.7 Local development versus regional development. For the purpose of this review, **local** economic development describes a process where a local municipality undertakes economic development within its own administrative boundaries (local economic development). **Regional** economic development takes place when economic development is planned in an integrated manner across municipal borders. Through its corridor development programme, Aspire is in the business of **regional** economic development.

Local economic development has been problematic for many in South Africa. For many years, it was identified with the LED fund, which supported small job creation projects, but made only modest contributions to growth and development. The LED framework was launched in 2006, and while influencing thinking on LED to make it both broader and more strategic, has done little to change things on the ground. The development of LED strategies in many local municipalities has become little more than an annual ritual to satisfy the demands of the IDP process. Regional development at the level of the district

¹³ <http://www.tradeinvestsa.co.za/incentives/983079.htm>

¹⁴ <http://www.thedplg.gov.za/subwebsites/led/docs/National%20LED%20Framework%20Jan%202007.pdf>

¹⁵ Example of quick wins from Aspire's Butterworth central business district upgrade are street lighting and paving. For the Gcuwa Dam leisure project, quick wins are parking, a children's playground and refreshment kiosk

may offer a better bet in developing local economies than does LED. As practised by Aspire, regional development is an inclusive process that not only engages local municipalities, but through the spatial corridor approaches, also assists them in developing integrated economic development plans.

1.6.8 What's in a name? In this light, there is scope to look at the names that agencies give themselves. Aspire is an *economic* development agency, according to its registered name, but so is the agency founded by the Nkonkobe Local Municipality. The work of two entities is different, but this is not reflected in their names. There is scope for Aspire to consider a formal name change to regional development agency or regional spatial development agency, which describes what most people think it does. A third term, development agency, is also sometimes used, but this might be considered to apply to an agency engaged in development at a very broad level, perhaps including health, education and bulk infrastructure.

2 THE AGENCY'S INSTITUTIONAL STRUCTURE AND MANAGEMENT ARRANGEMENTS

2.1 Introduction

Institutional and management arrangements for the delivery of regional development (or, indeed, development generally) often go unmentioned on in favour of discussion related to policy and strategy. In the case of Aspire, an understanding of the way in which the agency is managed and the way in which its professional staff undertake their roles as senior managers, corridor managers¹⁶ and project officers is crucial for developing an understanding of the progress it has made in delivering its mandate. The critical elements of Aspire's internal processes are discussed on the following page. Critics of the developmental state in South Africa say that it must be accompanied by a "delivery state". **An understanding of the internal dynamics of Aspire gives insight into the attributes that a "delivery state" might need to possess in respect of the effective delivery of development.** The Economic Development Department is reported¹⁷ to have announced a new "outcomes-based" approach to public sector management. Aspire is an outcomes-based organisation.

2.2 Aspire's structure

An organisational chart for Aspire is found in Figure 1. At the time of writing (December 2010), Aspire employed 16¹⁸ people (13 professional and three administrative staff members). Of these, 11 are directly employed personnel, three have been sourced through international donors, and two are on secondment from the Eastern Cape Development Corporation (ECDC). One staff member is a geographic information systems (GIS) specialist and one is a specialist in solid waste management. Other specialists include economists and planners. Given its substantial implementation role, Aspire does not have sufficient technical resources in breadth or depth, and is dependent on the use of external consultants in technical areas, such as town planning, engineering and legal services to support its work. In summary, the Aspire team is characterised by a "flat" organisational structure with three tiers of management¹⁹. The agency encourages its corridor managers and project officers to develop long-term relationships with stakeholders in their respective corridors and to develop a strong network. Their specific geographical brief gives them the opportunity to get to know their territory intimately. Corridor managers need to be good networkers to find out what is going on, but communication is so difficult in many of these rural areas that even the most proactive manager may not discover every prospective development in public and private sector pipelines.

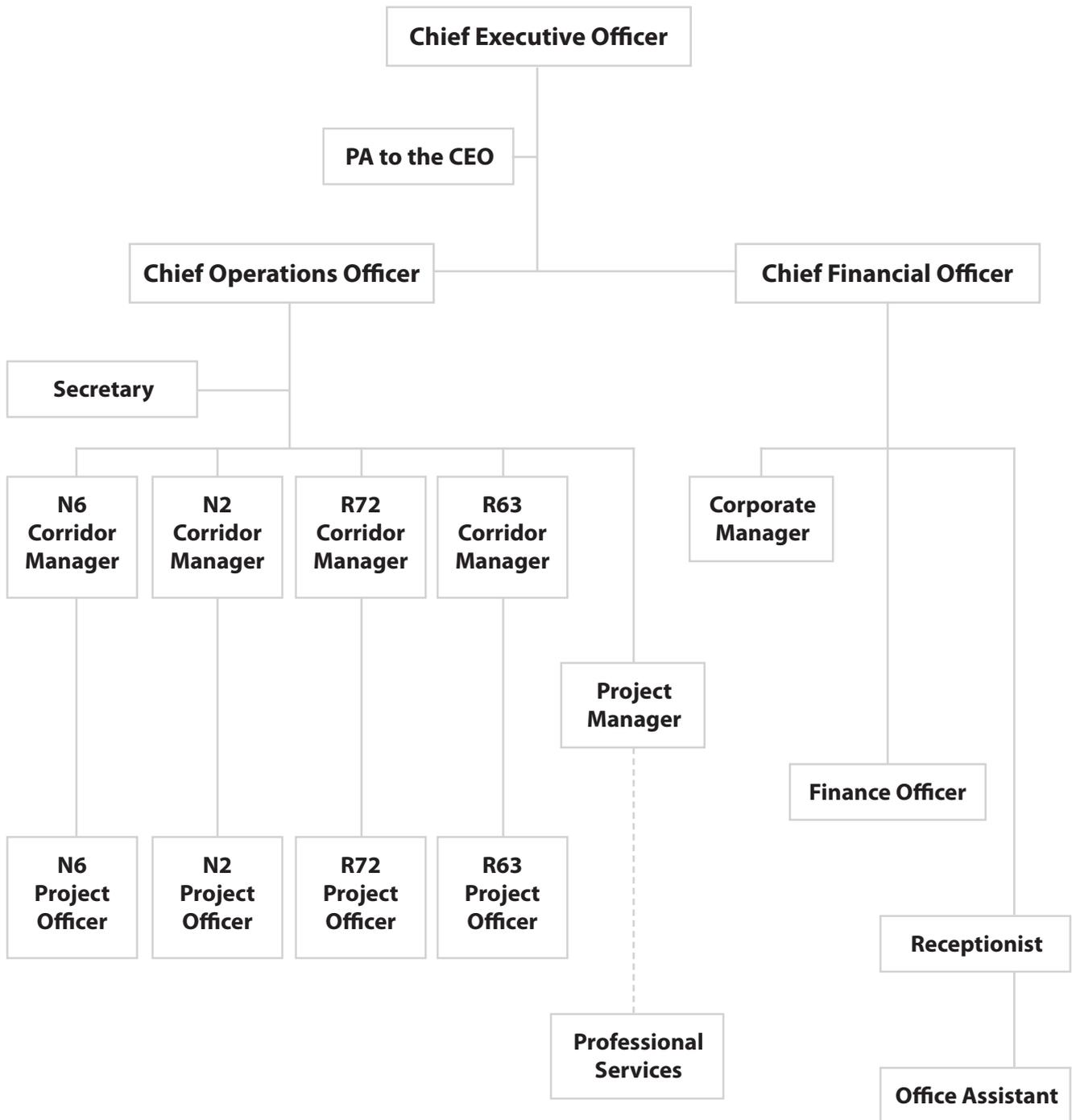
16 Aspire has identified four spatial corridors in which it concentrates its development work. Each has a corridor manager

17 City Press, 28 November 2010, p32

18 IDC's target number of employees per agency is between six and seven. Aspire's 16 reflect its higher activity levels and its above-average capacity to attract funding

19 Ordinarily, a small organisation with three tiers of management would not be considered "flat", but the term is justified here in that much decision making in Aspire includes all staff – giving the agency a "flat" feel

Figure 2: Organogram of Aspire, December 2010



2.3 Aspire's corporate culture and values

2.3.1 Introduction. Understanding the internal management and personnel dynamics of Aspire is essential in attempting to present an understanding of the agency's performance. We explore these dynamics through an assessment of Aspire's people and its management culture. The prospect of success for a small organisation is highly dependent on the nature and qualities of its management and staff. The review reflects on these within Aspire because it is felt that, along with its management structure, the culture and values that pertain in Aspire are necessary to explain the agency's progress. This review asserts that they may also have resonance for other development institutions.

2.3.2 Aspire's people. The team is characterised by cultural diversity and relative youth as follows:

- Ten people are from the Eastern Cape.
- Five are seconded (three from GIZ, two from ECDC).
- Ten staff members are female and six are male.
- 11 are black and five are white.
- All professional staff members are graduates.

The average age of the Aspire team is 34 years, with the oldest staff member being 41 years old and the youngest 29 years old. Aspire's core staff is very small (11 people in total), and its ability to cope with its current workload using core staff alone should be questioned. To become accepted as a long-term staff member, Aspire's corporate manager believes the following attributes are required:

- Energy and motivation
- Ability to accept criticism and to respond to it constructively
- Capacity to multi-task
- Being able to find a way to work around a problem and not be distracted by constraints and barriers
- Admit when mistakes are made – and fix them
- To be articulate, and able to defend a point of view.

This gives an indication of Aspire's management culture. Given competition from the private sector, there are challenges in persuading individuals with the appropriate technical skills and the specified personality characteristics to work in the Eastern Cape and to subject themselves to a robust performance management system as contract employees in a quasi-government organisation, such as Aspire. Aspire's new recruits are often returning home, or have made a lifestyle choice to come to the Eastern Cape. How people are selected and recruited into Aspire is discussed in Section 2.8.

2.3.3 Can the organisational culture that exists at Aspire survive staff turnover? All organisations have a tendency to change over time as personnel changes. Aspire is a young organisation, and the core elements of the effective management culture that it has developed in its formative years needs to remain intact as it grows. Several things can assist this process.

The first is consistency in leadership, not necessarily in terms of the same personal, but in terms of leadership style. A second is a recruitment process that selects people with the attributes just described. This can be supported by sound approaches to job analysis and good practice in drawing up personnel specifications and other recruitment essentials. Third, it needs the capacity to retain the staff it has and the ability to continue to motivate them. This can be achieved through a combination of ensuring that the working environment remains conducive and stimulating and ensuring that terms and conditions of employment remain competitive. Fourth, Aspire should consider the documentation of its management processes and procedures in the form of operations manuals. These have the potential to describe and record how Aspire works, and can also be applied in the induction of new staff. Operations manuals can, in addition, underpin the development and delivery of the training programmes that Aspire is considering offering for other development agencies.

2.4 The management team

2.4.1 Introduction. The Aspire Board views "management" as being the CEO and CFO. In a practical sense and in terms of the way in which operational decisions are made, a broader definition is required and the term, "management", might also include the agency's corridor managers (see Figure 1). In a broader sense still, all of the staff of Aspire partake in the making of many management decisions, as described in Section 2.5.

The CEO has been with Aspire since its inception in September 2005, and the CFO since March 2006. These two individuals represent the institutional memory of Aspire. The CEO has considerable LED exposure and has researched the issue of small town economies, central to Aspire's delivery strategy. The CFO is a chartered accountant, a significant factor in Aspire's run of five unqualified audits. Both have extensive networks of public and private sector contacts in the Eastern Cape. At least in rural areas of South Africa, leadership with local knowledge and contacts is essential and is seen as a critical success factor for a regional development agency. Where (as is often the case) formal processes get stuck in protocol and procedure, contacts

and connections can be used to get things moving again. The professional staff of Aspire report that the CEO and CFO's contacts in the Eastern Cape can be used to open doors in both the public and private sectors.

Aspire, as a private company outside of the local government management structure (although wholly owned by the ADM), has a little more freedom to experiment with terms and conditions of employment than does a local government department²⁰. This has allowed it to try out techniques to attract, retain and motivate its people in a way not easily achieved within a formal local government structure. Its ability to do so plays a highly significant role in the way it recruits and motivates people, and thus in its performance. The resulting management and organisational culture is discussed in the next section.

2.4.2 Chief executive officer. The formal role of the CEO is to assume responsibility for the effective management of Aspire and the implementation of its strategy and policy. She is also responsible for enacting Board directives. In addition and of prime importance is her role of offering leadership to the Aspire team. In discussing the performance of any small organisation, leadership is a critical factor and needs to be considered in some detail. The CEO is considered charismatic by those who were interviewed for this review, and she commands personal, managerial and technical respect both in and outside of Aspire.

Discussion with others in Aspire suggests that the CEO uses an approach to management characterised by:

- A belief that management is an inclusive process, and that major decision making needs to involve all of Aspire's people
- An uncompromising commitment to Aspire's goals and values
- Sticking to Aspire's strategy, and not ditching it when things get tough
- Flexibility and pragmatism; if something is not working, then it must be changed, and maybe changed in a way that is not yet in the plan
- Being available and responsive to people when they have a problem; advocates and uses an open-door policy
- Makes her network available to others; helps staff in making contacts and fixing appointments with senior people
- The ability and willingness to discuss and clarify issues with others
- Giving people space to work (and make mistakes) and does not micro-manage
- Capacity to make difficult decisions, including dismissing non-performing staff and consultants.

External partners report that it is difficult to force the CEO down a particular path, and that there have been differences of opinion between Aspire and some of its partners. There is evidence to suggest that the CEO has enough in terms of persuasive powers to make both National Treasury and the IDC look at their policies and plans differently.

One of the critical factors in Aspire's five-year history is its ability to stick to the plan and not be distracted by short-term political considerations. The CEO has played a major part in ensuring that once it had a strategic plan that was well researched and agreeable to stakeholders, Aspire did not deviate too much from it. In summary, the capacity to stand up to pressure from funders, to give professional staff the space in which to operate, to think out of the box and the strength to recognise and manage team members who are not performing up to expectation are critical factors in the management style of this CEO. Stakeholders were of the view that an early change in leadership would create a serious threat to Aspire, and succession is a challenge that the ADM and the agency will need to confront sooner or later.

2.4.3 Chief financial officer. The CFO of Aspire was hired in March 2006 with prior experience in ECDC and work in the private sector, including auditing. He remains an ECDC Board member, providing a useful formal link between the corporation and the agency. Finance and financial management in Aspire is not confined to organisational budgeting, cash flow and the preparation of financial statements. It also goes to the heart of Aspire's project management, and the CFO's business planning experience is called upon to assess the business plans that are an integral part of Aspire's small town and corridor interventions. As a result, the CFO is an active participant in the delivery of Aspire's programmes and his role is broader than would normally be required in the case of a more traditional and less proactive agency. Doubtless, the presence of a chartered accountant in Aspire's management team makes a substantial contribution to its success in obtaining five successive unqualified audit assessments from the office of the auditor-general.

2.4.4 CEO and CFO as a team. The CEO and CFO work very closely together as a team and have highly complementary management styles. The Board or the CEO will come up with an idea, and it is the responsibility of the CFO and others to assess in detail how it can be implemented. Getting a workable approach may mean that the CFO will need to go back to the CEO to amend or modify a suggested approach so that it fits with available resources, conditions on the ground and with the Municipal Finance and Systems Acts. Given this, their seniority and the length of time they have been with Aspire, each would be difficult to replace. Aspire needs to give thought

What is organisational culture?

"A pattern of shared basic assumptions that the group learned as it solved its problems of external adaptation and internal integration that has worked well enough to be considered valid enough to be taught to new members as the correct way to perceive think, and feel in relation to those problems."

Edgar Schein (1993) in Organizational Culture and Leadership

²⁰ It is, however, under the auspices of the Municipal Finance Act and the Municipal Services Act. Salaries of the CEO and CFO are set by council, other salaries by Aspire's Board

to succession, not in the sense of identifying individuals to replace the CEO and CFO should that become necessary, but to ensuring personnel specifications reflect their current roles and to identifying a recruitment process should one be required.

2.4.5 Corporate manager. The corporate manager has been in position under current arrangements since April 2010. She looks after branding, communication, marketing, human resource issues and supply chain management and procurement, office administration as well as information and communication technologies (ICT). A New Zealand citizen, prior to taking up this role, she worked with Aspire through the New Zealand Volunteer Services Abroad and has been with the agency since 2007. She has now been granted a work permit by the Department of Home Affairs to occupy this post. The corporate manager works closely with the CFO, and the person occupying the role also has an important part to play in contributing to clean audits through maintaining systems and procedures and, in particular, managing procurement. Her work with Aspire since 2007 has given the corporate manager sound institutional knowledge and awareness to undertake this role.

2.4.6 Other management team developments. An experienced corridor manager has recently (in late 2010) been given the brief to provide support for less experienced colleagues recently appointed to corridor management roles. This should assist with skills transfer, and will take some management pressure away from the CEO and CFO.

There is scope for Aspire to more formally consider other aspects of skills transfer. For example, the CFO has considerable business experience and exposure in business planning, and the skill he has acquired in this respect might be usefully transferred to corridor managers. The corporate manager has skills in ICT and communications useful for the administrative assistant and secretarial staff. Others have skills in conflict resolution and social facilitation that are essential for Aspire's work and that might also be disseminated.

2.4.7 Organisational development. Organisational development (OD) is a planned effort to increase an organisation's effectiveness and viability. It includes looking at the structure of an organisation and relations within the structure. An OD specialist will be able to assist in assessing the possible impact of developments on the overall structure and performance of Aspire.

Although Aspire provides a conducive and supportive working environment, given the intensive nature of the work and the challenges it presents, burnout and fatigue is of concern to some professional staff. An OD process can mitigate the impact of this. For example, Aspire might consider occasional motivational programmes to combat this. The idea of "away days" dedicated to internal training would be welcomed by newer staff members, not only in respect of knowledge sharing, but also in terms of getting to know colleagues better. A process of structured delegation and "buddy" working would assist in spreading skills around the organisation and may assist in further strengthening relationships²¹. However, as in other organisations with demanding schedules, Aspire would need to work to make time for such an initiative.

2.5 Organisational culture

2.5.1 Introduction. A useful insight into the organisational culture of Aspire comes from a comment made by a corridor manager: "We use verbs a great deal." A verb, the part of speech that conveys action, suggests an organisational culture that places an emphasis on activity. A manager with many plans, but who shows little activity on the ground, would gradually find him or herself exposed to both management and peer group pressure to make things happen. Aspire generally is reluctant to deviate from its chosen strategic path, and it is expected that professional staff will stick to what is planned and find a way to work around constraints and barriers. Perceived underperformance will not go uncommented on for long by colleagues, and there is an expectation that a staff member who is struggling with an issue will ask for help and support in resolving it. Aspire is perceived by this review to have a meritocratic and results-driven culture, within which there is open discussion and peer group criticism. It places considerable value on activity. Underpinning this culture is a culturally diverse and youthful professional team.

2.5.2 Communication in Aspire. Aspire communicates effectively with the external world both through its formal annual reporting and through its network²². The agency has a strong outward-focused orientation and interacts extensively with its stakeholders. The need to do so stems from the ADM's mission, which stresses participatory development, and from a more pragmatic perspective, the fact that progress on the ground is very difficult without community support, which has to be proactively earned.

Internally, communication between the team is supported by an "open-door" policy in terms of access to management and to each other. A corridor manager expressed the view that "we all know what is going on". Aspire's culture of extensive internal consultation and discussion was not completely shared internally. A minority view was expressed that this extensive process or internal communication took time, and not all of Aspire's people needed to be involved in all of its decisions. Sometimes, it was felt that it was necessary for management just to make decisions.

²¹ The role of "buddying" is to assist new members to understand the organisation and working processes of an organisation

²² See for example, Aspire's series of annual reports and accompanying documents at <http://www.aspire.org.za/>

2.5.3 The role of internal meetings at Aspire. Meetings are held regularly for the Board and for the staff. They are formalised through the use of agenda and minutes, and provide an opportunity for both updating and decision making.

a) Board. Aspire's Board of Directors provides strategic direction and is the accounting authority in terms of the Companies Act. The Board is responsible for the adaptation of strategic plans, monitoring of operational performance and management, determination of policy and processes to ensure the integrity of the agency's risk management and internal controls, communication policy, and director selection, orientation and evaluation.

The Board has approved a Board Charter that provides guidance to the directors in discharging their duties and responsibilities. The role of the chair of the Board is responsibility, in conjunction with the Board, for the agency's strategic direction and necessary policies. All new directors appointed to the Board are taken through an induction programme. A continuous education and training programme is also provided for all Board members in order to improve and maintain the effectiveness of the Board.

b) Staff. Two regular meetings involve professional and administrative staff:

i) Operations. Once held jointly with corridor meetings, these are now held separately every two weeks and deal with routine issues, such as notifying staff of new appointments, changes to management systems, office closure for vacations and other administrative issues.

ii) Corridor meetings²³. Corridor meetings are held to discuss progress on each of the four spatial interventions being conducted by Aspire. They are crucial to the organisation's progress in that they provide an opportunity for management and peer group assessment of a corridors manager's progress and also an opportunity for a manager to receive technical support and advice. These meetings are attended by senior managers and all staff. They consist of a series of presentations at which each corridor manager describes in detail the progress in project management since the previous meeting. Each manager is aware that senior managers and others will expect to see concrete progress and change in the status of his or her corridor from the previous meeting. A manager who does not report substantive progress is likely to be asked why, and asked what challenges he or she faces, and what help is needed. Corridor meetings also provide a forum at which managers present new concepts and plans to colleagues. This is an opportunity for peer group evaluation of new plans or ideas. Ideas and proposals can expect close scrutiny by colleagues and any flaws and glitches are likely to be exposed. Constructive feedback during these sessions plays a role in improving the quality of corridor interventions. These meetings play a major role in decision making and in keeping Aspire focused.

2.6 Project management at Aspire

Project management is the engine of Aspire's development work. It provides a framework for project organisation, planning and control to ensure the on-time and on-budget delivery of the interventions. It is the direct responsibility of the corridor manager and occupies most of his or her working time and that of project officers. Progress is monitored by Aspire's corridor meetings and at regular project steering committee (PSC) meetings that also act as a decision-making mechanism for corridor project management.

Some of Aspire's corridor managers come with limited previous experience of project management. There are those in Aspire who feel that project management is an increasingly specialised profession and that Aspire needs a bespoke project management unit staffed with a number of project management experts from an engineering and planning background, working together with a shared technical outlook and perspective. This reflects a growing view that project management is a technocratic and specialist undertaking, making use of its own methodologies and tools. These include work project execution schedules, breakdown structures, and Gantt and PERT charts. The view was that this would ensure greater efficiency in project management and would ensure that professional project management skills were available from the outset of project. It would also reduce what was perceived to be an overreliance on consultants for concept notes and execution plans, and provide Aspire with sufficient technical capacity to interrogate work produced by external consultants.

Aspire should be wary of developing such an intense degree of technical internal specialisation devoted to project management. Doing so may militate against its process-orientated facilitation role of raising funds, developing partnerships, obtaining community and political buy in, and leveraging private sector interest. Aspire cannot do everything, and maintaining a strong facilitation role will keep

Change at Aspire

"Aspire has changed. A planning organisation is very different from an implementing organisation – both staff and processes need to be different and Aspire has moved to reflect this. The development of new skills has been essential."

Aspire senior manager

²³ The Aspire corridor meeting held in October 2010 was the 72nd such meeting to be held

technical implementation in an appropriate perspective. The success of its corridor managers lies in their ability to mobilise communities and motivate local municipalities. Interpersonal and general management skills are significant factors in being able to do this. A highly specialised and technical approach to project management may have an opportunity cost in terms of the critical social dimension and work to alienate communities from interventions as, perhaps, prolonged construction work may do (see Section 3.3.7). The view of an external stakeholder was that technical specialists do not necessarily make the best project managers.

2.7 Motivating the team and its performance

Section 2.3.1 discusses some of the less formal motivators for professional staff. Contracts of employment reinforce these motivators, including the use of performance contracts. Aspire sets itself quantified delivery targets each year in respect of the following outputs:

- Job creation
- Capital Investment
- Business opportunities
- Research and knowledge development
- Corporate management

Responsibility for attainment of these company targets is fed to individual managers in the form of performance goals. These are integrated with individual targets based on each staff member's portfolio of work and a competency measure that assesses such issues as workplace attendance and punctuality. Company, individual and competency targets are each weighted to reflect an individual's position in the company and are used to calculate bonus payments. For the CEO and CFO positions, bonus payment criteria are heavily weighted to company performance as people in these positions have a major impact on how Aspire does. A bonus for a secretary or receptionist, who is not in a position to influence company performance so much, would be weighted more heavily on individual performance. Bonus payments link effort to reward and are a useful way to stimulate performance. More detail on monitoring is found in Section 5.1.

2.8 Selection and recruitment of people

Aspire is a youthful organisation. Although its recruitment policy does not deliberately target youth, the fact that it requires energetic and well-qualified people with the attributes described in Section 2.3.2 tends to favour younger candidates. Recruiting them has not always been easy, given the competition that Aspire faces from private sector terms and conditions of employment and from the locational advantages of Gauteng and Cape Town.

Aspire undertakes its own recruitment processes; it does not use an external agency. The corporate manager and line manager responsible for the vacancy take responsibility for filling a post. The company uses interviews as its basis for making a selection decision, using general questions to elicit the personal qualities of the candidate and technical questions to determine the professional qualities of the candidate. Objectivity is maintained by using consistent questions for each candidate and scoring these numerically.

The staff of Aspire report that on appointment, there is scope for negotiations about employment conditions and remuneration. Aspire can use flexibility in terms and conditions to help ensure that the best candidate signs up for the job offered. It helps compensate for Aspire's locational disadvantage in the national job market, and is something that it would not be able to do so easily if it was fully integrated into local government.

2.9 Long-term sustainability and funding for Aspire

Aspire might usefully articulate its strategy for long-term sustainability. There are a number of ways that regional development agencies can become sustainable. They often develop property portfolios and use the rental income from these to support their overheads, but developing a property portfolio can be a distraction from the business of regional development. Alternatively, an agency can design investments (a shopping mall, a processing plant or perhaps an office block) and make a commission from raising the finance from development finance institutions, such as the IDC. An agency that does this may be tempted to divert its efforts to such income-generating projects and away from its primary development role. Another option is to decide that it will seek long-term funding from government in exchange for delivering its development programme. There is no shortage of need in the development arena of Amathole, and Aspire's best strategy for long-term funding lies with continued support from local, provincial and national government in exchange for exercising its regional development role.

2.10 Summary

To a very large extent, the progress that Aspire has been able to make rests with its leadership, the people it has recruited and retained, and the results-orientated management culture that it has developed. In this sense, Aspire's achievements are largely a function of its private company status, the degree of independence given to it by the ADM, and the youth and cultural diversity of its staff.

In the careful selection of its people, a willingness to part company with those whose performance disappoints, together with peer assessment of progress and a formal output-related bonus scheme, Aspire has developed a management system capable of delivering consistently high levels of performance. The Aspire model represents a powerful approach in terms of delivering regional spatial economic development. If replicable, the model piloted by Aspire can play a role in influencing the management approach in other agencies. Very often in the public sector, it is the delivery mechanisms for development that are weak, not the conceptualisation or planning phases. This review asserts that development management needs more attention than it often gets. The experience of Aspire can contribute to a more effective approach to the delivery of local and regional economic development. To assist this, Aspire should consider the documentation of its management processes and those it uses to interact with its stakeholder communities in the form of operations manuals. This work will support the process of analysis being used in late 2010 intended to create a series of training programmes and to disseminate awareness of its management processes and operational activities.

3 ASPIRE'S RELATIONSHIP WITH STAKEHOLDERS

3.1 Relationship with the Amathole District Municipality

3.1.1 Introduction. Aspire is the operational arm for the Amathole District Municipality's economic development strategy. The agency was created by the district to enact the local economic development policies approved by council²⁴. The LED unit sets the policy, which is endorsed by council, and the agency facilitates its implementation. In return, the ADM meets the cost of much of Aspire's overheads. In practice, the policy remit from the ADM is very broad, and Aspire has considerable freedom to interpret its mandate. The role and support of Amathole's executive mayor was critical in the founding of the agency and his subsequent support for Aspire since 2005 suggests that strong mayoral support may be an important indicator for a functional regional development agency.

3.1.2 Aspire's inheritance from the ADM. In mid-2005, an ADM LED strategy was on the table in line with what was then current LED policy. These were conventional LED fund projects inspired by national LED policy prior to the launch of the then DPLG's more strategic LED framework in 2006. The ADM's LED strategy for 2005/06 was based on a sectorial approach and identified agriculture, manufacturing, tourism and heritage as potentially "winning" sectors. Examples of the themes that the original strategy proposed were support for cooperatives with agricultural, tourism and film industry development.

A key issue identified by the ADM's 2005/06 IDP was the lack of communication between inter-government departments and recognition that cooperation between non-government institutions and other entities must be improved in the delivery of economic development²⁵. The recognition of an absence of "joined-up" government was a substantive factor in the establishment of Aspire, which was expected to join the dots and get a more collaborative approach to development underway. Its spatial corridor development approach has been successful in improving inter-governmental collaboration in Amathole's development effort. The IDP also stressed that a proposed agency must undertake development in close collaboration with local municipalities. Aspire has responded to this missive, and in working closely with "locals", has played a significant role in assisting the ADM and its local municipalities to improve the economic development component of their IDPs.

3.1.3 Early plans. LED plans, as represented by the district's 2005 IDP, were broad, unfocused and would have presented considerable challenges in making a significant contribution to the economic wellbeing of Amathole. The absence of a more strategic approach from the ADM was a major concern for the newly formed agency, which put in motion plans to develop a higher-level and longer-term approach. This resulted in the Amathole Regional Economic Development Strategy (AREDS); the methodology used for this is detailed in Box 3.

3.1.4 Convincing others. Aspire's first two years of existence were often concerned with taking its message to stakeholders and convincing them of its approach. The launch of the agency in December 2005 was followed by staff appointments in the first quarter of 2006 and the in-house drafting of policies. This necessitated negotiating with the ADM a move away from reviewing and tinkering with a sector-based LED strategy to a more substantive approach that embraced long-term economic thinking. This had been achieved by August 2006 when the ADM agreed in principle that a more strategic approach would be appropriate. Aspire commenced the identification of what this approach might be in September, marking the end of its first full year of existence. The ADM followed up its agreement on a more strategic approach by a commitment to invest R5 million in Aspire in 2006.

The strategic approach developed by Aspire centred on an embryo AREDS spatial methodology (see Box 3). The agency conducted a series of workshops to explain the principle of its AREDS corridor development approach to other stakeholders, and was in a position to present the outcomes of these workshops to the ADM in May 2007: the ADM endorsed the AREDS methodology. This was followed by a necessary alignment of Aspire's institutional arrangements to manage the AREDS approach, completed by June 2007²⁶. The period, July to September 2007, included consultation with Amathole stakeholders on an application for National Treasury's Neighbourhood Development Partnership Grant (NDPG), resulting in Treasury's investment of R300 million in the AREDS process. In summary, Aspire feels that its first two years of operation were dominated by seeking agreement on a more strategic approach, identifying what that should be, convincing others of the AREDS methodology, and developing the internal capacity to deliver it.

24 The availability of R8.3 million from the IDC to pump-prime the agency was a significant factor in its creation

25 Amathole Integrated Development Plan 2005/06

26 Set out in published form as "Strategy 2007-2014", Aspire, June 2007.

Box 3: How Aspire's spatial portfolio evolved

Aspire inherited a programme of sector-based development from the ADM, but did not see this as offering the broad-based development potential required for the region. It launched a process of research to identify a high-level strategy that might offer greater development potential. This took place from December 2006 to February 2007. It included a series of 14 public participation meetings based on economic sectors, such as manufacturing and tourism, and spatial groupings based on "corridors," such as the N2 and R72 roads. From these meetings with stakeholders, Aspire was able to devise three key principals that shaped its subsequent development work:

- *Concentrate economic activities along the region's primary logistics corridors.*
- *"Crowd in" public good infrastructure, unlocking potential opportunities for economic value.*
- *Mobilise stakeholders to support the process and establish corridor associations.*

The top-level goal of the AEDA strategy to emerge from these three principles was to increase the number of households earning an income above the minimum living level.

Aspire's positioning based on AREDS. Based on the experience of others, and from an early stage, Aspire recognised that a threat to the agency and its potential as a catalyst for economic change would come from professional and political misunderstanding of the role and function of the agency and its real or perceived relationship with its stakeholders. To mitigate the impact of this challenge, Aspire positioned itself as "a trusted advisor, stimulator and partner in the regional economic environment". Much of the progress made by Aspire subsequently has resulted from it being true to this role in what it has done, and of continually reminding stakeholders of this position, which it had established in 2007.

In the strategy, Aspire set out a four-pronged approach in focusing on its selected corridors:

- *Mobilise the private and public sectors to collaborate and leverage resources for the benefit of the corridors.*
- *Use innovative tools and methodologies to continuously improve the corridor investor climate and drive down transaction costs.*
- *Identify and support subsectors that possess niche competitive advantage and, wherever possible, prioritise the interests of previously disadvantaged people and communities.*
- *Identify, package and implement (and in some cases, retain interest in) catalytic projects that would unlock economic value and new business opportunities.*

Again, the progress made by Aspire derives from the fact that it has stuck to the "trusted advisor" strategy derived in 2007 and has continued to apply the four guiding principles. The fact that it has not needed to deviate from its identified strategy results from the rigour applied in developing the strategy, not least its detailed interaction and consultation with stakeholders. An outcome of this consistency in approach has been to further build trust and confidence among stakeholders. The strategy was accepted by the ADM Council in September 2007.

3.1.5 A new policy. The existence of the new agency and its interest in a radical revamp of LED policy was difficult for the district and resulted in a protracted debate. This struggle in part reflected differences between Aspire and the LED unit in respect of strategic approach and concerns over allocation of budgets. In its first year, Aspire struggled to resolve these issues, which centred on clarification of the role of the agency and that of the district LED, as well as determining what the respective budgets should be. As Aspire began to identify its more strategic role and differentiate itself from the LED unit, relationships started to crystallise, and joint ADM LED unit-Aspire workshops facilitated the improvement of these. As Aspire found independent sources of funding and began to make an impression on the ground, the functional working relationship that exists with the LED unit at the end of 2010 began to emerge. Aspire's explicit policy of allowing others to share the credit for progress is also likely to have assisted this process. Senior managers at Aspire interact with the mayor and municipal manager at the district, and at the operational level, technical people from the LED unit sit on project steering committees. Aspire has continually seen itself as working with local municipalities and communities on behalf of the ADM, and this perspective defines the relationship between the district and the agency.

Whereas a district municipality can strategize and make broad plans in respect of economic development, an agency must deliver: it is the "operational" arm. To differentiate the policy function of the district from the more hands-on approach that it wished to adopt, the agency developed the "Aspire" brand in 2008 with the strap line, "Amathole beyond limits". In adopting the new name, Aspire was not only able to differentiate itself from the early sector-based LED approach, but also to identify itself with the spatial corridor approach that was to emanate from the research process it set in motion.

Given four years of hindsight, Aspire's birth pangs could have been eased by more communication between senior management in the ADM and its LED unit, and earlier and more intense interaction between Aspire and the unit. Conflict over the approach (projects versus spatial corridors) would have been less likely had the launch of the DPLG's LED framework, which advocated a more strategic perspective, taken place earlier than mid-2006. These issues are likely to have set the delivery of Aspire's programme back by 12 months and the lessons learned relate to the need for good communication, decisiveness in decision making, and clarity of roles in setting up a regional development agency.

3.1.6 Current perceptions. The ADM's perception of Aspire at the end of its fifth year of operation is summarised by the executive mayor in Aspire's 2009/10 annual report: "Aspire has stamped itself with the confidence that comes from that kind of authority, the observing of clean governance, and complete accountability. Without a doubt, it has earned the deep trust of the local government family."

The mayor has supported Amathole from its inception. Future change at the political level may represent risks for Aspire, but the strong footprint that the agency has established is more likely to elicit support from new political leadership than to invite change. In the event of such change, it is recommended that Aspire takes a proactive approach with new leadership by preparing a formal brief on its work and seeking an early meeting with any new office holder.

3.1.7 Summary. Aspire has been remarkably free of political interference by the ADM. This stems from some of the considerations we have outlined, the unqualified support of the mayor, the apolitical nature of its management, and the continued progress it makes in the delivery of its mandate. Relationships between the ADM and Aspire are functional and business-like. In the longer term, Aspire also needs to consider its position should government decide to reform local government in a way that changes the role of district municipalities. The ruling party was reviewing the structure of local government in early December 2010, and a recent document²⁷ states: "There is a strong view based on practice that the two tier model of local government must be reformed and District Municipalities should be dis-established."

It is, of course, for cabinet to decide on the future of local government, but prudence dictates that Aspire should begin to consider its options in the event of the substantive reform of municipal structures. Scenario planning is recommended and should consider the implications for Aspire of single-tier local government.

In this scenario planning, a change that led to Aspire being governed by the Public Finance Act rather than the Municipal Finance Act would ease many issues of financial management and enhance its capacity to deliver regional development. Given the timetable set by the ruling party, any changes that might be recommended by the local government review process can expect to be put in place sometime after the 2014 general election.

3.2 Relationships with local municipalities

3.2.1 Introduction. Under the South African constitution, local municipalities have a responsibility to promote the social and economic development of their communities. Aspire's role implies a responsibility delegated to it by the ADM to support them in this process. Seven of the eight local municipalities in the Amathole region (the exception is Buffalo City) are primary clients for Aspire. These are:

- **Amahlathi** (Cathcart, Stutterheim and Kei Road in the N6 Corridor)
- **Great Kei** (Komga, Kei Mouth, Haga Haga, Morgan's Bay and Chintsa in the N2 Corridor)
- **Mbhashe** (Dutywa, Willowvale and Elliotdale, also in the N2 Corridor)
- **Mnquma** (Butterworth, Nqamakwe and Centane in the N2 Corridor)
- **Ngqushwa** (Peddie and Hamburg in the R72 Corridor)
- **Nkonkobe** (Seymour, Fort Beaufort, Alice and Middledrift in the R63 Corridor)
- **Nxuba** (Bedford and Adelaide, also in the R63 Corridor).

3.2.2 Local municipalities and economic development. It should be remembered that municipalities have functions to attend to, other than local economic development, for which they carry a constitutional mandate, but which is generally unfunded. The absence of a budget and the pressing need to drive the service delivery agenda may help to explain the experiences of corridor managers and project officers, which suggest that local municipalities simply do not often prioritise LED. It is often marginalised in their plans and administrative structures, and responsibility for it is designated to junior officials.

ADM and Aspire

"Since the ADM adopted its Amathole Regional Economic Development Strategy, our economic development agency has progressed in leaps and bounds. It was resolved that our economic development agency, Aspire, would work together with the local municipalities to speed up implementation and service delivery ... This has heralded the renewed role of Aspire to act as both a project manager on behalf of the ADM and as a partner in the implementation of projects at local municipalities."

Executive mayor of Amathole. 27 October 2010 (welcoming speech, Provincial Cooperative Indaba)

²⁷ L&G Subcommittee Provincial & Local Government Review Discussion Paper, <http://www.anc.org.za/docs/discus/2010/summitz.pdf>

Box 4: Communities and labour

This box draws attention to the challenges involved when communities provide labour for an intervention.

Construction-based interventions and community participation. In Aspire's interventions, the community generally comes up with the idea of what is to be done and is encouraged to take ownership of the intervention and to play a role in steering it through what can be lengthy planning and preparation phases. Community participation and ownership of this nature is central to the agency's approach to development and its successful adoption is a significant factor in what Aspire has managed to achieve.

There is a risk that this ownership may be threatened when lengthy periods of construction are required, which have to be managed by an external contractor. From the perception of the community, the entry of a contractor can change the dynamic of the development process. Instead of being the owner and initiator of the work, the community member suddenly becomes a passive bystander. When the contractor takes over, community members may become labourers subject to the terms and conditions of the contractor, who becomes an employer. The community makes a transition from being in control to being under control of the contractor. This transition is very difficult for community members, and what is essentially a rapid change in status can create negative consequences.

Supplying labour as community participation. What needs to be considered is presenting the whole intervention, including the construction phase, as a process of community participation from first inception to completion. The contractor is still part of the process, but is working for the community; the community is not working for the contractor. The community's labour used during the construction work takes place as part of a continuous process of community participation, rather than being subject to labour law's master-servant relationship. It is provided by the community on the same basis as participation in the earlier visioning and planning process. Payment for help provided on construction work is perceived not as a wage subject to labour market negotiation, but in recognition of services to the community. The construction-based intervention has to be a part of a seamless process that is owned by the community from beginning to end.

3.2.3 What is Aspire's role with municipalities? Aspire has developed close relationships with the ADM family of municipalities. Its role in these relationships is as follows:

- a) Integrating the local economy.** There is a strong implication under AREDS (see Box 3) that the intention was to provide a roadmap for local municipalities to develop their own LED strategies aligned to AREDS, and that Aspire would support this process of alignment towards creating a "joined-up" regional economy. In respect of this, Aspire needs to identify how the projects in specific corridors relate to each other and examine the potential for linking projects along a corridor. The densification of corridors is to enlarge the main corridor catchment area and increase the number of beneficiaries. This has subsequently been recognised by Aspire, and has been identified as a necessary task for the remaining 30 months of the current development cycle²⁸. Tourism affords some potential for this, as does agriculture. Tourism is a large and fast-growing sector in South Africa, accounting for about 12% of GDP²⁹. The challenge with domestic tourism is twofold. The first is getting good data, and the second lies in developing tourism in rural areas. Open Africa³⁰, a non-governmental organisation supported by Hertz and Engen, has developed self-drive travel routes that take tourists off the beaten track in rural areas, and there may be scope for Aspire and Open Africa collaboration. There is synergy between Aspire's use of corridors and Open Africa's development of "routes".
- b) Building relationships.** Another view of Aspire's work in this area is that it bridges the gap between the district municipality and the local municipality in cases where relationships between the two have not been easy. Aspire can legitimately claim that it is not part of the district municipality, and its branding as "Aspire" has been designed to assist this process of differentiation. The need for such an approach is suggested by an earlier review of Aspire³¹, which reported "lip service cooperation" on the surface, but signs of distrust and passive resistance towards the ADM from local municipalities. Political differences were said to be a threat to many initiatives and discussions. Differentiating Aspire from the district municipality is a helpful strategy where, over time, relationships between the district and the local municipalities have become frayed, and is an integral part of its trusted advisor role.
- c) Aspire as "special purpose vehicle".** A third perspective sees Aspire as providing a service in local economic development that the local municipality could not provide for itself. The view was expressed that if all local municipalities were performing

28 ASPIRE strategic review meeting, 1 March 2011

29 Chief executive officer of SA Tourism, <http://www.sa2010.gov.za/node/889>

30 <http://www.openafrica.org/>

31 Implementation of AREDS, Aspire-GTZ November 2008

adequately, there would be no need for Aspire. In this role, Aspire can be seen as a special purpose vehicle compensating for the municipality's limited capacity in economic development. One view expressed by an Aspire project officer was that Aspire was bringing the quality and capacity of a "metro" team to local municipalities.

- d) De-mystifying economic development plans.** A further role for Aspire lay in providing explanations of the planning process and the planning cycle. It does this by handholding, and walking local municipalities through the planning process. In doing so, it can assist the municipality in understanding the length of the planning cycle and the necessity for it, encouraging the adoption of a patient and measured approach to working within it.
- d) Reinforcing bylaws.** Aspire also supports the implementation and enforcement of bylaws, (for example, to control informal trading) essential in creating order and discipline as part of a small town regeneration strategy. Often, municipalities underestimate the role that the effective enforcement of bylaws can play in regeneration, and Aspire works to reinforce their commitment to use these measures.
- e) Empowering municipalities and building their capacity.** In working with local municipalities over an extended period, Aspire can impart skills and competencies to its local partners. Personal relationships are critical in this process, and both Aspire and municipalities can increase impact in respect of capacity building by working to reduce staff turnover and allowing relationships between Aspire corridor managers and local officials to develop. Areas in which Aspire believes it has assisted its client local municipalities to develop capacity include the following:
- How meetings are prepared, managed and their proceedings recorded
 - Making officials believe that things can work and giving them confidence
 - Developing a hands-on and pragmatic approach to development
 - Developing an attitude for risk, and learning how to manage it
 - Working effectively on a one-to-one basis to support formal committee work
 - Encouraging municipalities to make communities feel part of the development process.

Small towns, poverty and the Local Government Turnaround Strategy

56% of South Africans are living in poverty, and most them reside in "B4" local municipalities (mainly rural with communal tenure and with, at most, one or two small towns). This conveys the urgency of small town and rural development initiatives.

Local Government Turnaround Strategy
<http://www.info.gov.za/view/DownloadFileAction?id=118277>

3.2.4 What municipalities want from Aspire. Municipal officials want support to fulfil their obligations in respect of local economic development within the context of their IDPs. They also need support to respond to pressure for economic development from politicians.

Politicians in turn say that they want to see "dust": physical activity and manifest signs of economic development. The length of the project planning cycle discourages and demotivates local officials and politicians alike. Aspire deals with this frustration by ensuring that local counsellors become aware of the formalities of the planning process and understand the reasons for its various steps, and it works to meet their expectations by designing "low-hanging fruit" into the programmes (see Section 1.6.6).

3.2.5 Challenges that Aspire faces in working with municipalities. The Local Government Turnaround Strategy clearly identifies generic challenges faced by municipalities. They include internal factors that relate to such issues as quality of decision making by councillors, quality of appointments, transparency of tender and procurement systems, and levels of financial management and accountability. External factors relate to revenue base and income generation potential, inappropriate legislation and regulation, demographic patterns and trends, macro- and micro-economic conditions, undue interference by political parties, and weaknesses in national policy oversight and inter-governmental relations. Specific challenges faced by Aspire in its relationships with municipalities include the following:

- a) Staff turnover.** A major concern of all corridor and project managers is a lack of consistency in personal contacts with local municipalities. An officer representing a local municipality at one meeting may be replaced by another officer at a subsequent meeting. In the longer term, rapid staff turnover in the municipalities also has a negative impact. Aspire's approach to both capacity building in technical areas and in project management is based on one-to-one relationship building. Inconsistency of contact limits the transfer of technical skills and also slows the delivery of project management. In its first annual report, Aspire saw as one of its three key objectives the need to develop an appropriate and responsive institutional capacity for economic development. Its current plans to develop training programmes provide it with a mechanism to formalise this in respect of local municipalities, and it is recommended that Aspire follow up on this.
- b) Encouraging the municipality to take the lead.** Changes in personnel with the local municipality also frustrate Aspire's policy of getting local municipalities to take the lead and initiative on programmes. If Aspire's support is absent for any period, then progress on interventions often grinds to a halt. Corridor managers also report that communication with municipal officials are a challenge at the level of getting responses to requests for information and getting input and views on proposed interventions. Phone calls are not always responded to; promises to call back not always met. Aspire finds that

engaging with local municipalities requires considerable time and effort. The view of an experienced corridor manager was that the appropriate response was persistence, and not giving up until the desired response was elicited. **“You need to be prepared to make a nuisance of yourself.”** This was said to be the best strategy.

- c) **Unrealistic planning horizons.** Some of the municipalities that Aspire works with have an unrealistic perception of the time required to execute the planning cycle for the development of infrastructure: planning horizons often do not provide enough time for execution. Plans may also be piecemeal and not integrated into a more substantive initiative to benefit from synergies. There is often a lack of a substantive research base to fully support an intervention. This makes municipal plans more susceptible to political interference. Plans that are strongly rooted in a well-researched evidence base and that are part of a well-considered, integrated, long-term strategy are more easily defended against short-term political opportunism.

Coupled with concern over these planning issues were concerns that municipalities needed to focus on maintenance issues once the regeneration process was complete and there was less routine interaction with Aspire.

- d) **Bureaucracy.** The issue of red tape and bureaucracy in local municipalities is relatively well documented, and some attempts have been made to address this at the national level³². Municipalities can be very protocol driven, and Aspire staff members need to understand this because a degree of formality may be required to initiate activity. Where personal relationships with a local official are strong, shortcuts may be possible. An Aspire manager may be advised that endorsement of a particular proposal by a full council meeting is not necessary, and an approval from an executive committee meeting of the full council may suffice.

- e) **Limited capacity.** The experience of Aspire is that local municipalities are neither uniform in their ability to support the processes of local economic development and that the capacity of an individual municipality to work this field will vary over time with political change and with staff changes among officials. Notwithstanding this caveat, all the correspondents consulted during the review were of the opinion that, generally, local municipalities lacked capacity to meet their obligations in terms of the delivery of their economic development agenda. There are two reasons for this. First, there is very little institutional memory that can be used to build capacity in economic development; municipalities are relatively new structures. Second, new graduates who arrive in a municipality to take up the LED portfolio come from an academic tradition that values abstract knowledge over skills development. A degree in economics from most of South Africa’s leading universities leaves a graduate with few, if any, skills that can be used in the field of local and regional economic development³³.

- f) **Weak systems.** During the review, an economic development professional was asked how a quickly a cross-disciplinary team of economic development professionals who were “parachuted” into a municipality could have a significant impact on stimulating development. Such an approach has often been suggested, most recently in December 2010 by COGTA, which has proposed “special purpose vehicles” to perform this function. The response we received was that the absence of working and formalised operating procedures and systems within local municipalities would frustrate a quick turnaround. The absence of adequate systems frustrates Aspire’s interaction with municipalities.

- g) **Municipalities have no revenue streams to do anything.** Interviewees expressed the view that lack of budgets to undertake economic development work was a serious constraint. At face value, this argument has credence, but there are budgets such as the Municipal Infrastructure Grant from COGTA, which can be used to good effect in economic development. National government funding sources for development also include the NDPG of National Treasury and the Critical Infrastructure Programme of the DTI. The issue may be not so much an absence of budget, but limited awareness of how to harness these funding sources for economic development.

3.2.6 Summary. Aspire has developed close relationships with its family of local municipalities and takes seriously its responsibility of assisting them in the discharge of their economic development mandate. Gradually, local municipalities are beginning to take ownership of Aspire and consider it to be “their” agency.

The challenges that Aspire faces in working with municipalities are no different in nature than those faced by other national, provincial and district entities working to support service delivery at the local level, except for the probability that regional economic development is not always a priority for politicians and officials in local municipalities who have other things on their minds, such as their service delivery targets.

To fulfil its long-term plan, Aspire needs to hand more work in respect of project management to local municipalities, but will require much more patience before this can be done on any scale. The hope was that once Aspire had shown the way by supporting a municipality through a complete iteration of the planning cycle, then the municipality would be able to repeat the process and manage a second cycle. The view of Aspire’s corridor managers is that this state of affairs is some way off, and that most municipalities will need considerable support through another iteration of the cycle.

32 Case study local red tape reduction: Steve Tshwete Municipality, Mpumalanga Province. See www.led.co.za

33 An Assessment of Local Economic Development in South African Universities, GTZ, 2009

Human capital development is cited as one of the basic principles of Aspire's impact chain in its 2007-2014 strategy document. Given that local municipalities need to play a role in the process of corridor development implementation and the well-publicised lack of municipal capacity to do this, it is presumed that this process of human capital development refers to the needs of local municipalities, although clarity is required from Aspire as to the extent to which it might support capacity development in municipalities. A starting point might be an assessment of current capacity in local municipalities, and a perspective on the extent to which this has been enhanced to date through interaction with Aspire.

At the end of 2010, Aspire is preparing training programmes to disseminate some of the lessons it has learned in five years of regional development. Although the challenges of municipalities are unlikely to be met by training alone, Aspire is in a privileged position with those municipalities with whom it has worked, and it may be able to leverage interest in the training that it is developing. Short, one-off training programmes are unlikely to have much impact, and Aspire should consider the possibility of developing learning contracts with key individuals at the local level. A learning contract is a written document that draws counterparts together to take joint responsibility for capacity building. Their use can provide structure and an outcomes-based resolution in the context of skills transfer

3.3 Relationships with communities

3.3.1 Communities and municipalities. Communities need to be differentiated from local municipalities in Aspire's work and engaged with separately. Communities as we have described (Section 1.5.3) might be a group of small town residents, small business owners in a particular locality, small farmers, or members of a traditional authority. A local municipality is made up of many different communities, with different and often conflicting interests, and Aspire may need to manage these in order to make progress with the development agenda. The agency's corridor managers and project officers play a facilitating role not just between communities, but also between the municipalities and the community. Their purpose in doing so is to achieve consensus and arrive at a strategy for development to which all can subscribe.

3.3.2 What communities want. People in communities want security and jobs, but can't always see how Aspire will deliver these, other than by short-term work created through construction projects. Explaining the impact that improvements in infrastructure will have, and linking these with increased investment and sustainable employment, can be a challenge. Aspire's managers, who interact with communities, report that community members often have a "we will believe it when we see it" attitude to development. To gain credibility, Aspire managers must begin to show progress – not engage in endless discussion. A key principle at meetings that Aspire facilitates is that they should be decision-making bodies and not just provide a forum for discussion. The importance in designing "quick wins" into programmes to win over doubting community stakeholders is also stressed³⁴. These "wins" have to be thought through in advance and designed into the programme during the development of the regeneration strategy.

3.3.3 How Aspire works with communities. In working with communities, Aspire finds that things are seldom simple, and in order to understand them and make progress, efforts must be made to gather considerable background information. At the community level, an issue can seldom be assumed to make progress just because a development agency asserts that it will create jobs or wealth, and things need to be viewed through the perspective of the community. Communities have been promised much in the past, but often, a lot less has been delivered. Aspire has learned not to raise the expectations of those it works with in these communities.

a) Data collection. Aspire uses community meetings to gather background information. These can be all-day affairs, but are justified on the grounds that proper and detailed planning and engagement is required to avoid subsequent misunderstandings. In small communities, people lead very structured lives and change has to be introduced carefully. Aspire is aware of the need to develop interventions slowly, and to do it in the context of local personalities, interest groups and recent history. In many communities, politics plays a considerable role in decision making, and political issues have to be understood. Aspire's professional staff stress the importance of knowing the history before an issue can be successfully launched. This can require considerable investment in time and explains why the planning cycle for Aspire projects may be delayed. It also explains why Aspire's management hopes its corridor managers will be long serving with the agency. Developing detailed understanding of things on the ground and the development of relationships are essential for making progress with a community-level intervention.

b) Resolving conflicts. An Aspire corridor manager or project officer may need skills in conflict resolution to help resolve differences between groups or span the gap between the local municipality and the community. One manager thought that these skills were as important as planning and project management skills. Once there is consensus and agreement, Aspire can introduce management structures, including local people, for projects³⁵

34 Quick wins include the provision of paving or street lighting – relatively easy to implement, but which are very visible to the community

35 For example, the project officer for the Hamburg Artists' Retreat facilitated a committee to oversee its management

- c) **Crediting partners with success.** Although not explicit, Aspire has a policy of not directly claiming the credit for progress on its interventions. The rationale for this is the determining role that the community has in deciding what the intervention should be. The agency is content to allow local municipalities and communities to share the credit for progress. This pragmatic attitude helps prevent turf wars and helps maintain good relationships with stakeholders. It is also likely to encourage communities to take ownership of the intervention.
- d) **Introducing service providers.** Aspire also introduces service providers to communities and assists the community in managing these relationships. A service provider may be a town planner, a construction engineer or a specialist in a sector such as tourism or agriculture.

Working with consultants

“Aspire needs to work hard to sell its ideas to the consultants it retains. It needs to make sure that the views and perspectives of the community are not overshadowed by the professional opinions of what consultants think is possible or desirable.”

Aspire project officer

3.3.4 How communities perceive Aspire. In the eyes of the community, Aspire is perceived to perform more effectively than municipalities. An area where communities saw Aspire’s role as very significant was in imparting new skills and attitudes to empower the local municipality. The perspective of many community members who partner Aspire’s programme is that the agency has been established to create jobs; the view was expressed that “Aspire is a political project”. By this, we assume that Aspire’s existence is seen to be through the direct or indirect influence of politicians for the benefit of communities. The perception of Aspire as a job creation project is understandable in communities where unemployment can be as high as 80%, but it does mask Aspire’s true direct role as a facilitator of spatial economic growth.

Annex 3 give an overview of the position of Aspire’s work in each of its corridors as at December 2010. We now consider the impact of some of this work on communities:

- a) **Stutterheim-Mlungisi community.** It should be recognised that this community has been working on its own development through the Stutterheim Development Foundation since the late 1980s. Aspire is a latecomer to this process, but through its structured facilitation mechanism, has accelerated the progress of development. The flagship programme for the community is a road and bridge providing easier access between the communities and with the potential to stimulate increased private sector investment. For the Mlungisi community in the N6 Corridor, it was not easy to see that investing in infrastructure, such as the Stutterheim-Mlungisi bridge, might indirectly create jobs (and not simply short-term construction jobs).

Keeping it simple

In working with communities, refurbishing a central business district, building a community centre or building an artists’ residency has to be portrayed to the community as just what it is: a useful asset, and not a solution to all of the challenges a community faces.

However, the principal of investing in development in Stutterheim town, as well as the Mlungisi township, was supported. Aspire has broad support among the communities in which it works. This is evidenced by generally good turnouts at the community meeting Aspire convenes³⁶. There are occasional disagreements, such as dissenting community voices on the labour rate agreed to for work on the Stutterheim-Mlungisi bridge, but Aspire is learning from such issues. People interviewed in the Mlungisi community expressed the view, perhaps unlikely, that the development activities that Aspire was engaged in would have happened anyway, but would have taken longer. On a specific issue, there was considerable support among this community for the sensitive way in which Aspire has handled the demolition and rebuilding of churches to clear the way for the establishment of the new community commercial park.

- c) **Butterworth-Gcuwa community.** As Annex 3 suggests, Aspire has been sensitive to the need to motivate communities in the design of its programmes. Mnquma municipality, central to developments in Butterworth in the **N2 Corridor**, adopted aspects of its upgrade project as “quick wins”, which could give the broader corridor intervention credibility among the community. These have included street lighting, pavements, parking and loading zones, and street furniture. The “quick win” strategy also involved stormwater drainage and a pedestrianisation project. The Butterworth initiative provides an example of how Aspire and a local municipality has to work with communities to leverage NDPG investment. To support the Butterworth initiative, the Department of Environmental Affairs and Tourism is funding a cleaning and greening programme for the town. By December 2010, street lighting and pavement work was well underway (“quick wins”), and project completion of the central business district (CBD) upgrade was scheduled for September 2011. The current work in Butterworth has been described as an “urban upgrade”.
- d) **The Alice community.** In the **R63 Corridor**, as in the case of Stutterheim, the people of Alice have been working on their own development before the arrival of Aspire. What Aspire has been able to do is bring greater structure and organisation

³⁶ A meeting with the Mlungisi community for this research attracted only six community members. This was because it clashed with a municipal review of the IDP at which the community wished to be present. A counsellor travelled from the municipal meeting to apologise to the reviewers for the low turn out

to these efforts and, through this, assist in accelerating progress. Aspire is working with the local municipality, Nkonkobe, to regenerate Alice as a small, economically viable and integrated university town. Community stakeholders see upgrading of the CBD as a priority to create an environment conducive to attracting investment. By 2008, Aspire and the municipality had identified an overall objective for the regeneration: to integrate township settlements with the main town, creating economic and employment opportunities. To achieve this, the regeneration strategy would need to improve the physical environment to begin to attract investment. The strategy also involved the creation of linkages between the University of Fort Hare and Lovedale College. By 2010, Aspire, the municipality and local communities had identified plans for five intervention themes. These were:

- Information and communications technology as an enabler of development
- Upgrading of the CBD
- Heritage development
- Provision of accommodation for people who study in the town
- The development of agriculture.

The involvement of Aspire in the regeneration process of Alice has brought accelerated progress in the planning process, and with that, the increased motivation and participation of individual and groups who have a long association with development work in the town.

- e) **The Hamburg community.** As in other towns, attempts at development were in place at Hamburg before the arrival of Aspire. The **Keiskamma Trust** Art Project was founded in 2000, and through generating employment through art, it involves education, health and transferring life skills. Aspire is building on these “competitive advantage” foundations in collaboration with the community and the Ngqushwa municipality. Aspire and the municipality have worked together in the development of the **R72 Corridor** in which Hamburg sits. The agency has begun to consider further work in the corridor through studies being conducted with the community of Peddie to the west of Hamburg.

A National Treasury NDPG allocation, secured in 2007/08, funded the completion of a local spatial development framework at Hamburg to define and inform the development of the town as a tourism destination. In 2008/09, an analysis of economic potential for the Hamburg region was completed, which identified more concrete opportunities for development. At the end of 2010, the next milestone for the Hamburg town centre upgrade was the completion of the NDPG business plan, anticipated in March 2011. Aspire and the municipality plan to give the town centre a stronger identity through creating space for civic services, commercial developments and tourism products. Outside of the town centre, a boardwalk linkage to the local caravan park and a nature conservation office is planned. Arts and cultural and eco tourism are important in this area. It is intended that the positioning of Hamburg as a central arts destination will fuel development of the area. The R28 million investment in an artists’ retreat is now well into the construction phase. Once complete, the retreat – a new concept in South Africa – will be equipped to accommodate up to 50 working artists.

- 3.3.5 The role of community facilitators.** Community facilitation³⁷ plays a critical role in the work of Aspire. It is important to explain without ambiguity and misunderstanding what the agency wishes to do, and how it would like to go about it, translating its mission carefully. There is a strong argument that all Aspire professional staff members who interact with communities should be trained in facilitation.

External community facilitators are also appointed by Aspire as consultants to work with the community and to help the process of raising interest in development plans and engaging the community’s interest and support as plans gather momentum. The community facilitator becomes the interface between Aspire and the community. He or she should be articulate, have knowledge of the local community and its respect, and, if possible, have a background in development. Keeping the community informed of the development process and seeking their input is a time-consuming process. Aspire’s full-time staff cannot take on all of this work themselves, and a community facilitator is an essential part of the implementation team in a project of any significant size. Aspire has contracted an external community facilitator for Stutterheim and also intends to recruit one to support its blueberry intervention in early 2011.

- 3.3.6 Project steering committees (PSCs).** The PSC is Aspire’s routine interface with the community and other stakeholders, and grew out of the need for regular documented interaction with communities that was focused on formalised decision making. These committees are formal decision-making workings for an intervention with a community and other stakeholders, and provide a focal point for project management process. Regular PSC meetings are an essential condition of funding. Aspire corridor managers call PSC meetings, issue invitations, prepare agendas for meetings, and keep minutes. The minutes of PSC meetings are formal documents that may be called on in audit and are used by National Treasury to identify progress in the Aspire work that it supports (see Annex 2 for an example). Aspire acts as a secretariat to PSCs, although routinely getting substantial local community participation can be a challenge.

³⁷ Community facilitation involves working with ward councilors, ward committees and the communities at large to seek their views and opinions on a proposed intervention and prepare them for the project

People in communities cannot always see the reason or rationale for a PSC and do not always read essential documents in advance of a meeting. There is often community frustration at the length of the planning process, of which the PSC is an integral part. Aspire is at pains to point out the necessity for the planning process – and to stress that while this can be lengthy, nothing happens without it. One corridor manager was of the view that PSCs have a tendency to discover problems, as well as to assist in their resolution.

3.3.7 Summary. Aspire finds that most of its interaction is with black communities, reflecting the demographic structure of Amathole. The time and financial resources that Aspire has invested in working with these communities represents a substantial accumulation of social capital in the sense that their capacity and confidence are both enhanced through their interaction with the agency. Communities represent the platform from which Aspire's interventions are launched and are the primary beneficiaries of the infrastructure developed. All of its small town regeneration and corridor development work commences at the community level and concludes when the asset created by the intervention is handed to the community. Aspire draws communities into a broader network of officials, consultants and construction contractors. These broader networks, comprising local and national government and the private sector, provide communities with the access to resources needed to improve their local infrastructure and prospects for economic development.

4 BEYOND THE EASTERN CAPE

4.1 Introduction

Aspire has developed relationships with national entities and these have played a critical role in its development. This section looks at the most significant of these national connections.

4.2 Industrial Development Corporation

The IDC played a significant role in the establishment of Aspire, although its influence with the agency has waned over time as Aspire has developed other funding sources and found additional development partners. A broad account of why and how the IDC instigated the agency movement is found in Box 2.

4.2.1 IDC and Aspire. The IDC appoints an accounts officer to manage its relationship with Aspire. This officer is the IDC's sole channel to the agency, and all communication between the IDC and Aspire is conducted between the CEO and the nominated account officer, who visits Aspire every two months. The IDC reports that it has been historically difficult for its account managers to persuade Aspire down a particular path that it did not wish to follow, and that there have been differences of opinion between the agency and the corporation. It now recognises that Aspire can make the IDC think differently. An example is the agency's adoption of a spatial approach. Previously, Aspire's agenda was project driven and the IDC was initially cynical about its conversion to "corridors" and to what it described as "Amathole's more strategic jurisdiction". Its conversion was a result of the strength of argument put forward by Aspire's CEO and supporting team.

There is a significant point at debate here: funding bodies can be negotiated with by an agency that has the will to do so. Other agencies should be encouraged to negotiate with their funding sources. Over time, Aspire has developed a more diverse range of funders, and the IDC's influence has been diluted to a point where it is seen as a small proportion of the total finance leveraged by the agency, although the fact that 30% of IDC money can be used for project management gives the corporation's continued input considerable importance. In particular, Aspire has raised R230 million from Treasury – so the IDC is now a minority funder. The IDC perceives Aspire as having had difficult beginning, but the corporation now views the agency as a success on two counts. The first is the funding it has managed to leverage; the second is that it is the **only** development agency to have used a spatial approach to its work. In addition, the IDC believes that Aspire is closer to long-term sustainability than many other agencies.

The IDC itself has a commitment to regional development beyond agencies that it feels it must address in future, and is looking at the role that social enterprise might play in this. The corporation believes that its new line ministry, the Economic Development Department, gives the IDC a stronger mandate for its programme of social and rural development, although future support for rural development may take place outside of the agency movement. As for agency access to funding, the IDC believes that the Development Bank of Southern Africa may be a better future target for agencies. The IDC believes it will not start new agencies and will reduce support for existing agencies over the next three to six years.

4.3 Working with National Treasury

4.3.1 Introduction. Aspire's relationship with National Treasury is defined by its successful applications for NDPG funding. The grant in its current form offers a window of opportunity for municipalities to apply for funding to develop townships. Now in its fifth year of a 10-year pilot programme, the grant is available for interventions that aim to improve the spatial configuration of townships. Its scope is much wider than the traditional development target of housing, and National Treasury feels that it is the only department with a mandate for broad-based township development. Grants must be counter-funded, and leverage needs to be demonstrated in a successful application. Box 1 contains background details on the NDPG.

4.3.2 The Neighbourhood Development Partnership Grant. The NDPG aims to encourage municipalities to think differently about township support by assisting them to consider development in a broader manner and on a longer timescale than they might normally do. As such, the NDPG is particularly well suited to the aims of Aspire and its strategic infrastructure approach to development. The spatial nature of the NDPG's intention also sits well with Aspire's small town regeneration and corridor development approach. Perceived as a difficult grant to access by municipalities, the NDPG has two components. The first is **technical assistance**. This is used for stimulating the conceptual work that is required for a physical intervention to proceed. It covers project management, generally developing the case for intervention, and the production of a business plan and drawings. The **capital grant** is intended for construction. It is this two-phase structure (and the need for counter-funding) that gives the NDPG a somewhat undeserved reputation for being difficult to access. Aspire has been successful in applications for R2.5 million in technical assistance and R250 million in capital funding.

4.3.3 Influencing Treasury. Aspire has persuaded National Treasury that NDPG funds should cover not just township development, but also development work in small towns. As in the case of the IDC, Aspire has demonstrated that it is possible to negotiate with national funders. The rationale for granting this flexibility is that the development of the township is directly linked to the success or otherwise of the commercial node. Small town development leverages township development, and this principal has been applied to successful NDPG grant applications for Stutterheim and Butterworth. The principle is central to Aspire's spatial corridor approach to development in that leverage in one part of a corridor can lead to development in another. The fact that it has been willing to fund small town, as well as township, development illustrates a flexibility and pragmatism in approach by Treasury that is generally supportive of development.

4.3.4 Treasury's view of Aspire. National Treasury would like to see other municipalities develop the stability that Aspire has achieved during its first five years of operation. This stability, and the relationship that has developed as a result of it, gives Treasury confidence in working with Aspire. Treasury is well aware of how Aspire works, and believes that its engagement with communities and sound financial management are central to Aspire's progress. Treasury monitors the cash flow of grantees in accord with an agreed schedule of compliance to track progress in implementation, so sound financial management is critical if the agency is to maintain its sound relationship with this funder. Treasury reporting on NDPG disbursements is web-based and essentially asks for information on what has been spent and for any challenges that are likely to be encountered in the next reporting period. Glitches or variance from planned cash flow are taken as indicators of potential challenges. Treasury is comfortable with the financial reporting that it gets from Aspire.

4.4 Cooperative Governance and Traditional Affairs

The significance of COGTA in LED is twofold. First, it has a constitutional responsibility to report to parliament on local economic development, and second, it is the line ministry for the ADM, Aspire's parent body. COGTA, and its predecessor, the DPLG, was responsible for developing the National LED Framework, which marked a change in direction for LED from project-based interventions to the more strategic paradigm that has helped give licence to Aspire's spatial development approach. Since the launch of the framework in 2006, COGTA has been relatively quiet in respect of LED, although it recently launched a research programme to support consideration of the development of small town regeneration policy and also a review of its LED framework. Both reviews may have potential implications for the work of Aspire.

4.5 Aspire and the donor community

Aspire has three German aid service workers from GIZ³⁸ on its staff who are heavily involved with the delivery of its programmes. In 2008, GTZ, a sister German aid organisation, undertook a review of Aspire's work with AREDS³⁹. The German members of its professional staff make a significant contribution to Aspire's work, and Aspire makes a payment to GIZ in respect of their services. GIZ has shown pragmatism in its relationship with Aspire, and although secondments are nominally for two years, they can be significantly beyond this.

New Zealand's Volunteer Services Abroad has provided a volunteer to work in Aspire who is now employed as corporate manager on a Department of Home Affairs work permit. The delegation of the European Union (EU) in Pretoria has supported studies that Aspire has conducted. EU money is provided on a matching-funds basis, and support for these studies has also come from ECDC at the level of the province.

4.6 Aspire and the Economic Development Department

4.6.1 Introduction. This new department is potentially a significant partner for Aspire. It holds the mandate for coordinating South Africa's New Growth Path⁴⁰ and, significantly, is the IDC's new line ministry. In essence, the department will focus its efforts on maximising the creation of *decent work* opportunities in the following three phases:

- In the short run, the department recognises that the state can accelerate employment through direct employment schemes, targeted subsidies and expansionary macro-economic policies.
- In the medium term, it can support labour-absorbing sectors of the economy.
- In the longer term, it must create jobs in knowledge-based and capital-intensive sectors.

There is scope for Aspire to work with the department in supporting labour-absorbing sectors of the economy, such as agriculture and tourism, which feature strongly in the agency's development corridors. There may also be scope to use

38 The German Development Service (GIZ, formerly DED) is a leading European development service for personnel secondment. It was founded in 1963 and is funded by Germany

39 Implementation of the Amathole Regional Economic Development Strategy (AREDS) Aspire/GTZ 2008

40 The new growth path: the framework. <http://www.info.gov.za/speech/DynamicAction?pageid=461&sid=14787&tid=24857>

direct targeted employment schemes, such as the Expanded Public Works Programme, in Aspire's infrastructure work. Critics of the New Growth Path say that the state lacks the capacity to deliver it. Aspire may have a role to play in demonstrating how support for growth can be delivered effectively through a regional development programme.

4.6.2 Economic development and job drivers. The Economic Development Department has identified five "job drivers" for development finance institutions and agencies to align themselves with. These are as follows (see also Annex 4):

- Infrastructure for employment and development
- Improving job creation in economic sectors
- The green and knowledge-based economies
- Investing in social capital
- Spatial development.

Working in support of these may become increasingly important for Aspire, and a note on the agency's alignment with EDD's operating principles is found in Annex 4. There is potential for Aspire to work with EDD in developing regional policy within the New Growth Path paradigm. The aim might be to fill some of the policy vacuum that currently surrounds regional development.

4.7 Working with the private sector

4.7.1 Crowding in Investment. Aspire sees the private sector as essential in creating economic activity in its corridors. Its fundamental approach is to leverage private sector investment from the public sector investment that it and its partners make in infrastructure. The key point of a corridor development is to "crowd in" and intensify public and private sector investment to provide a platform for economic growth. Persuading the private sector to do so in the rural hinterland of the Eastern Cape is a challenge, although Aspire has identified agriculture and tourism as having competitive advantage and holding potential. Aspire needs to find other significant investors, in addition to Amathole **Berries, which** might have an interest in investment. Given the intense focus that Aspire currently has in driving implementation of its programme, it is unclear how the agency might find the capacity to develop a substantive private sector facilitation role, especially as the private sector has a preference for dealing directly with decision makers and may wish to interact directly with the CEO, CFO and other senior staff. The opportunity cost of Aspire's implementation effort is a temporary reduction in the agency's ability to facilitate new development.

4.7.2 Business organisations. Aspire has senior staff members with extensive private sector contacts, but in the longer term, a broader and more formal interface with business would be useful. A first step in establishing such an interface might be a short conference for potential investors. A key concern for Aspire is the weakness of business organisations in rural areas. The absence of strong business representative organisations is a function of the decline of rural economies and of the narrow property and business ownership base in many small towns, where Aspire's corridor managers report that 80% of property can be in the hands of just two or three families. On a broader level, the Border Kei Chamber of Commerce, based in East London, claims that its 800 members generate an estimated annual turnover of R69 billion and employ some 46,300 people who earn an estimated annual income of R18 billion.

4.7.3 Summary. Typically in South Africa, the public sector does not always trust the private sector and the private sector does always trust government. Aspire can play a useful intermediary role in bringing the two sides together at the regional level. A further challenge in working with the private sector is that of timescales. Private sector partners find it difficult to work within the longer planning horizons needed by the public sector. In its role as an intermediary, Aspire has found it possible to speed up the response time of public sector bodies to support the private sector. This has been demonstrated in the case of Amathole Berries.

4.8 Working with consultants

Given its small staff, Aspire has a need to hire external consultants to support its planning and interventions. There is discussion in Aspire about the best way to contract with consultants. They can be contracted as a consortium or as individuals. When contracted as a consortium, as has been the case in the construction of the Mlungisi bridge, the consortium

What people said.

- *"Small towns may become a place where farm workers live."*
- *"It's enjoyable working here at Aspire."*
- *"Aspire works where government has failed."*
- *"Aspire is now an NDPG implementation unit."*
- *"After five years, an organisation like ASPIRE should be established."*
- *"The Aspire interventions may need better data next time around."*

Quotes from some of those interviewed during the review

Business representative organisations

"Outside of the major centres, business organisations are closing down. In many parts of the country, the private sector no longer meets collectively to discuss points of common interest."

A South African academic's view of private sector representation in small towns

can see the work through from design to completion of construction, although there is some loss of direct control over the process by Aspire. When contracted as individuals, a corridor manager has more control, but also more work, and can find him/herself directly managing up to six individuals. Aspire does not have a “policy” on hiring by consortia or individually, and the decision rests with the corridor manager based on the best fit with the tasks to be undertaken.

Consultants find working with Aspire challenging, but relatively straightforward compared with working directly within municipalities. Politics and bureaucracy are absent and the agency is reported to have a “private sector feel” to it, although tensions can arise. Many public sector entities have a passive approach to working with consultants, and too often, the quality of a consultant’s work goes unchallenged. This is not the case with Aspire, and consultants are sometimes uncomfortable with Aspire’s more demanding and authoritative approach. The agency’s approach to working with consultants is in line with international good practice and is positive for the quality of its interventions. Consultants felt that the agency was more likely to work to private sector timelines than other government entities, and was quicker to deal with queries and problems that arose; this was appreciated by consultants. Questions asked of Aspire relevant to programme implementation are usually responded to quickly. Some consultants also appreciated the proactivity of Aspire professional staff. “They are pushing us. We are not chasing them,” one said. This proactive approach was appreciated; although not all Aspire staff members were considered equally proactive. Consultants also appreciated the flexibility of the agency and being able to influence the Aspire agenda from the outside. Consultants also appreciated the “crossover”, where Aspire managers from one corridor would assist managers in another, as it gave interventions access to wider ranges of skills. Consistency in approach was also valued: once Aspire set out on a course of action, it usually stuck to it. There was less chopping and changing of plans than was experienced when consultants worked with municipalities.

Private consultants were less positive about Aspire’s choice of interventions than were people working in the public sector and academia. There was a suggestion that Aspire might be a little naïve about the degree of difficulty of the development challenges confronting Amathole. This may be the case. Corridor managers are generally less experienced than the consultants that they work with, but are also perhaps more optimistic about what they feel can be achieved and set the standard higher than consultants might tend to do so. The view of consultants may be also influenced by the fact that they are likely to find Aspire a more challenging client to work with than many other public sector entities, and are not used to either having their technical judgements questioned or being pressured on delivery times. A second issue might be one of differences of approach to regional development. Consultants have a more technocratic approach to development, and see it in terms of problem solving. Aspire’s approach is more focused on the social dimension of development, and works through and with communities; it takes a people-centred approach to development, rather than a technical approach. Perhaps consultants are more often accustomed to doing things for people, while Aspire does things with people.

4.9 Summary

Aspire has shown that it has had the capacity to influence national thinking in respect of regional development policy. It has the opportunity to do so again in respect of government’s New Growth Path. The 2011 national budget ensures that the new growth path will be funded, including promoting innovation in regional integration and rural development. Currently, there is no agreed regional policy for South Africa through which this budget can be dispersed. Aspire can play a considerable role in assisting in formulating one, although it is by no means certain that it will be consulted by government. There is a need for Aspire to be proactive in taking its message to those government departments likely to be charged with implementing regional policy under the New Growth Path, perhaps in the first instance, the Economic Development Department.

5 MONITORING AND EVALUATION

5.1 Introduction

Aspire's first impact target was inherited from the ADM, along with the sectoral programme that it later abandoned in favour of its spatial approach. This target was in line with government's Accelerated and Shared Growth Initiative of South Africa target, and suggested a 50% reduction in unemployment and a 50% reduction in poverty by 2014. An early analysis suggested that to achieve this would require R40 billion in investment, a target unlikely to be achieved under any circumstances in the short or medium term. A more realistic target was required, and one that maps more appropriately onto the current programme of Aspire. In broad terms, the mandate that needs to be evaluated is the "promotion and implementation of development policies in areas of economic production and investment in the Amathole Region". The 2005/06 annual report makes it clear that this was to be established through the following:

- Contributing to sustainable growth
- Facilitating the development of an integrated district-wide economy
- Developing appropriate and responsive institutional capacity.

Monitoring and management

"What gets measured gets managed, and what gets managed makes a difference."

Peter F Drucker: The Practice of Management, 1954

5.2 Aspire's perspective of its role

The 2005/06 objective has been refined and the 2009/10 annual report summarises the role of Aspire as follows: "Aspire sets out to be a trusted advisor, stimulator and partner in the regional economic environment, with our mission being to stimulate locality development. Central to our approach is the regeneration of small town economies, which, we believe, enhances their ability to contribute to the economy of Amathole as a whole and improves the quality of life of its people." In this, there is a consistency of emphasis in the "trusted advisor" role that first emerged in the 2006/07 report, but which was phrased slightly differently: Aspire aimed "to become the acknowledged and trusted advisor to ADM, local municipalities and other stakeholders on regional economic matters".

5.3 An assessment of Aspire's trusted advisor role

In the current absence of specific indicators, assessing the extent to which Aspire has become a trusted advisor is a subjective judgement, although the conclusion of this review is that the professional competence and integrity of Aspire is trusted by both national and regional partners. In testament to this, there are two pieces of concrete evidence. The first is that Aspire has been able to raise more than R300 million in funds for its work. The second is that the communities of Amathole have given Aspire enough access and support to launch 36 initiatives⁴¹ in the region's small towns and development corridors. These achievements are unlikely to have been attained unless Aspire has become a "trusted advisor". A more detailed assessment follows, and Section 6 examines the extent to which Aspire's work is likely to stimulate locality development and economic growth.

5.4 Distinguishing between monitoring and evaluation

A distinction needs to be made between monitoring and evaluation. **Monitoring** refers to systems put in place to assess the routine effectiveness of operation in the short term by providing feedback to management. Evaluation refers to assessing the impact of Aspire's work in terms of its broad objectives for spatial and economic development. Monitoring is in place, and is revealed by the detailed performance indicators presented in the 2009/10 and earlier annual reports. Evaluation perhaps needs more attention, and Aspire recognises this.

5.5 Aspire's programme monitoring

In terms of **monitoring**, Aspire sets itself annual targets for both its programme interventions and its broader corporate goals. These targets are set out in the annual reports (most recently 2009/10) and assess the agency's performance. At the programme or intervention level, indicators for 2009/10 included the following, which are provided as examples:

41 This was the number of separate initiatives tabled by Aspire at a corridor meeting in early December 2010

Planned project	Activity
Butterworth CBD upgrade	<ul style="list-style-type: none"> • Provide an overview of the status quo traffic movement, sidewalks and street lights to create a conducive environment for Butterworth economic development
Establish a corporate GIS for Aspire	<ul style="list-style-type: none"> • Verification and validation of existing spatial data for five pilot towns • Development of GIS database to support development planning (town regeneration programme)
Amahlathi petro-park: the objective is to create a one-stop facility for tourists and locals on the N6 route at the entrance of Stutterheim	<ul style="list-style-type: none"> • Finalise town planning report • Ensure town planning application gets Amahlathi Local Municipality council approval • Identify private sector funding

A measurement indicator is set for each activity, and a target date is set for the attainment of that indicator. At the end of the specified period, these activities are assessed by what was actually accomplished and the date by which this was achieved. Where completion of the activity is less than 100%, a completion ratio is provided, together with an explanation of the variance. A similar process of monitoring takes place at the broader corporate level: using the same appraisal mechanism, the broader corporate goals are assessed. While the programme indicators measure the performance of corridor managers and project officers, corporate objectives measure the performance of senior management. Examples of these broader objectives are:

- Aspire's performance in communications and marketing
- Harnessing resources
- Good organisational governance
- Procurement
- Programme expenditure.

Programme monitoring at Aspire has been designed to give the Board and management feedback on operational and corporate performance, and is effective at doing so.

5.6 Impact evaluation

5.6.1 Measuring impact. Programme monitoring at Aspire is in good shape, as the annual report for 2009/10 suggests, and provides good feedback to management on performance against targets at both the programme and corporate levels. What is more problematic is impact assessment. For example, small town regeneration is to "contribute to sustainable growth" in the town concerned, and also in its hinterland. How will Aspire know when and if this has happened? Baseline studies are conducted at the status quo report stage and these can be used for comparison, but at what stage and how will Aspire conduct follow-up studies to assess the impact of the regeneration process?

5.6.2 Key questions for an impact evaluation process. If viewed as a pilot programme, Aspire is in a position to shed light on the following questions (given that the appropriate data can be collected):

- Does public investment in small towns generate private investment? If so, how much, and what is the ratio between public and private investment?
- Does public and private investment in a small town generate increased activity in surrounding villages?
- Does investment in a small town have an impact on employment and incomes within it?
- Does increased economic activity in surrounding villages have an impact on employment and incomes in those villages?

It is recommended that Aspire assess its capacity to address these questions or devise similar questions to determine the impact of its public investment in small towns and corridors. Is the baseline data in good enough shape to use as a comparison? How, and at what stage, does Aspire propose to conduct follow-up surveys, and how will this data be analysed and interpreted? This work may rightly belong to the policy unit proposed by Aspire. The rationale for this is that in order to influence policy, Aspire, in the long term, should build an evidence base to support its approach. Impact evaluation has a clear role in the collection of evidence to support this and, in so doing, can provide a platform for a programme of advocacy.

5.7 Summary

Programme monitoring is alive and well at Aspire. In respect of impact evaluation, the agency should identify and set in place some simple and easy to measure indicators that will measure the growth of its small towns and their hinterlands post-regeneration, and it should establish a methodology for collecting data to support these. The proposed policy unit might assume responsibility for this. It can be argued that Aspire is a pilot programme, and that evidence for linkages between small town regeneration and growth can inform regional development more generally. The need to address the issue of impact evaluation was considered by the Aspire strategic planning workshop in March 2011, and accepted as an essential requirement for the work plan in the 30-month period after the workshop.

6 CORRIDOR AND SMALL TOWN DEVELOPMENT – QUESTIONS AND CHALLENGES

6.1 Introduction

A detailed description of Aspire's approach to corridor development and small town regeneration is presented on a corridor-by-corridor basis in Annex 3. The box on the right gives an overview of the main steps included in the model. This section undertakes a brief analysis of the processes used to underpin the work.

6.2 Is the small town regeneration and spatial corridor approach right for Amathole?

6.2.1 Small town regeneration. Strategic small town regeneration and corridor development⁴² is new in the context of regional development in South Africa, and for this reason, there are good grounds for considering the Aspire small town programme as a pilot. Aspire has consistently referred to it as such. The 2005/06 annual report refers to undertaking pilot interventions to demonstrate the principles of small town economic regeneration. The theme of piloting was carried through into the 2006/07 report ("we are piloting ways to rebuild small towns"). The 2009/10 report confirms the pilot perspective when it refers to the verification and validation of existing spatial data for five *pilot* towns.

Aspire's small town regeneration model aims to:

- *Identify the key economic conditions and trends in the town.*
- *Determine which sectors and commodities in the area are significant to the town's economic activity and could be developed*
- *Assess socio-economic activities that will give a competitive advantage to the area.*
- *Increase capital investment in the town and surrounds.*
- *Assess existing spatial data, such as cadastral information, land use and land ownership, and demographic and physical analyses of the area.*
- *Investigate bulk infrastructure and other related engineering requirements.*
- *Compile a concept map to show an aerial view of the town.*

Aspire annual report 2008/09

A pilot study can be seen as a limited-scale intervention designed to test a methodology and gather data prior to a possible larger study. It can reveal deficiencies in approach or implementation before time and resources are expended on large-scale studies. Given this, the critical issue for Aspire is not necessarily to advance development in the five towns, but to assess whether or not its regeneration model results in physical improvements to small towns and the extent to which these physical improvements result in economic and social benefit. An impact evaluation analysis can usefully reflect on the performance of the various individual elements of the strategic model. For example, how useful is the status quo report in establishing the state of the town? Does the local spatial development framework assist enough in optimising the relationship between space and activities? At the operational level, is it better to work with individual consultants, or a consortium? Aspire should begin to position itself to answer these questions. Although it is anticipated that investment will yield socio-economic benefits, in the strict sense of a pilot, the level of development in the five towns may be secondary to the agency's capacity to provide an understanding of the relationship between physical regeneration and economic growth. Establishing such relationships is central to supporting evidence-based policy.

6.2.2 Physical and economic regeneration. Implied by the agency's approach is the idea that the physical regeneration of small towns will lead to economic regeneration not only of the town, but also of its immediate hinterland with resulting sustainable improvements in income. The extent to which these benefits will follow are unknown and need to be monitored carefully. Bromley⁴³ has argued that evidence reveals that small town environmental improvements create short-term problems with a time lag before benefits are felt. Regeneration can accentuate and create spatial inequality with divisions between improved and unimproved areas; environmental improvements are only a first step towards change. Bromley concludes that improvements do encourage private investment, and that it is the **investment in new and improved attractions** that is the critical second step towards town centre regeneration. **Public investment in environmental improvements is undoubtedly worthwhile if there is a reasonable expectation of private investment.** This approach is pretty much the same as that being taken by the Aspire team.

With Aspire's small town regeneration still in the construction or planning stage, it is too early to make a call on the socio-economic impact of its work. What is important is for Aspire to ensure that adequate evaluation processes are in place to allow firm conclusions to be drawn on the links between small town regeneration, corridor stimulation and economic development. As at late 2010, there is adequate time to put these measures in place or to identify existing surveys that might

⁴² The Maputo Corridor, which is best perceived as an international spatial corridor, is an exception

⁴³ Rosemary Bromley, Martin Hall, Colin Thomas: *The Impact of Environmental Improvements on Town Centre Regeneration*. *Town Planning Review*, 2003

be utilised. With adequate evaluation techniques in place, Aspire can make a significant contribution to the understanding of these relationships for the rest of South Africa.

6.2.3 Corridor development. The broader issue of spatial corridor development is, of course, linked to small town regeneration, but also needs to be considered separately. Thomas⁴⁴ has argued that for spatial development initiatives to work in Africa, the following conditions must be present:

- There must be real economic potential.
- As far as possible, private sector resources should be mobilised.
- Public sector resources should be applied where they will have the most impact.
- The benefits of economic growth should be shared with those previously excluded.
- “Densification” of the corridors is necessary through the establishment of ancillary and feeder infrastructure to enlarge the corridor’s catchment area and beneficiaries.
- Deepening of resource industries can be effected via resource linkages in industrial clusters.

Thomas’s analysis is inspired by the cross-border Maputo Corridor, but the characteristics assumed for spatial development to have impact are not so far removed from those put forward by Aspire. How “real” the economic potential is in the Aspire corridors is difficult to ascertain, but there is land and labour in each of them. What is needed is the addition of capital to these resources (from state and private sector financial institutions) and the involvement of entrepreneurs (the private sector) to release this economic potential. Aspire’s task is to entice capital and entrepreneurship to the mix through the regeneration of physical infrastructure. In order to do this, it may need to further develop its relationships with the private sector and attract investment from outside of the region on the same scale as Amathole Berries.

In summary, small town regeneration was not invented by Aspire, although Aspire has brought structure and science to the process. Even within Amathole, the regeneration process has long been at work in such towns as Stutterheim, Alice and Hamburg. What Aspire has done is energise and facilitate the process, bringing to it more structured management, new skills and financial resources. Small town regeneration will continue long after Aspire’s involvement in these towns has ended and it has moved on to other challenges. Aspire’s task is to ensure that the structure and processes it has brought to the process are sustainable and remain once the agency has moved on.

44 Development Corridors and Spatial Development Initiatives in Africa, January 2009 http://www.fdi.net/documents/WorldBank/databases/africa_infrastructure/Thomas_SDI_paper_lowres.pdf

7 ASSESSING ASPIRE'S PROGRESS OVER FIVE YEARS

7.1 Introduction

After five years, a regional development agency should be well established. It should have an agreed strategy, sound management and financial systems, a settled team of professional staff, and an extensive network of development partners. It should also have overcome the challenges of funding its programme and be free of cash flow concerns. In addition, it must be able to point to a substantive programme of implementation and have the broad support and endorsement of a wide range of stakeholders. Using these as indicators, Aspire is considered to be a well-established regional development agency.

The “unknowns” for Aspire relate to its chosen strategy of spatial corridor development supported by small town regeneration. Will this work in terms of Aspire’s mandate to stimulate economic growth and integrate the Amathole regional economy? Aspire’s approach is derived from its AREDS research process. Although some have criticised the limited use of data in arriving at this strategy, the process was intensive, consultative and took place over several months. It maps onto the parameters that others have suggested are necessary for small town regeneration and corridor development (see Bromley and Thomas). What is needed is clarity concerning an appropriate impact evaluation mechanism. Time and appropriate measurement will inform the degree of impact of the AREDS programme.

7.2 Critical factors in Aspire’s progress

Aspire has made considerable progress in the implementation of AREDS. Such progress is unusual in regional and local economic development in deep rural locations and comes from critical success factors, which should be recognised as a summary of the lessons learned by Aspire since 2005. These factors are:

7.3 Lessons learned by Aspire

- a) **Aspire is a separate legal entity.** The progress of Aspire is a product of its results-orientated management culture and the people it employs. It would be very difficult to create this culture or employ these people in a conventional public service environment (See Section 2.3.2).
- b) **Absence of political interference.** Aspire’s work is not influenced by short-term political interference from the ADM. This is been achieved with the support of the mayor of Amathole, and the political independence of its Board and CEO (Sections 2.4.2 and 3.1.7).
- c) **An appropriate strategy.** Through AREDS, Aspire identified a strategic approach based on spatial corridors that was easy to understand and for which there was widespread support among its immediate stakeholders (Section 3.1.4).
- d) **Results-orientated management culture.** Aspire sets targets and monitors the attainment of these at company and individual manager level. Individual responsibility for targets is demanded and delivered (Section 2.5.1).
- e) **Clean audits.** Aspire has put in place financial systems that routinely assess its compliance with the legislative and administrative conditions it has to meet. These have resulted in clean audits, which have eased the work of raising finance (Sections 2.4.3 and 2.4.5).
- f) **Peer group evaluation.** Decisions made in Aspire are seldom made in isolation. An idea that will result in an intervention and consume time and budget is exposed to the intense and critical scrutiny of others and, if necessary, amended (Sections 2.5.1 and 2.5.3).
- g) **Sticking to the plot.** Regional development in South Africa seldom runs according to plan. The path is littered with what Aspire calls “potholes”. These are unforeseen problems that block or frustrate the development plan. The default assumption at Aspire is that there is a way around these potholes – given time and effort. One of the key lessons learned by Aspire’s managers is that most challenges are not insurmountable, and a work-around can be found and progress restored (Sections 2.3.2 and 2.4.2).
- h) **Engagement with communities.** Aspire is proactive in its work with communities. It invests time in getting to understand these communities and assists them in seeing new opportunities in their local environments. Aspire attempts to give ownership of its interventions to these communities (Section 3.3).

- i) **Engagement with municipalities.** Aspire has developed close relationships with local municipalities, who consider it to be “their” agency. These relationships are critical in obtaining political buy in for its projects and for the granting of planning permissions (Section 3.2).
- j) **Crediting partners with success.** Aspire is willing to allow others to claim success for its interventions. It avoids crowding others out of the progress made as a result of its interventions, and this approach helps maintain its relationships with stakeholders (Section 3.3.3 (d)).
- k) **Limiting expectations.** Aspire has the prudent policy of not raising the expectations of the communities it works with. Building a community commercial centre or an artists’ residency is just that: it is not portrayed as pathway to a better life or permanent employment for all (Section 3.3.3).

7.4 Recommendations for consideration by Aspire

Based on the assessment of Aspire’s work over the past five years, Aspire can further advance its objectives by consideration of the following:

- a) **Monitoring and evaluation.** Aspire articulates the plans it has for assessing the impact of its small town regeneration and corridor development work (Section 5.6).
- b) **Developing stronger links with the private sector.** Aspire will need more private sector investors to work with in its development corridors and small towns. It should consider a mechanism to facilitate this (Section 4.7.1).
- c) **Facilitation.** Aspire needs to ensure that while it focuses on implementation, it does not lose track of its facilitation role, especially in respect of further private sector engagement (Sections 1.5 and 1.6.1).
- d) **Management and organisational development.** Four recommendations are:
 - i) **Delegation and skills transfer.** There is an opportunity to further explore the potential for skills transfer and staff development (Sections 2.4.6 and 2.4.7).
 - ii) **Ensuring documentation of management processes.** To assist dissemination, Aspire might consider the documentation of its internal and external management processes in the form of operations manuals (Sections 2.3.3 and 2.10).
 - iii) **Thinking about succession.** Consideration should be given to a succession policy for the top management team (Sections 2.4.2 and 2.4.4).
 - iv) Retention of an **organisation and development consultant** to assess the implications of the proposed policy and project management units (Section 2.4.7).
- e) **Addressing sustainably.** The following two points might be considered:
 - i) Aspire should confirm its strategy to securing long-term funding from the options it has available (Section 2.9).
 - ii) The agency should monitor the outcome of the two COGTA reviews instigated in late 2010 (small town regeneration, and the LED Framework). Aspire should also track government’s longer-term proposals for local government reform and formalise a contingency plan (Sections 1.2 and 1.6.5).
- f) **Establishing a policy unit.** Aspire has actively considered setting up a policy unit. The policy unit should take responsibility for advocacy, influencing policy through the dissemination of Aspire’s experience and taking responsibility for programme impact evaluation in the interest of evidence-based policy making. The proposed unit should be financially self-sufficient after 12 months, and a business plan prepared to assess the potential for this (Sections 5.6 and 5.7).
- g) **Dissemination of lessons learned.** The following might be pursued:
 - i) **Influencing policy.** Aspire has learned a considerable amount about regional development strategy and its implementation. It should use its evidence base and attempt to influence policy through discussion with the Economic Development Department, DTI and COGTA (Section 9).
 - ii) **Training.** Aspire has already initiated a process to develop training programmes to disseminate its work. There are a number of areas in which Aspire has developed expertise and intellectual property, and which could form the basis of training courses. These include:
 - Using output-based approaches in managing a regional development agency
 - Developing project management in spatial corridor development
 - Modelling and implementing processes of small town regeneration

- Working with communities in regional economic development
- Adding to an understanding of the idea of building social capital through work with communities. (Sections 3.2.5 and 3.2.6)

- h) Aspire and social capital.** The concept of social capital has been raised by the Economic Development Department in the context of the New Growth Path, but there is considerable scope to clarify what is meant by this and what its potential contribution to development might be. Aspire can enhance the debate on the understanding, meaning and value of the idea of social capital based on an assessment of its experiences with communities (Annex 4).
- i) Aspire's impact on municipalities.** Aspire should be more conscious of the impact that it has on developing the capability of municipalities to date and to be more aware of the capacity that exists. It is certain that both the capacity and confidence of municipalities has increased as a result of Aspire's interaction with them. Aspire needs to be aware of this to assess what might be delegated to municipalities over the next 30 months in respect of project management, and to assess the extent to which it has contributed to social capital formation at the local level. A short study to address this issue is recommended (Section 3.2.6).
- j) Taking time out.** At the end of the current development cycle (defined by depletion of its existing capital expenditure budgets and assumed to be the end of 2012), Aspire is encouraged to suspend for a time its implementation role. This can be seen as marking the end of Aspire's first or pilot development phase. The agency might for a period focus its attention on assessing the pilot small town interventions that it has implemented, building the capacity of others to do more in the way of implementation in a second phase of corridor development, and identify how in this second round it can re-establish its primary role as facilitator of development and limit its implementation role.

8 A SUMMARY

Aspire set out to become a “trusted advisor, stimulator and partner in the regional economic environment”. In the course of five years, it has largely achieved that objective with its local, regional and national stakeholders. It has reached this status through the degree of independence it has been given by the Amathole District Municipality, the quality of its leadership and staff, a results-orientated management culture, and the identification of a long-term spatial strategy well suited to the needs of the rural district it serves. It has created an understanding of how development should be conducted if it is to be effective at the local level, and has enhanced awareness of how agencies can work effectively with rural municipalities, which have limited technical capacity. The conceptual advances made by Aspire include its model of small town regeneration, its corridor development strategy, and the participatory approach it uses to interact with and win the confidence of communities. In addition, its experience sits well with the emerging interest in the ideas of social capital and social enterprise. Aspire is well positioned to explore the role of these concepts with others.

In the next five years Aspire is likely to have to deal with the issue of management succession. It has sown the seeds of its approach to this challenge, but should consider further positioning. To convince others of its chosen spatial strategy, in the longer term, Aspire has to further understand the relationship between its small town regeneration and corridor development processes and the impact of these processes on both the local economy and people’s incomes and quality of life. Investing more in an impact evaluation methodology will assist in this.

A cornerstone of Aspire’s approach is that the public sector funds that it uses in its development work will leverage private sector investment, and that it is this leveraged private sector finance that will create substantive growth and employment. There is some evidence that this is the case, not only from the literature, but also from Aspire’s own experience. More investment in developing a private sector interface will accelerate this process of leverage. The agency feels that it is currently too heavily involved in implementation, and wishes to redress the balance in favour of its facilitation role of harnessing partnerships and raising finance. For this to happen, the project management processes that it uses for its regeneration work will have to become sustainable within the resource base available to local municipalities, and small town regeneration will have to continue in the absence of Aspire’s direct presence. The training programmes currently being considered by Aspire for development, supported by the documentation of the planning cycle, should assist this move to sustainability and support Aspire in returning to its dominant facilitation role.

In its five pilot towns, the regeneration process pre-dates Aspire’s involvement. What Aspire has brought to the regeneration process is a structured project management process, a mechanism to manage these steps, and the skills to drive it. Aspire’s experience can usefully be used to support regional spatial economic development outside of the Eastern Cape. There has already been interest from the Western Cape and KwaZulu-Natal to which Aspire has responded positively. The new Economic Development Department, now the line ministry for the IDC, has also expressed interest in Aspire’s regional development work. The attendance at each of Aspire’s small town regeneration conferences also suggests considerable interest in small town regeneration from across South Africa.

During 2011, Aspire will develop a series of training programmes to help disseminate its experiences and capacities. This is likely to be supported by the creation of a policy unit with the potential to assist interested national departments and others to assess the extent to which Aspire can play a role in developing the policy environment for both regional development and for regional development agencies within it. A further channel of dissemination is through the publication of academic papers. Aspire has a close relationship with universities in South Africa and beyond, and the production of academic papers by Aspire, its consultants and academic partners can play a further role in stimulating debate on regional development issues.

ANNEX 1 (A): SUMMARY OF EXECUTIVE MAYOR'S STATEMENTS IN ANNUAL REPORTS 2005/06 TO 2009/10

2005/06	2006/07	2007/08	2008/09	2009/10
<ul style="list-style-type: none"> AEDA was founded on 1 September 2005. Mandate was the "promotion and implementation of development policies in areas of economic production and investment in the Amathole Region". A 20-year economic development strategy, "Khul' Amathole 2025, was envisaged and AEDA was to provide project management experience for this. From the outset, small towns were a focus "key challenge" of AEDA. Twenty-five were identified as market and service centres. 	<ul style="list-style-type: none"> AEDA has moved beyond thinking about economic development and has built both the strategies and ability to implement. As a result of the Amathole Regional Economic Development Strategy, we have begun to appoint nodal managers and have begun the necessary trials to test the strategy. This includes small towns, and AEDA's programme builds dynamic links between the urban and rural divide. The ADM does not need to build its own capacity in regional development, but can leverage the skills and capacity of its development agency. The agency collaborates so well with the ADM; although it is "our" entity, it has freedom of operation. 	<ul style="list-style-type: none"> It is the programme of small town regeneration that will take economic development deep into the rural communities where so many of the district's people live. The agency has managed to pull the region's institutions together around AREDS. Aspire reflects what we would like to see happen in the public sector: using minimal resources to facilitate maximum growth. It has been crucial that this unit works without hindrance and with the least amount of restricting bureaucracy so that it is able to move with speed within changing circumstances. 	<ul style="list-style-type: none"> The people who make up Aspire, have spoken of "the demonstration effect" and their wish to be "pioneers in the stimulation of spatial economic development". Aspire is a pioneer far beyond the boundaries of the Amathole District, and this is borne out by the fact that it managed to influence National Treasury to focus on small towns, instead of just townships. The President of the country, in his State of the Nation address in June 2009, talks of the necessity of building rural towns and economies. It has become clear to us at the ADM that we need to focus on setting out clearly defined interactions between Aspire and our local municipalities and local economic development structures (LED capacity building by Aspire at the local level). 	<ul style="list-style-type: none"> It is no small feat that National Treasury has changed its policy perspective on the development of small towns, and is now partnering with us. Stakeholder mobilisation ranges from influencing government agencies and departments to managing the very sensitive process of tailoring organic programmes in communities. Aspire has reached a point that it now handles an annual budget of some R104 million – and this from an establishment fund of just R850,000.

ANNEX 1 (B): SUMMARY OF CHAIRMAN OF THE BOARD'S STATEMENT IN ANNUAL REPORTS 2005/06 TO 2009/10

2005/06	2006/07	2007/08	2008/09	2009/10
<ul style="list-style-type: none"> Any company striving for "best value" service to the people should fulfil the need for effective public performance reporting. Unpacking the strategic plan 2005-2008 identified programmes and projects aimed at: <ol style="list-style-type: none"> Stimulating sustainable economic growth Integrating the rural economy Building institutional responsiveness and capacity to deal with challenges in the region. 	<ul style="list-style-type: none"> AEDA has bucked the old rule-bound way agencies have worked. Its corridor approach builds on the advantages of broad spatial areas and is seeing the forging of partnership with all stakeholders in the region. One of the most exciting areas of focus is small towns, where AEDA is establishing models not just of value to Amathole, but far beyond the district's borders. We note that AEDA has achieved its second unqualified audit report. It is to the ADM's credit that it has given AEDA the leeway to operate within a framework and to achieve its targets. 	<ul style="list-style-type: none"> The current Board was established three years ago, and we are delighted that our tenure has been extended for a further six months. This indicates the confidence that our principal and shareholder, the ADM, has in the Board. Aspire has managed to achieve something that is most unusual for an economic development agency – a direct financial commitment by National Treasury to support the agency's work. In 2007/08, the Board achieved, after a long process, the finalisation of the upper limits in the salary levels for staff. We are pleased that we have met this key milestone in partnership with the ADM Council. It has been able to establish long-terms links with stakeholders, such as national and provincial government departments, local government and the Eastern Cape Development Corporation. 	<ul style="list-style-type: none"> Aspire has brought a new dimension to economic development, moving away from fragmented projects focused solely on poverty alleviation – these are almost fire-fighting efforts – to a more comprehensive, corridor approach that bodes well for long-term sustainability and impact. Aspire's approach creates a new space for district municipalities that is much broader and clearer than the clouded way in which things have been thought out in the past. One of the things the Board is looking at is gaining more certainty on issues of budget provision, which would bring more stability in terms of staffing. From the Board's point of view, we see Aspire as a facilitator and advisor, and although there may be a need for an implementation role to some extent, we support Aspire in guarding against shifting from its core function. 	<ul style="list-style-type: none"> Amathole Beyond Limits is gaining in recognition, and its programme of activity has translated well from concepts and ideas to delivery on the ground. A pertinent challenge is striking an appropriate balance between hands-on delivery and the pursuit of strategic interventions. In a climate of growing government recognition and appreciation of the agency approach, we need to be lobbying for appropriate policy and resource support.

ANNEX 2

Sample of project steering committee minutes

ALICE REGENERATION PROGRAMME

Minutes of PSC Meeting Held on 2 November 2010 at 10:00 in NEDA Offices, Alice

Present:	
Vuyani Booi	UFH – NAHECS
Tahirih Cook	Aspire
Mkhululi Jack	UFH – Community Engagement
Claude Lambshead	Aspire
N.E. Makana Nkonkobe	Municipality
Terry Marsh	UFH – Strategic Planning
Mzimkhulu Matayo	CDW
T.N. Matroko	DLGTA
Sizakele Mavubengwana	NEDA
N. Mdingane	DLGTA
Thami Mxoli	DLGTA
M. Sihlahla	Lovedale FET College
Joe Stapleton	Stapleton Architects
Jayshree Thakrar	UFH – Community Engagement
Simiso Thebe	Metroplan
Sarel van der Walt	Aspire
Tony Williams	DLGTA

	Who	When
1. Opening and Welcome		
Mr Makana chaired the meeting which started at 10:15.		
2. Apologies		
Ndaba Ndzambane – Metroplan Xola Horo – UFH Lizo Matiwane – Nkonkobe Victoria Nkomana – Alice Residents Association		
3. Minutes of the Previous Meeting		
The minutes of the previous PSC meeting held on 7 Sept 2010 were accepted without changes		
3.1 Matters arising from the minutes		
The following matters arising from the minutes were clarified in the meeting: (4.1)Aspire will engage the Dept of Transport & Transnet about any existing or past feasibility study into the restoration of the Alice railway station and any associated intermodal transport facility, incl. a possible taxi-stop. (4.2) The comments from the previous meeting were incorporated into the Engineering Assessment report by the engineering consultant, but only minor adjustments to the estimated costs of upgrades were made. The more detailed urban-design and business plans will provide more accurate cost estimates of the proposed interventions. (5.) Awaiting the finalisation of the Alice LSDF, any development plans or rezoning applications received by DLGTA not aligned to the draft LSDF will require a detailed explanation why approval should be granted to support the application.	Aspire	19/11/10
4. Project Progress		
4.1 Alice LSDF		
Ms Thebe presented the draft LSDF. It was noted that consultation with stakeholders in Ward 6 has not yet taken place, though it is not expected to lead to significant changes to the LSDF. It was agreed that a workshop with Ward 6 should take place before the end of Nov 2010. It was agreed that Mr Makana and Mr Matayo (CDW) will assist in contacting the Ward 6 councillor and help facilitate the meeting. There was consensus that the LSDF consider UFH & Lovedale College as integrated parts of Alice, not as separate, stand-alone entities. The LSDF should indicate how the physical linkages between UFH, Lovedale and Alice can be strengthened, e.g. greater road and/or pedestrian access from all areas of Alice, decentralisation of UFH activities into Alice, etc.	Metroplan	30/11/10

	Who	When
Nkonkobe municipality with regards to the development of Alice and development on the respective campuses, e.g. coordinated planning between stakeholders. It was suggested that there should be consultation on the LSDF with UFH staff and students. UFH and Metroplan to investigate this option. Mr Williams commented that the LSDF must reflect the new Eastern Cape PSDP, particularly issues of settlement density and sustainable development in the face of infrastructure challenges, climate change and resource scarcity. Metroplan acknowledged that Environmental and Heritage assessments done as part of the overall project must still be incorporated into the LSDF report.	UFH & Metroplan	30/11/10
It was agreed that the LSDF should be finalised and submitted for approval by the end of 2010.	Metroplan	31/12/10
4.2 Alice Regeneration Strategy		
Mr van der Walt presented the ARP High Level Feasibility Assessment. There was general agreement with the proposals. The HLFA Report will be submitted Nkonkobe to Council and the NDPG.	Aspire & Nkonkobe	2/12/10
The CBD Upgrade includes the entrance/gateway to the CBD, located just west of R63 bridge across Tyumi River. It must be distinguished from the entrance to Alice, located at eastern edges of UFH campus along R63. The DEA funded Land and Wetland Rehabilitation Project managed by NEDA will be constructing welcoming gateways on eastern and western entrances to Alice. Aspire will confirm with NEDA the exact location of these gateways.	Aspire	30/11/10
4.3 Release of State Owned Land		
An internal workshop between Nkonkobe councillors and officials is taking place on 2-4 Nov 2010 where, amongst others, the draft Disposal Plan will be presented and debated. DRPW & Nkonkobe to provide update at the next meeting.	DRPW / Nkonkobe	7/12/10
4.4 CBD Upgrade		
A project task team will be established to specifically manage the planning and implementation of the commercial (CBD upgrade) and residential (student/staff accommodation) investment project. The task team will report to the PSC. The Aspire team will engage with Nkonkobe officials on this. This project will be prioritized given the planned private sector residential and commercial developments in Alice.	Aspire & Nkonkobe	7/12/10
It was noted that the community of Alice must benefit not only from the results of the upgrade, but also from the upgrading process itself. In particular, there will be consultation throughout the process to ensure that the local community is part of the process. Also, locals should be prioritized in any business, employment and/or training opportunities that may arise during the process.		
4.5 Provision of staff/student accommodation		
Stapleton Associates have developed plans for private staff and student residential developments in Gagha Street, Alice. The first project, a 9-unit development in central Gagha Street, will be presented to UFH staff in Nov 2010, with construction likely to begin in Jan 2011.	Stapleton Architects / UFH	7/12/10
Stapleton Associates are also planning student accommodation at the lower end of Gagha Street behind the Spar Centre. This is aligned to the draft LSDF that identified it for residential development. The developers are waiting for approval of their rezoning applications from Nkonkobe Municipality in order to continue with implementation	Nkonkobe	7/12/10
There is significant potential for residential property development in Alice. Aspire will assess the possibility of a property summit/expo towards the end of Nov 2010 to present the ARP to potential property developers/investors.	Aspire	30/11/10
A key constraint to property development in Alice is lack of infrastructure capacity. The detailed planning phase of the ARP will assess what additional infrastructure capacity is required for the proposed commercial and residential property developments.	UFH / ICT Task Team	30/11/10
4.6 Heritage Development		
A project task team will be established to specifically manage the planning and implementation of the heritage development project. The task team will report to the PSC. The first meeting is scheduled to take place on 11 Nov 2010. Heritage development should focus on both the physical heritage assets, as well as the soft issues of preserving and developing heritage.	Aspire	11/11/10

	Who	When
4.7 ICT Development		
<p>A project task team will be established to specifically manage the planning and implementation of the ICT development project in Alice. The task team will report to the PSC. The first meeting is scheduled to take place at the end of Nov 2010 coinciding with the visit to Alice of Prof Murali Venkatesh from Syracuse University.</p> <p>National government plans to upgrade broadband to the UFH Alice campus. It was suggested that Alice and UFH investigate the possibility of creating a local network similar to the ResNet in Grahamstown to provide off-campus access to the university network and broadband access.</p>	UFH & Aspire	25/11/10
4.8 AgriPark Development		
The AgriPark is managed by UFH and supported by the Office of the Premier. They are currently busy with increasing production to meet the requirements of the schools feeding scheme in Jan 2011.		
4.9 DEA support Land & Wetland Rehabilitation project		
Dept of Environmental Affairs (DEA) is funding the R20m Land and Wetland Rehabilitation project in Nkonkobe that is project managed by NEDA. NEDA should provide the PSC with progress updates relating to specific work done in Alice within this project.	NEDA	7/12/10
5. Other		
5.1 Alice Produce Market building		
Nkonkobe municipality has received expressions of interest from private businesses to use the building previously used for the Alice Fresh Produce Market. Nkonkobe is negotiating with the IDC to amend the contract agreement to allow for alternative uses.	Nkonkobe	
5.2 Commercial developments in Alice: Expressions of Interest		
It was noted that the Nkonkobe Municipality has received expressions of interest for commercial centre development in Alice. Aspire is to liaise with Nkonkobe to obtain relevant information.	Aspire / Nkonkobe	30/11/10
5.3 Project Work Teams		
The PSC did not object to the proposal by Mr Van Der Walt to establish project task teams to plan and implement the specific projects within the Alice Regeneration Programme, i.e. Heritage Development, ICT Development, Agricultural Support & Development, CBD Upgrade, and Residential Property Development.		
5.4 Meeting Schedule for 2011		
<p>The PSC agreed to meet the first Tuesday of every other month in 2011 at 10am in Alice, i.e. the scheduled meeting dates for 2010 are as follows:</p> <p>1 Feb 2011, 5 Apr 2011, 7 Jun 2011, 2 Aug 2011, 4 Oct 2011, 6 Dec 2011</p> <p>The specific project task teams will meet every month to manage the planning and implementation of their respective programmes/projects.</p>		
6. Other / General: None		
7. Next Meeting		
The next meeting is scheduled for 10:00 on 7 Dec 2010 at NEDA Office, Alice.		
8. The meeting closed at 12:35.		

ANNEX 3: PROGRESS IN CORRIDOR INTERVENTIONS

Central to Aspire's strategy is the corridor management approach following Amathole's primary road routes. And central to this principal is the spillover impact that regeneration of small towns would have on their hinterlands. In the N6 Corridor from East London to Cathcart, forestry and timber production is encouraged. The N2 Corridor stretches from East London to Elliotdale, and Aspire's role here involves facilitating the spatial reconfiguration of Butterworth to renew the use of existing and vacant factory space. The R63 Corridor reaches from East London via Hogsback to Bedford; here, heritage is strong, and will encourage adventure tourism and forestry. Finally, the N72 Corridor links East London to Port Alfred and focuses on arts and tourism. Small towns were identified as natural and logical nodal points for each corridor: Stutterheim in the N6 Corridor; Butterworth in the N2; Alice in the R63; and Hamburg in the R72.

Progress to December 2010 is described here in outline and is useful for giving a flavour of Aspire's approach to spatial development. Corridor development is central to Aspire's strategic plan, and no review of the agency's activities would be complete without a description of these activities to provide a context for its work. The agency's annual reports should be consulted for more detail.

N2 Corridor

Aspire has referred to this corridor as one of Amathole's greatest challenges on account of its large hinterland, great potential and high levels of disadvantage. Its constituent local municipalities are Great Kei, Mquma and Mbashe. Its main towns are Dutywa and Butterworth. The corridor population is about 586,000 (compared with the N6 Corridor's 140,000). The features of the corridor include a wide geographical spread, a large population and significant areas of unspoiled coastline. The potential resources of the corridor lie in agriculture, tourism, mining and livestock rearing. Aspire's focus areas, as identified by its 2007/08 annual report, were Wild Coast tourism, agriculture value-chain development, stone sector development, and small town regeneration for Butterworth and Dutywa.

The 2008/09 Aspire annual report points out that the groundwork for N2 Corridor interventions was finalised and funding sourced. By the end of the financial year, many projects were ready for implementation, but with implementation imminent, there was a need to gather more detailed information and to mobilise stakeholders. These combined efforts resulted in a comprehensive N2 strategy that transcended municipal boundaries and which was finally formulated by November 2008.

Butterworth regeneration. By 2008/09, the Butterworth regeneration strategy had been accepted by the Mquma Council. The regeneration of this town was the anchor programme of the N2 Corridor. The objective was to facilitate the regeneration of Butterworth through high-impact investment and development of the comparative advantages of the town, including the utilisation of its empty factory space. In 2009/10, the status quo report for Butterworth was complete, suggesting that the proposed central business district (CBD) upgrade had the potential to provide a critical starting point for the regeneration of the town. A status quo report is the first step in Aspire's small town regeneration model.

The Mquma Local Municipality adopted the upgrade project as a "quick win", which could give the broader corridor intervention credibility. A business plan outlining the CBD upgrade proposals was completed, and an application was made to the NDPG; this was approved in December 2009. According to the Aspire's 2009/10 annual report, the R17.25 million intervention included street lighting, pavements, parking and loading zones, and street furniture. It also involved stormwater drainage and a pedestrianisation project. The initiative provides an example of how Aspire and a local municipality can work with others to leverage this NDPG investment. Concurrently, the Department of Environmental Affairs and Tourism is funding a cleaning and greening programme for Butterworth. By December 2010, street lighting and pavement work was well underway ("quick wins"), and project completion of the CBD upgrade was scheduled for September 2011. The current work has been described as an "urban upgrade".

Other Butterworth developments. In 2008/09, Aspire and its partners confirmed three further nodes for development in Butterworth to complement those being undertaken in the CBD. These had been identified previously, but the allocation of funding from the NDPG made these a reality and demanded their more detailed consideration. They were:

The Ibika education node: The Walter Sisulu University campus at Ibika was considered a logical starting point for the node. Opportunities included development of a student village to bring together the university and further education and training college campuses. By 2009, ideas for Ibika had focused on linking the Ibika education node to a largely disused industrial park. A major challenge for the university had been provision of student accommodation; Aspire and the Mquma municipality wished to explore with the university the potential for converting unused industrial space into student accommodation. Revamping other parts of the industrial park to commercial, light industrial and possibly retail use would support the development and would have the potential to relieve pressure on the overcrowded Butterworth CBD.

By the end of 2010, Aspire and the municipality has firmed up their ideas for Ibika to include not just an infrastructure upgrade, but also business support facilities. A timeframe of May 2011 was established to develop the concept for the park and to reach agreement to this with ECDC, the park's owners.

The Umsobomvu retail and commercial node: This was seen to link directly with upgrading the CBD. It includes development of municipal offices of 4,000 to 5,000 square metres, a library and an Internet café within a pedestrianised area. Other elements are sports and entertainment facilities, public toilets and parking.

The Gcuwa Dam leisure node: This development potentially includes protected swimming areas, braai facilities, public toilets, a parking area, and building of a snack shop and water sport rental facility. By 2009, a conference centre was also being considered for the node. The eventual package of development is dependent on private sector interest. A business plan for the dam was commissioned and was to be delivered in February 2011. This was to be used to make an NDPG application and to engage with the private sector. Again, Aspire's quick-win policy is in evidence at an early planning stage at Gcuwa. These "quick wins" have been identified as a children's playground, parking facilities, a refreshment kiosk and a large display screen to relay sports events. It is hoped that these will encourage the participation of the private sector and help motivate stakeholders to stick with the continued planning process.

N6 Corridor

The local municipality is Amahlathi, and the corridor's main towns are Stutterheim and Cathcart. Aspire estimates the population to be about 140,000. Corridor features include timber and forestry, farming, and rail-based and other tourism. Aspire's focus areas for development were identified as:

- Stutterheim renewal
- Blueberry growing at Amabhele
- A petro-park as a town gateway
- Timber downstreaming and beneficiation
- Tourism
- Keiskammahoek town revitalisation
- Cathcart renewal.

This comprehensive list of interventions represents the most intensive concentration of effort for Aspire. They are to take place in an area with a relatively small population.

Stutterheim and Mlungisi: There are three elements for the spatial development of this community and these are embodied in the Stutterheim local spatial development framework, which was completed in 2008/09.

First, its centrepiece is a bridge that links the township of Mlungisi with the centre of the commercial town. The purpose of the bridge is to open up the township for development by providing it with a more direct linkage with Stutterheim town, the economic node for the area. **Second,** for Mlungisi, a plan was finalised in 2008 to create a community commercial park, which would include a library, amphitheatre and space for formal and informal business activities. LoveLife, a non-governmental organisation working with youth and HIV/AIDS is being encouraged to take space in the community park. **Third,** plans were drawn up for the centre of the town. The spatial plan envisaged in 2008 included government service buildings, commercial activities and the town's main taxi rank. This work on the CBD was also supported by the NDPG. In the case of the Stutterheim development, Aspire was successful in convincing National Treasury to support town development and to change its previous practice of supporting only township developments. The rationale for this change was that if the commercial node of the area (Stutterheim) was more attractive to business, then both the township and the hinterland would benefit.

Amabhele blueberries. In 2008/09, a draft Amabhele local spatial development framework was completed to guide development in this part of the N6 Corridor. A draft blueberry outgrowers' model was completed in the same year: the vision espoused was that by 2018, some 200 hectares would be under blueberry cultivation at Thornhill Farm in Amabhele, creating some 5,000 seasonal jobs. As at December 2010, the business was employing 220 people and their wages were injecting R350,000 per month into the local economy. The model envisaged was a nucleus outgrower scheme, with Thornhill Farm, supported by IDC, acting as the nucleus with outgrowers being supported by the Department of Rural Development. The project has the potential to act as a pilot for other nucleus outgrower schemes, bringing regular incomes to rural Amathole from national and international markets.

The Thornhill development should be considered to be a private sector inward investment initiative in which Aspire played a typical regional development agency supporting role. It smoothed the way with central, provincial and local government entities whose support was required to establish the investment and support the acquisition of finance, together with the enhancement of infrastructure. There is scope for Aspire to further analyse its work with Thornhill, and to assess the potential for assisting other similar private sectors investment initiatives.

Currently, Amathole Berries is paying about R350,000 a month in wages. Assuming that this gets spent in the local economy and that the value of the income multiplier is 0.3, then in total the local economy is benefiting to the extent of about R1.2 million per month.

Petro-park detour. The petro-park started out as a small study and ended up as a major exercise. It is a mixed-use development on the N6 national road (East London to Bloemfontein and Gauteng) and will provide a distinct “gateway” to Stutterheim. It comprises the following:

- Tourism information centre with display of local crafts, booking facilities for local accommodation
- Restaurant and coffee shop
- Parking space for cars and tour/ long-distance buses
- Retail shops that complement the tourism facility, but not duplicate existing retail outlets in town
- Garden and play area
- Filling station (with five 23,000 litre underground fuel tanks) with a bakery section, branded takeaway, car wash facility, canopy forecourt and convenience store.

In 2008, an economic feasibility study was completed, the town planning report was revised and the district and local municipalities approved the necessary re-zoning application. The Department of Economic Development and Environmental Affairs has approved the scoping report and an application was made to National Treasury for registration of the project as a public-private partnership. The next milestone for this project is identifying a private sector partner. An expression of interest has been issued for the operation of the park, and two responses had been elicited by December 2010. Aspire expects that construction will begin on the port in June 2011. For now, a template leasing agreement has to be developed.

Woodhouse. This is a programme of skill development for young people, building on the local forestry and wood processing industry. It involves the establishment of an industrial park in Stutterheim. Not without challenges, a partnership was created of: Amahlathi Municipality; Walter Sisulu University; Department of Water and Forestry; Babana Technologies; Department of Agriculture, Forestry and Fisheries; Yonder Lea Timbers; and the Industries Education and Training Institute. A project steering committee (PSC) was established. PSCs are a common feature of Aspire’s approach to project management. As at 2010, Woodhouse was training 20 young people in woodworking skills. The opportunity afforded to these young people is welcomed, although the long-term impact of the project in the corridor is likely to be limited without substantial funding and with successive cohorts of new trainees over future years. The partners are looking at the Woodhouse as a commercial business, not a social project. It aims to get people into the mainstream of the local economy (forestry and woodworking) and maps onto the competitive advantage of the town. Funding for the next four years is available.

Keiskammahoek. Aspire and the local municipality has recognised typical Eastern Cape small town challenges at Keiskammahoek. These include unemployment with limited job creation opportunities from existing businesses, limited business infrastructure and market facilities, lack of private sector investment in key economic sectors with the potential to create job opportunities, poor road infrastructure to link to the markets, and a poorly developed tourism sector. Funding has been obtained for the development of a town renewal strategy and integrated spatial planning that promotes development of the main sectors. Economic opportunities have been identified in the rehabilitation of community forests through land restitution programmes, improved road networks and linkages, and the promotion of agriculture and tourism. There is also scope for development of the retail sector to provide market facilities and to build on the educational heritage of St Matthew’s Boarding School and Fort Cox College. Initial spatial plans for the town to exploit these opportunities are centred on three distinct nodes: agricultural; commercial; and educational.

Other activities include a fresh produce feasibility study and business plan. European Union funding was used to undertake this work. A large berry outgrower scheme is about to get off the ground at Keiskammahoek, 50km to the west of Amabhele. Here, the scheme will be built up so that eventually, about 300 hectares are under blueberry cultivation. A draft outgrower model has been completed, and Aspire is preparing business plans for the first outgrowers for submission to the Development Bank of Southern Africa. A PSC was established to manage the project.

Resources required to further Keiskammahoek include: coordinated planning and resource sharing; technical funding (feasibility studies) for identified business opportunities, such as a fresh produce market; capital funding for business opportunities for the fresh produce market, student village, chalets, eateries and picnic sites, and public-private partnerships for implementation of the plans.

R63 Corridor

Local municipalities are Nxuba and Nkonkobe, and the main towns are Alice, Fort Beaufort, Adelaide and Bedford. The population of the corridor is said to be about 153,000. Aspire’s 2007/08 annual report described corridor features as varied, and included farming, manufacturing, agro-processing, and adventure and heritage tourism. Aspire’s selected focus areas were identified as Alice renewal and Bedford renewal and the promotion of essential oils.

Alice. Alice has a population of only about 8,000, but its small size disguises its significance as a commercial hub for 56 surrounding villages and the fact that it hosts the University of Fort Hare. The socio-economic characteristics of the town are typical of many others in the Eastern Cape, with employment levels at about 26% and around two-thirds of the population on incomes of less than R1,600 per month, according to Aspire’s 2008/09 annual report. Aspire is working with the local municipality, Nkonkobe, to regenerate Alice as a small, economically viable and integrated university town. Stakeholders see the upgrading of the central business district as a priority to create an environment conducive to attracting investment. By 2008, Aspire and the municipality had identified an overall

objective for regeneration, which was to integrate existing township settlements with the main town with the view to creating economic and employment opportunities. To achieve this, the strategy would need to improve the physical environment to begin to attract investment. The strategy also involved creating linkages between the University of Fort Hare and Lovedale College.

The status quo report on Alice was completed and accepted by the NDPG in 2009, and the Nkonkobe Council verbally confirmed its support in May 2010. By 2010, plans were more specific and five intervention themes had been identified: ICT as an enabler; upgrading of the CBD; heritage development; provision of accommodation for people who study in the town; and the development of agriculture. Progress by December 2010 included the commissioning of a high-level feasibility study as part of the process of NDPG business plan development (due March 2011). Issues to be considered here included municipal go ahead. The feasibility study would also include consideration of approaches to unlocking residential development opportunities. The local spatial framework document for Alice was due in January 2010 and the target for commencing road building in the town was March-July 2011.

Essential oils. World trade in essential oils has been accelerating in recent years. Their potential in the R63 Corridor is to fulfil the role that blueberries perform in the N6 Corridor: to provide sustainable income earning opportunities for people in the rural Eastern Cape by linking them to international markets. This initiative commenced in 2007 with crop trials, which Aspire conducted in partnership with ECDC. The project entered a scaled-up project phase in 2008 and data from the trial and pilot have been used in drawing up a commercial business plan co-funded with ECDC and submitted in early 2010. Aspire reports that funding may be a challenge for this relatively small project with a long lead time. Discussions to take the essential oils programme to the commercial phase continue with the departments of Rural Development and Land Reform.

R72 Corridor

The local municipality dominating the corridor is Ngqushwa. With a population of about 84,000, this is the smallest corridor in terms of demographics. The 2007/08 Aspire annual report describes the predominant corridor features as farming, tourism, arts, crafts, and a beading tradition. The R72 road provides a link between the two major urban centres of the Eastern Cape, East London and Port Elizabeth.

Hamburg. This small town is the focus of Aspire's development in the R72 Corridor. And NDPG allocation, secured in 2007/08, funded the compilation of a local spatial development framework to define and inform the development of Hamburg as a tourism destination. In 2008/09, an analysis of economic potential for the Hamburg region was completed, which identified more concrete opportunities for development.

The Hamburg High-Level Feasibility Study (September 2010), commissioned by Aspire, describes the town as follows: "Hamburg is a small town in a beautiful location, with a very limited and fragile economy ... the Hamburg community survives through grants, remittances from family, minimal local employment and subsistence farming. Regeneration has to be focused on making a difference for the majority of the poorest in the community. The temptation is to view Tourism as the regeneration 'saviour'. Our approach is that Tourism should be seen as a bonus top-up on a sustainable economic and social base."

Aspire has identified the anchor development as a Hamburg Artists' Retreat, CBD renewal, and cultural and eco tourism. By 2008/09, Aspire's thoughts on the corridor had turned to its environmental sensitivity, with a need to take an approach to planning that avoided the risk of uncontrolled development. Funding for the artists' retreat is from the Department of Environmental Affairs and Tourism, topped up by National Treasury. The business plan for the construction of this was completed in May 2009, and discussions with the Ngqushwa Local Municipality secured an appropriate location. Construction commenced in the last quarter of 2010 and was expected to be completed in July 2011. A business plan is being developed to firm up operating plans for the retreat, which will accommodate 50 people. By December 2010, more than 230 artists had registered interest in the retreat. It is planned that emerging artists will make use of the retreat through scholarships, endowments and sponsorships. As with other anchor programmes, the development of the retreat has been undertaken as a partnership, on this occasion with the local community, Business Arts South Africa, the South African Broadcasting Corporation, and the organisers of the Grahamstown National Arts Festival.

At the end of 2010, the next milestone for the Hamburg town centre upgrade was the completion of the NDPG business plan, and this was due in March 2011. It is planned to give the town centre a stronger identity through creating space for civic services, commercial developments and tourism products. Outside of the town centre, a boardwalk linkage to the caravan park and a nature conservation office is planned. The preparation of the plan included a need for concept refinement and costing, and securing partner and municipal commitment.

ANNEX 4: ALIGNMENT OF ASPIRE'S WORK WITH THE NEW GROWTH PATH

Based on Aspire's assessment of the Economic Development Department's New Growth Path, it believes that much of its current portfolio of work substantially aligns to the new policy. The publication of the New Growth Path has also stimulated those in the agency to think of how its future work may be influenced by the policy's principles and objectives. The department recognises that creating the developmental state that is implied by the New Growth Path requires the government to do more, and to do it better. The staff at Aspire believe that what the agency has learned about the delivery of spatial economic development can support government in the improved delivery of its developmental state agenda.

About Amathole. Aspire is the operational arm for the Amathole District Municipality's (ADM's) regional economic development policy. The district's mission is to contribute to the betterment of lives of its communities through a participatory development process that ensures communities have access to socio-economic opportunities. The district contains 25.9% of the Eastern Cape's total population – about 1.7 million people. Our region is a microcosm of South Africa, comprising well-developed prosperous suburbs and remote rural settlements characterised by multiple deprivation. The Human Development Index for the ADM is 0.48 compared with 0.6 for South Africa as a whole, suggesting that communities in the district do not enjoy the same access to incomes and services that is available to the majority of South Africans.

In summary, Aspire's task is to contribute to improving the lives of people in Amathole through:

- Contributing to sustainable growth
- Facilitating the development of an integrated district-wide economy
- Developing appropriate and responsive institutional capacity.

The agency now has five years' experience in working achieve to these objectives. The contribution it is making to sustainable growth is to be found in the small town regeneration programme set within a broader programme of spatial corridor development. This, in line with the New Growth Path and with what it sees as the competitive advantage of the region, includes the stimulation of agriculture, agro-processing and the development of tourism. With stakeholder support, the agency has identified four spatial corridors, the development of which has begun to provide the basis for integration of the regional economy.

Aspire is a private limited company owned by the ADM. It is fully committed to the district's economic goals and objectives and works within the Municipal Finance and Systems Acts. As a private company, its leadership, management structures and terms and conditions of services are distinct from those of the municipality. This has allowed it to develop its own distinctive results-orientated organisational culture, achieved through the use of performance contracts and peer group support and evaluation.

Aspire's approach to development. The agency uses a process of participatory engagement with communities, local municipalities, the private sector and national departments. In bringing these entities together within networks for each of the development corridors, Aspire is building the social capital that is essential for the delivery of its programmes. At Aspire, social capital comes from investing in social relations that have productive benefits. The social capital that the agency has helped create has played a critical role in the progress of delivery of its mandate. It needs support from communities, agreement with local authorities, financial capital from funders, and skills from the private sector to remain effective in development. The social capital accumulated is critical in making the most of these inputs within communities, and to a greater or lesser extent, each of the 36 initiatives the agency is involved in late December 2010 are dependent upon it.

Aspire assists its partners by facilitating their access to resources that they require to undertake infrastructure development. By providing backing in the form of project management, it guides the development process and provide stakeholders with support when things become difficult. It has reached a stage in its relationships with National Treasury, the IDC and other national bodies where it can sometimes persuade them to think differently and to support development in the communities it works with in innovative ways. The conceptual strength of its strategy and its administrative competence (evidenced by five successive unqualified audits) has assisted it in acquiring funding of more than R300 million from National Treasury for its programmes. The agency sees itself as being in the business of making available skills and financial resources from agencies and organisations that have these in abundance to those who lack them and need them for the development of their communities.

Aspire's current alignment to the New Growth Path. The New Growth Path identifies five "job drivers" to provide access to decent work. Here, we briefly set out how the current programme of activities supports these drivers. In doing so, Aspire is acutely aware of the need for growth that is capable of absorbing labour and the importance of focusing on employment intensity. The competitive advantage of the region has allowed the agency to develop programmes in four of the five job driver areas recognised by the department. These are: infrastructure, the main economic sectors (agriculture and tourism), social capital and public services, and spatial development. The agency has not yet begun to fully explore job creation in the green economy, but the potential exists to do so through its linkages with the three universities in the region (Fort Hare, Rhodes and Walter Sisulu).

Job driver 1: Infrastructure for employment and development. Aspire's strategy for contributing to sustainable growth and integrating the economy of the region is focused on spatial corridor development. Central to corridor development is the process of small town regeneration through the provision of new infrastructure. Revitalising a small town and stimulating its commercial centre

acts as a stimulus not just for growth of the town, but also for the growth of the network of villages and communities for which the town provides services. Aspire is currently engaged in physical regeneration work in two small towns and is in the advanced planning stages for work in another two; physical works will commence in 2011. Scoping has begun for regeneration interventions in an additional two towns at the periphery of the spatial corridors.

The agency's small town work and regeneration model has attracted national and international attention. To disseminate its experience in this area, it has held five annual small town conferences. The most recent (November 2010) attracted 250 delegates. Stimulated by Aspire's work in small town regeneration, COGTA in late 2010 instigated a study to support a national small town's policy for South Africa.

Job driver 2: Improving job creation in economic sectors. Aspire creates the conditions for others to create jobs. It has learned to not promise employment, but to offer people assistance to develop their communities. It believes that if it can help make improvements to the physical environment in these communities and build their social capital, then sustainable development and employment will follow.

Since 2008, Aspire has supported the development of a 398 hectare berry farm at Amabhele in the N6 Corridor. Its role here was one of facilitating an inward investment in blueberry growing and agro-processing, labour-intensive activities in rural Amabele. It worked with the investor to ease the path for planning and other conditionalities, and supported applications for infrastructure in respect of road and rail improvements and access to water. The agency was able to use social capital it had accumulated to facilitate improvements to local infrastructure and support this development to begin to create an integrated agricultural service node. As at December 2010, this initiative had created 220 jobs which now pumps R350,000 into the local economy. Equity funding and plans are in place to take the eventual level of employment in the farm and its small-scale outgrowers to 5,000.

Aspire's corridor development model demands the development of linked interventions. In respect of this, plans are well underway to support outgrower blueberry growing at Keiskammahoek. The national Department of Rural Development has approved a R35 million grant for funding of 20 hectares for the growing of blueberries in in this area. Aspire and its partners (ECDC and a private investor) have submitted a R90 million application to the Land Bank to support the acquisition of land for the planting of a further 60 hectares. Processing of these berries will take place at Amabhele.

The agency also works to create employment at the other end of the scale. The Woodhouse project in Stutterheim is aimed at increasing the employability of young people (inclusive of those with disabilities) by providing them with timber and woodworking skills to develop their own opportunities in the timber beneficiation sector. Forestry and woodworking are major activities in the Stutterheim area, and the Woodhouse programme is aligned to the area's competitive advantage. The first 20 learners are engaged in this process and other will follow.

Job driver 3: Investing in social capital. To fulfil its mandate, Aspire has had to develop the capacity of communities – their social capital. The agency cannot work without creating networks for communities which link them more effectively with local and district municipalities and with national government agencies. Doing so provides them with access to finance and with people who have the requisite skills in spatial development, financial planning and engineering.

The process of communities talking to and finding common ground with planners, communities and planners, and together finding common cause with funding agencies, is central to the agency's work. Physical evidence as to the value of social capital is the Mlungisi bridge in Stutterheim. With construction work well underway, the bridge provides a direct link between the township of Mlungisi and the town of Stutterheim, linking white and black communities. The Mlungisi Community Commercial Park, supported by Aspire, is bringing white-owned businesses to the township for the first time. The bridge and the community commercial park provide tangible evidence of the power of social capital. Neither could have happened without networks of different groups and individuals working together or without Aspire to facilitate the process.

Job driver 5: Spatial development. At its outset, Aspire inherited from the ADM a programme of regional development based the promotion of unrelated economic sectors. A prolonged process of analysis, followed by discussion with stakeholders, resulted in Aspire adopting instead a more strategic spatial framework, which was felt was better suited to the development needs of the region. The adoption of a spatial approach has allowed the agency to:

- Concentrate economic activities along the region's primary logistics corridors
- "Crowd in" public good infrastructure to unlock potential opportunities for economic value through private sector investment
- Mobilise stakeholders and establish corridor associations based on the identification and affinity that they have with their own part of the corridor.

The four logistics corridors Aspire has identified follow the N2, N6, R73 and R63 road routes out of East London in a radial pattern. Focal points in this development are a series of small towns, most of which are at some stage in a process of regeneration. Each

corridor is managed by a corridor committee, supported by a full-time corridor manager and project officer from Aspire. For each corridor, the agency has sought and continues to seek:

- Catalytic projects (which provide an enabling environment for small town regeneration work)
- Anchor project (targeted interventions to capitalise on a local comparative advantage, such as the artists' residency in Hamburg)
- Beneficiation of an existing economic resources (such as the Woodhouse in Stutterheim).

Future plans and expectations

Funding is in place to continue the agency's work in respect of **infrastructure** to the end of 2012. Aspire will extend its small town regeneration work to other towns in the spatial corridors that stakeholders have identified. In future, and in the interest of sustainability, the agency would like others in communities and local government to play a larger role in implementation. To do this, it will need to assist its partners to further develop the social capital they have at their disposal.

In job creation through **agriculture**, Aspire will continue to provide support for the private sector at Amabhele, and continue to work with the Department of Rural Development and the Land Bank in establishing the berry outgrower scheme at Keiskammahoek. The agency has already begun to explore the possibility of a third outgrower programme in the R72 Corridor near Hamburg. Also in agriculture, the agency would like to explore how it can encourage savings and capital growth in rural communities. Livestock has for generations been an efficient store of wealth for African communities. In good times, cattle can be purchased and in difficult times, they can be sold; at all times, holding cattle provides a source of pride and dignity to their owner that holding a bank account does not. The agency would like to explore how it can increase cattle holding in its homesteads, but to do this in an environmentally sustainable way that also provides linkages to the commercial meat and leather industries in the province. Aspire's value chain experience provides it with a sound methodology to do so. In **tourism**, with the support of the private sector, the agency will complete work at **the Gcuwa Dam leisure node** near Butterworth and finish construction of the Hamburg Artists' Retreat as it continues its work with the community there to develop art and eco-tourism.

To encourage further discussion, Aspire has begun to consider how it can share its experiences and disseminate these through mapping what it has done by developing training programmes to explain this to others. In this, the agency will support capacity development in government departments and development agencies and also assist others in developing their **social capital** through sharing its networks with them.

Spatial development underpins Aspire's overall approach to development. It will continue to assess spatial data, such as cadastral information, land use and land ownership and demographic information within the four corridors, to get to know the region better and to identify further opportunities for development.

ANNEX 5: CHALLENGES FACING LEDAS.

In 2009, a series of constraints were identified that impacted on the effectiveness on Municipal Development Agencies by McIntosh Xaba, a Durban-based consultancy. Aspire is measured against these.

A: Capacity-related issues:

Constraint identified by McIntosh Xaba		Applicable to Aspire?
a.	Lack of capacity in terms of numbers of appropriately skilled and experienced personnel to execute the mandate of the established agency	Yes, but resolved by buying in the skills from independent consultants
b.	Similarly, the municipal LED Unit (which should be the main link between the municipality and the development agency) often lacked sufficient capacity in terms of funds to pursue LED effectively	The unit has the capacity to deliver LED through its chosen sector-based strategy
c.	Lack of capacity of the Board of the LEDA	No, the Board is well capacitated. All new directors appointed to the Board are taken through an induction programme.
d.	Limited funding makes it difficult to attract the level of skill required	No
e.	Lack of business know-how and working capital, leading to an inability to acquire new technologies for development and growth	No
f.	Lack of business management expertise	No
g.	Lack of local entrepreneurs to participate in agency projects	Yes, especially in more remote rural areas
h.	Lack of resources, such as office space and equipment	No, Aspire's facilities are good
i.	Stakeholders' unequal capacity to effectively contribute to the formulation process	Yes, but Aspire sees its role as developing these

B: Clarification of roles and responsibilities:

Constraint identified by McIntosh Xaba		Applicable to Aspire?
a.	Lack of clear roles and responsibilities between agency and municipality (especially LED Unit)	No, LED unit focuses on "sectors" and poverty alleviation, approaches, ASPIRE on spatial development
b.	Board's authority, role and mandate vis-à-vis the IDC and agency staff is often not clear	No, the Board, Agency Staff and IDC Account Officer all have clear perceptions of their roles
c.	Coordination problems between sectoral approaches and the area-based LED approach, involving overlap in responsibilities	No, both the LED unit and ASPIRE understand their respective roles

C: Relationship between agency staff and municipal staff:

Constraint identified by McIntosh Xaba		Applicable to Aspire?
a.	If the CEO is from the private sector, s/he usually has limited respect and understanding for municipal processes and hence a tense relationship develops which also hampers efficiency	No, CEO's relationship with senior officials in the municipality is good
b.	Mandate to proceed on certain tasks (for example, it was difficult for agency staff to hold meetings with the community without council approval)	Protocol initially a frustration, but less so over time
c.	The question of ownership (the IDC or PSJ), identity and mandate of the agency	No, Aspire's policy is to give its partners ownership
d.	Concerns about the accessibility and communication channels with the municipality	Yes, often municipal staff are difficult to reach
e.	Political tension	No
f.	Relationship and reporting lines between the agency and the council can be inefficient and not based on sound business principles. For example, delays while waiting for council resolutions can create problems	No, not normally the case in Aspire's relationship with the district, although this can be an issue in the case of local municipalities
g.	Not working in an integrated manner within the broader development context of the municipality	There may be scope to investigate further linkages between investment in service delivery and Aspire's programme of infrastructure development.

D: Internal issues within municipalities:

Constraint identified by McIntosh Xaba		Applicable to Aspire?
a.	Slow turnaround time in term of decisions (municipal council, relevant government departments, National Treasury)	There is a challenge in respect of the time it takes to get decisions on environmental impact assessments
b.	Financial (or other) commitment or lack thereof from municipality	No, the municipality pays a subvention covering much of Aspire's overhead
c.	Local government elections and resultant changes in council and possibly in support for the agency	Possible that the 2011 elections may have an impact. The Executive Mayor of Amathole, who has been supportive of Aspire, is due to stand down

E: Community participation and vision/focus:

Constraint identified by McIntosh Xaba		Applicable to Aspire?
a.	Lack of community buy in/participation prior to establishment of agency and, subsequently, the continued feedback	No, although Aspire is required to work hard to maintain community involvement
b.	Lack of focus of the agency	No. The agency has stuck to its spatial development strategy
c.	The achievement of a common understanding of an integrated and comprehensive territorial development approach among the various stakeholders; and	No, this has been achieved although initially not all partners were convinced by the spatial corridor approach
d.	Many were simply established because funding was available with no clear rationale or strategic direction	Probably true that the availability of funding stimulated ADM to establish the agency, but Aspire has identified a clear rational and strategic direction

F: Legislation (notably the MFMA and MSA):

Constraint identified by McIntosh Xaba		Applicable to Aspire?
a.	This restricts the role of agencies, often making them little different from a strengthened LED unit. The MFMA is also restrictive regarding the sustainability of an agency and does not allow minority shareholding by a municipality. The acts also restrict the agency's autonomy and ability to react to opportunities and threats	Doubtless the agency would find it easier to operate under the Public Management Finance Act, but despite having 100% shareholding, the municipality has a "hands off" approach in respect of Aspire
b.	Dependant on the type of agency structure, donor funds may be taxable which can restrict potential funding	EU funds utilised by Aspire are not taxable.
c.	The procurement process to recruit the right capacity can also be complicated by the way the municipality operates or political interference. Various committees may be required for procurement. Due to the small size of the agency, they may need to utilise those of the municipality which may increase turnaround time	Aspire has established an effective procurement system under the MFMA, administered by its corporate manager. Clean audits point to procurement compliance
d.	Only a municipality and not a municipal entity may enter into a public-private partnership (PPP). This increases the turnaround time of a project and may negate one of the original rationales for the agency	Aspire is about to launch its first PPP, a petro-park initiative at Stutterheim on the N6
e.	The lack of capacity of agencies to make direct investments in enterprises	Aspire's strategy does not call for it to make such investments
f.	No capacity to earn income from the provision of services to private sector entities, which limits fee earning	Aspire has reached a level of financial independence without the need for fee earning from the private sector
g.	No capacity to build and lease or rent out workspace also reduces income earning and reduces potential for sustainability	Becoming a landlord would distract Aspire from its development role, so this is not an issue

G: Other:

Constraint identified by McIntosh Xaba		Applicable to Aspire?
a.	Corporate governance within both the agency and the municipality	No. The agency has a clear run of five unqualified audits
b.	Creation of a bureaucratic municipal culture within the agency, rather than a more private-sector culture, which is one of the rationales for creating a separate agency	No. The agency has developed a strong goal driven private sector management culture
c.	Unforeseen and inflated costs, such as board fees, board insurances, financial packages and audit fees, increase the staff structure, which meant that the agency becomes expensive to run	No. Aspire's subvention from ADM and its management fee from IDC are able to adequately cover these costs. The Agency also has support from GIZ for part of its staff cost. In addition, the agency has the capacity through its financial projections to bear down on costs in advance should this be required

ANNEX 6: ISSUES FOR A POLICY DEBATE ON RURAL DEVELOPMENT AGENCIES

Aspire (and other agencies) have operated in a regional development policy vacuum since their inception. Despite a growing awareness of and interest in regional development agencies, government has yet to respond to fill the regional policy vacuum gap and the possible role of regional development agencies (RDAs) within it. A period reflection and analysis by Aspire, accompanied by dialogue with government, can provide significant support for a process of regional policy development. This should reflect on both **regional development policy** and the role of **regional development agencies** within it. RDAs will function more effectively within the context of broader regional policy that defines their role. Aspire's experience can provide a rich evidence base for the formulation of such a policy. Should national government decide to respond and work towards such policy, Aspire and its sister agencies will have a firm basis from which to consider their future activities. Here, some of the issues that might usefully inform this debate are discussed.

Some of the current stresses that Aspire is subjected to result from the absence of clearly formulated regional policy. In developing a new regional policy, or at least those aspects of it that relate to regional development agencies, the following issues might be considered. Incorporating these issues into a national policy discussion has considerable scope to improve the operating environment for regional development agencies.

- 1 Policy implementation.** The experience of Aspire demonstrates that it is reasonably easy to draw up strategic development plans for regional development. The far greater challenge lies in implementing them through effective project management. Regional policy should spell out how the resources and capacity are to be developed to implement policy through effective project management. It might also provide guidance on the management structures and the project management culture that result in effective project management. The experience of Aspire is instructive on both counts.
- 2 The enabling and regulatory environment.** RDAs are subjected to the same planning and permissions requirements as private sector developers. Dealing with planning and environmental impact assessments creates extensive delay and additional costs in the implementation process. The policy debate should include discussion on bringing forward legislation (or amending regulations) to fast track RDA planning applications. Discussion might also take place on allowing agencies a degree of relaxation from the constraints that rightly and properly apply to private sector developers.
- 3 Acquiring funding.** A cabinet-approved policy for regional development would give greater legitimacy and a stronger mandate to regional development processes. This in turn may give National Treasury the confidence and incentive to establish a regional development fund, a single source of investment finance for the agency movement to draw down. Currently, as the experience of Aspire shows, agencies derive finance from many different sources. Managing the varied reporting requirements of this each of these funders is time consuming and detracts from the development effort. A single source of finance would simplify and reduce the cost of reporting processes and would also make monitoring of the regional development effort easier.
- 4 The coordination of regional development.** Regional development provides the building blocks of national development, but only if regional policy is coordinated. The proposed policy debate should include discussion on the degree of prescription and conditionality that might be reasonably required by national government in terms of agency strategies. For example, Aspire uses an approach that is based on the identification of spatial corridors. If agencies in neighbouring districts (Cacadu and OR Tambo) were encouraged to do the same, then the potential exists for a development corridor transcending administrative boundaries and reaching from Port Elizabeth to Durban. However, such tight guidance on the approach that an agency should use has implications for the independence of agencies and their current freedom to develop a regional development strategy with a "best fit" for that region and its unique problems.
- 5 Institutional issues.** At a national level, there has been long-running discussion about the role of national departments in regional economic development. Recently, the Economic Development Department has been created with a potential mandate to take a degree of responsibility for regional development. A process of policy debate and analysis might address and finalise the issue of which department has overall and lead responsibility for the coordination of regional development. The recent transfer of responsibility for the IDC from the DTI to Economic Development gives the new department a case for playing this role. The IDC founded and has supported regional development agencies since their inception.

Discussion around institutional issues at the policy level might also concern the ownership and reporting lines for regional development agencies. Currently, the ownership and line responsibility for Aspire rest with the Amathole District Municipality. In the light of continued discussion over local government reform and the possible disappearance of district municipalities, the policy debate should also include the issue of the ownership of regional development agencies should there be changes in the structure of local government.

ANNEX 7: THE OECD AND REGIONAL DEVELOPMENT AGENCIES

Introduction

This annex looks at some of the broader issues related to economic development agencies. It is based on the recent experience of the Organisation for Economic Collaboration and Development's (OECD's) Centre for Entrepreneurship, small and medium enterprises and Local Economic and Employment Development (LEED) programme. The first part of the annex is presented in table form and is adapted from a series of mandates that Barcelona ACTIVA¹ (a leading European Development Agency) believes that an agency might be called upon to discharge. The second is based on a series of 16 case studies² of economic development agencies, and lists common challenges identified. In parts a) and b) of the annex, reference is made to Amathole and Aspire.

a) Table: Typical mandates of economic development agencies

Mandate	Description
Crisis response mandate	The agency is able to respond to a crisis and lead other stakeholders in this response. Examples might be the closure of a key site or facility (for example, the decision of major manufacturing company to relocate out of the area).
Territorial development mandate	This involves taking new or emerging economic activities into a region, and highlighting and profiling this. Aspire's work in developing an essential oils sector in Hogsback provides such an example.
The business interface mandate	This involves the role required in delivering services to business to encourage increased levels of business activity. It includes negotiating directly with developers and assisting with land use applications where the agency acts as an interface between government and potential investor. This role assists in generating private sector investment to complement public sector investment in development corridors, such as in Aspire's relationship with Amathole Berries.
The "special zone" mandate	This refers to where the agency focuses on the specific requirement of an identified redevelopment area within the municipality, especially areas that other agencies do not fully reach. An example might be the Ibika and Umsobomvu commercial park development initiative.
The facilitation mandate	This is where the agency acts as an innovative and creative vehicle for strategy development, such as the design of the AEDA spatial corridor programme and its successor or follow-on strategies.
The effective management mandate	This is where, through exploiting its independence, an agency is able to develop a target-driven and output-based management style, and do things both more quickly and more efficiently than government. The discharge of this mandate can be identified in Aspire's general approach to corridor management and small town regeneration.
The leverage mandate	This is where the agency, through its independent financial management, is able to develop a reputation as an effective and transparent fund manager, and as a result, is able to play a widely based role as an agent in the dispersal of funds. An example might be Aspire's relationship with National Treasury, IDC and its other funders.
Risk and cost-sharing mandate	This involves the capacity to share risks and costs across a range of stakeholders by negotiating multiple funders for relatively high-risk ventures. An Aspire example is its relationship with ECDC and or the European Union in investigating the possibility of a cotton project in Bedford.

b) Challenges facing development agencies. Based on a case study of 16 development agencies around the globe (including the Johannesburg Development Agency), the OECD's Local Economic and Employment Development (LEED) programme has produced a paper⁴⁵ on the challenges facing economic development agencies. Some of the main findings follow:

1 Failure to establish a key mandate. In cases where an independent company has been established as a vehicle for an agency, stakeholders may question why a more accountable municipal structure was not preferred. It may not be understood why a corporate structure is desirable, especially if the corporate structure does not make others aware of the reasons for its existence. In the case of Aspire, there seems to be a shared (if implicit understanding) that a corporate structure allows an agency to develop a management culture that is more conducive to decision making and risk taking. In addition, the tensions that occur in a two-tier local government system may mean that local municipalities prefer dealing with an independent entity than the next tier of administration, and so not question the reasons for its creation as a distinct legal entity too critically.

1. Promoting entrepreneurship, employment and business competitiveness - THE EXPERIENCE OF BARCELONA. OECD LEED Programme, 2009

2. Organising Local Economic Development. The Role of Development Agencies and Companies, Greg Clark, Joe Huxley, Debra Mountford, OECD iLibrary, 2010

- 2 **Top-down relationship.** When a development agency is created by a tier of government higher than the level at which it will work, then the OECD report suggest that tensions may result. Examples are a provincial government creating a local development agency and a national government creating a provincial agency. In these cases, local or provincial government may be required to work with an agency that is not accountable to it. Local municipalities in Amathole may potentially feel this about Aspire as a district-sponsored agency, although Aspire is acutely aware of this risk and manages it.
- 3 **Strategic framework.** Stresses may be created where no clear strategic framework is set by the political leadership. A clear division of labour is desirable in the formulation of an agency. The political level, support by the municipality, establishes the strategic framework and the agency implements it. In the case of Amathole District Municipality and Aspire, this division of labour is explicit and clearly understood, with Aspire acting as the operational arm.
- 4 **Micro-management.** Development agencies may be micro-managed by the municipality, and the principle of arm's length of operational freedom is then violated. Obvious tensions may be created by a municipality interfering with the day-to-day operation of an agency. This is not the case in the relationship between the ADM and Aspire. Political leadership in the ADM has ensured the operational freedom of Aspire.
- 5 **Accountability.** Development agency management may be challenged in being both innovative and accountable. Innovation and accountability are key skills sets, but they pull in different directions and combining them both requires political sensitivity, good planning and anticipation on behalf of the agency. Knowing in advance the activities and risk that an agency will be undertaking allows it to seek enabling approvals in advance. This has been the case with Aspire in seeking a clear mandate from the municipality.
- 6 **Overlapping jurisdiction.** In some locations, the jurisdiction of agencies may overlap from different historical phases of development and from different government sponsors. The authors of the OECD report feel that there is scope for conflict where there is overlapping jurisdiction. This is potentially an issue in Amathole where the Eastern Cape Development Corporation (ECDC) and Aspire both have a development role, and where there is also a local agency, such as in the Nkonkobe Local Municipality. In the case of the former, Aspire has good relations and communications with ECDC, in part because its CFO is a Board member of ECDC. In respect of the latter, a relatively low activity level from this local agency and regular dialogue between Aspire's R63 Corridor management team and the municipality reduces the scope for conflict.
- 7 **Crowding out the private sector.** Activities that are not supported by the market at one stage and which as a result are taken up by an agency, may because of changed circumstances, later become attractive to the private sector, but are held onto by the agency. This might apply to development finance where private sector credit is in short supply and may be provided by an agency – inappropriate once the business cycle moves on and there is greater liquidity. It might also be the case in commercial property development. Retail or industrial premises established by an agency may become more attractive to the private sector as a critical mass of commercial property slowly builds up, where bulk infrastructure of an area gradually improves or where local population increases.

There will be a greater tendency for an agency to try to take on what is more appropriately a private sector role, where its funding is dependent on commissions for raising finance or rental incomes from commercial property. In the case of Aspire, the agency's strategy is to continue to seek direct funding directly from national and local government sources. This strategy should assist Aspire in avoiding crowding out the private sector.
- 8 **Political change.** The OECD report points out that a change of political leadership can change perceptions of how regional development should take place. There is a need to anticipate political change, and to ensure the agency is either non-partisan in respect of ruling party factions or that it enjoys cross-party support. There is the possibility of a change in political leadership at the ADM during 2011. Aspire is aware of this, and is developing a contingency plan to cope with potential change.
- 9 **Conflict between municipal and agency staff.** The OECD suggests that municipal colleagues may not always find it easy to work with the staff of an agency. There is a need to ensure that roles are fully differentiated, complimentary and clearly understood. As the body of this review suggest, there has been a need for Aspire to invest time and effort during its establishment phase to ensure that any initial misunderstandings between itself and the LED unit of the ADM were dealt with. This effort has resulted in the creation of a working relationship between professional staff in the municipality and the agency.
- 10 **Relationship with the private sector.** The authors of the OECD report suggest that the media or general public may not fully understand the agency's role with the private sector, and may scrutinise deals undertaken by the agency with private sector partners, possibly finding them to be unacceptable and not recognising or accepting the broader benefits of a deal. This is particularly the case where an incentive has been provided to a business. There may be a perception that funds could have been spent on something else. Dealing with this sensitivity can be supported by an agency ensuring that its general levels of accountability and trust are high and that financial issues are dealt with in a transparent manner. Aspire, through its run of five cleans audits has developed a track record in this respect. In relation to specific issues (in the case of Aspire, its relationship with Amathole Berries and the Stutterheim Petro-Park), the relationship with existing and potential private sector partners are well documented by the agency's management information system and, as such, are a matter of public record.

Promoting entrepreneurship, employment and business competitiveness - THE EXPERIENCE OF BARCELONA OECD LEED Programme, 2009.

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