

## **MAYORAL ADDRESS TO THE SMALL TOWNS CONFERENCE, 11<sup>th</sup> and 12<sup>th</sup> September 2007**

All Protocols observed.

In March last year the Amathole Economic Development Agency (AEDA) hosted the first small towns' conference in South Africa. Though most people were from the Eastern Cape, representation and presentation from the national Department of Local Government (DPLG) and other strategic entities provided the gathering with a national character. Now we are gathering today with the representation having a strong national character and a semblance of international flavour. On behalf of the Amathole District Municipality (ADM) Council, whose strategic vision gave birth to the AEDA, I take pleasure in welcoming you.

Ladies and gentlemen, since the small towns conference last year, in which small towns were identified as economic hubs of the rural hinterlands, ADM embarked on a number of initiatives defining small towns as anchors for regional economic development. Our starting point was the reviewal of then Local Economic Development (LED) Strategy, in which the AEDA was tasked to facilitate the development of a regional strategy.

During the district Growth and Development Summit (GDS), preliminary work was presented on the Amathole Regional Economic Development Strategy (AREDS).

Through partnerships including the Department of Economic Development and Environmental Affairs (DEDEA), GTZ, ECDC, ECSECC, and other strategic partners, the final AREDS draft was presented to Council, and finally adopted in May 2007.

In all the processes and interactions, the primary and prevalent observations are that, firstly, small towns are identified as economic transaction points of rural areas.

Secondly, small towns are linking points between the rural and urban areas. However, the absence of concerted and targeted effort to economically resource small towns deprives them opportunity for private sector investment.

This inability to include small towns and resource them will have major impacts in implementing the Accelerated and Shared Growth Initiative for South Africa (ASGISA).

It is in this regard that the second small towns' conference is focusing on regeneration strategies as well as the implications for policy shifts to assist small towns to be more responsive economically.

Whilst small towns are distinguished as anchors for regenerating rural economies, the objective of the AREDS is to economically respond to broader economic corridors whose competitiveness is informed by sectors linking the rural and urban economies.

In the context of the Amathole region, there are four corridors, whose linkage is the East London area. In each corridor, there are four small

towns, in varying sizes economically, anchoring the economic growth and development of the whole region.

Predictably, agriculture, tourism, and manufacturing define the economic sectors in all four corridors. For instance, the regeneration of Alice on R63, the regeneration of Stutterheim on N6, the regeneration of Butterworth on N2, and the regeneration of Hamburg on R72, are key focal points in anchoring various sectors for economic growth and development.

This in essence, is a response to the draft Regional Industrial Development Strategy (RIDS) as espoused by the Department of Trade and Industry (DTI). It should be noted that ADM and the DTI form part of the GDS signatories, and such partnership is and will be realized within the AREDS.

Ladies and gentlemen, the most significant reasons in adopting the corridor approach are to firstly co-ordinate stakeholder relationships, as well as to integrate the implementation of economic development in the Amathole region.

Deliberations and outcomes of the last small towns' conference as well as the AREDS vision acknowledge the challenge of crafting strategies congruent to the Amathole context.

From urban renewal, to sustainable rural development, resources have been spent to implement LED strategies, however, the impact is hard to determine. From investment in infrastructure, to the actual

commercial operation through public private partnerships, not much has been achieved.

From direct government implementation, to privatization, various institutions, enterprises and entities have been established, but sustainability has not yet being achieved.

This often fragmented or separate conceptualization and implementation that characterize our approach need to identify the locality and economic sector for comparative and competitive economic growth and development. This will indeed assist in bringing us closer to special economic development, thus responding and answering to some of our social and economic development challenges as Amathole, the Eastern Cape and the country at large.

The success in developing strategic regeneration models and their impact on enhancing existing government policies are fundamental in assisting and contributing towards a more nuanced definition of a developmental state in South Africa.

As academics, researchers, policy makers, and specifically government policy implementers, your task of assisting politicians in understanding and applying their thoughts around economic growth and development is pertinent.

The starting point for turning the economies of small towns around is looking at what they have as the basis for developing them. The exploration of the competitive advantage is crucial and will help us identify the natural resources, the potential for tourism etc. so that

small towns are developed from that approach. This approach has the propensity to create sustainable development in our small towns.

Another area that needs to be countered is the “non-paid attention to small towns in comparison to cities.” This phenomenon creates the impression that small towns are non-starters in economic development and therefore cities are alternatives. This fuels urbanization with all its challenges.

Another point that must be made is that government is challenged to rally around small towns regeneration to counter marginalization. The continued perception of urban bias must be countered with actionable programmes intended to develop small towns.

In the past thirteen years of our democracy, efforts have been undertaken to understand a developmental state. A week before the ANC Policy Conference in July 2007, the Head of the Economic Transformation Committee, Comrade Max Sisulu, said the notion of a developmental state “arose from the belief that changes to improve the lives of the South African majority would not emerge spontaneously from the invisible hand of the market”.

The idea of the developmental state is closely associated with US-Asian studies scholar Chalmers Johnson and his seminal analysis of Japan’s rapid, highly successful post-war reconstruction and industrialisation. Johnson’s contention is that Japan’s remarkable and unparalleled industrialisation was neither a fluke nor inevitable, but a consequence of an interventionist state. Japan, Johnston argues, took a conscious decision to reconstruct its industrial capacity.

Supporting Johnston's argument, other scholars such as Ha-Joon Chang, who draw attention to the "central role that the state played in Japan and its northeastern imitators such as Taiwan and Korea", which have also experienced successful economic development. Chang goes further to point out that both the US and Britain, "seeming paragons of market rather than state-led development", also enjoyed state assistance in their initial industrial phase.

As Sisulu points out, one of the challenges the ANC faces is in deciding what form of developmental state it should have.

In his 2005 research report, Omano Edigheji from the Center for Policy Studies argued that the African state in the early post-colonial period could be described as developmental but "it certainly has been unable to foster a sustainable model to ensure economic growth". He wrote: "The point is that the first generation of the African state conceived developmentalism only in terms of poverty reduction, welfare provision and so on – not in terms of economic growth."

In essence, this means that this conference must not only deliberate on the above-mentioned challenges, but provide realistic solutions to the kind of a developmental state that encompasses viable and sustainable economic development strategies.

In conclusion, I take this opportunity to acknowledge and congratulate the Industrial Development Corporation, the Department of Economic Development and Environmental Affairs, the Development Bank of Southern Africa, and the Amathole Economic Development Agency for such a wonderful partnership. May it grow and become a rallying point

for integrated development in the Amathole region; so that it can produce a viable and sustainable model for economic development for South Africa. I wish you a fruitful and successful conference. I thank you.