2.1 INTRODUCTION

Small towns around the world are facing major demographic, social, economic, and environmental changes and challenges. An understanding of these changes and their root causes is an essential starting point for small town economic revival.

First, demographically, throughout the twentieth century, there has been an accelerated rate of urbanization. Large number of people became predominantly city dwellers. This resulted in a declining number of people residing in small (inland) towns. The small towns are even today losing their population to metropolitan communities. In most cases, the population loss in small towns is associated with a decline in mining and agriculture production (van den Bos & Helmsing, 1998; Kenyon and Black, 2001). But in some cases, it can be proven that the attraction effect of regional cities has played a major role in the depopulation of small town communities.

Kenyon and Black (2001) illustrate a significant counter-urbanization trend in North America, but this is less pronounced in other parts of the world, especially in Africa. North America has been experiencing a slowing of net losses from
capital cities to non-metropolitan areas over the last decade with interstate migration being the main driver of counter urbanization. With regards to youth losses, there has long been an established pattern of young people moving from rural small towns to cities. While a proportion of rural-urban migrants return, there are currently unreported losses of young adults from non-metropolitan areas. Hajesz and Dawe (1997) identify higher education, job opportunities or motivation to travel as the key pull factors for young people from small towns.

Second, social changes in small towns have been affected by rural depopulation, reduced economic status and general changes in societal norms and community participation. Outmigration and the decline of the farming communities have dispersed social networks (Wellman, 1979; Alston, 1994). The decline of farming communities reduces social cohesion and community participation. And, the specific loss of young people in turn, deprives the small towns of a socially active group and potential leaders (Hajesz and Dawe, 1997).

Many small towns, including the case study area, were created due to transport requirements. Kenyon and Black (2001) highlight the impact of rural people developing economic and social links beyond their locality due to transport and communication means. Currently, transport, communication, and to some extent internet have superimposed communication and travel patterns that allow for small town dwellers to shop and utilize services and participate in social activities well beyond their locality.
Consequently, many small towns struggle economically and socially against the regional centres which are aptly described in the literature as ‘sponge cities’. Factors contributing to this scenario include: better transport and communications, diminishing links between the farming community and the immediate communities, the regionalization of services, and consumer preferences for wider choices in products and services (Kenyon and Black, 2001).

Third, economic challenges in small towns have been severely affected by the decline in agricultural sector employment. The symbiotic relationship between agricultural production and small town development has impacted negatively on the growth of small town economies (Baker, 1990; Dewar, 1994). Lastly, on the environmental side, challenges in small towns include water quality issues and the growing community concern over logging of natural forest areas which has forced governments to restrict forestry operations and extended national parks (Kenyon & Black, 2001).

2.2 THEORETICAL FRAMEWORK IN THE STUDY OF SMALL TOWN

Small towns are often seen as a way of organizing economic activity and enterprises in space. Their theoretical base depends, to a large extent on the view of the enterprise and the way it interacts with the environment. The spatial concentration of enterprises in towns has led to the invention of the concept of agglomeration economies, which is embedded in location theories.
Classical industrial location theories assume that enterprises are independent, production-oriented entities operating in a homogeneous free market whose stability is based on the economic interaction among specialized vertically integrated enterprises. The key advantage of agglomeration economies include reduced interaction costs or increased intensity of interaction that is derived from the joint location of enterprises. This line of thinking is not without problems. First, technical innovations in transport and communication and in production have led to reduced interaction costs, which made it possible to exploit production-oriented agglomeration economies over long distances. Second, vertical specialization has been carried out in a way that has made the small town markets insufficient in their support of specialized enterprises. The agglomeration economies among vertically integrated economies have thus far been rarely relevant to small towns (Rondinelli, 1988).

Another type of agglomeration economies, which may be either production-oriented or market-oriented, may occur where many similar enterprises co-exist to exploit and develop a common resource base, a common labour market with specific qualifications, or a common market. These are sometimes referred to as location economies. They are usually found in market towns, where all enterprises in a specific trade are located in the same street, or market place to attract as many customers as possible. They may also be found in traditional agricultural regions and mining areas where many small enterprises agglomerate to exploit a common qualified labour market or a common mineral resource (van den Bos & Helmsing, 1998).
Service centre theories, as originally described by Christaller in 1933 and Losch in 1954, are the most specific attempts to explain the existence of small towns. Here, the agglomeration economies are market-oriented and are based both on a horizontal specialization among local enterprises interacting with the same local market, and on a vertical specialization and interaction with enterprises at higher levels of the urban hierarchy. The role of the small town here becomes that of the service centre which serves the surrounding rural area and itself with products and services, but which on the other hand receives inputs from larger metropolitan centres (Pedersen, 1995). The service centre theories agree on one explanation of the development of small towns: that in a non-planned market economy; the existence of independent enterprises operating in a free market with relatively easy entry will eventually develop into a small town. Where this assumption is not fulfilled, small towns may not develop as expected. Low rural incomes and efficient long distance transportation also tend to reduce the role of small towns (van den Bos & Helmsing, 1998).

Another view on the development of small towns is the role of the local environment. Enterprises, especially in rural small towns, are often considered to be enclave industries with little or no local interaction except with the local labour. Their production is footloose and can be moved around to locate in areas that offer the lowest labour costs. In this case, small towns are not service centres but locations for independent branches of big industries that are exploiting rural resources and labour markets. While the service centre theories attach considerable importance to the local interaction between enterprises, this
Marxist-inspired view explains location in terms of the internal organizational structure of the big businesses and multinationals.

The opposing views of the development and existence of small towns make the growth of small towns something that comes as a surprise. This skepticism is among others, caused by the fact that the location theories have not been able to explain when interaction among enterprises, and between enterprises and their markets, leads to growth and prosperity, and when it leads to exploitation. They are also unable to give any clear indication of the conditions for growth of small towns.

2.3 CONCEPTUALISING SMALL TOWNS IN THE URBAN HIERARCHY

In developing countries, the urban system is dominated by one or a few primate cities. Primate cities were developed during colonial times as seats of power and as export harbours for the resources extracted from the colonies. In many cases, independence from colonial powers did not change that. Primate cities remain the seats of power and control of resources. Post-independence approach allowed the new state to extract resources from rural areas, just as the colonial powers had previously done. The result has been an increasing grouping of small towns with declining economies.

The diverse experience of small-towns growth has led to the development of a number of views and policy contexts on their role in development. Small-towns
growth and their developmental role has changed dramatically over the past three decades. During the 1960’s small towns were perceived as the most peripheral link of the urban system. Their main role was to ‘pass through’ innovations and urban services to the surrounding rural communities. Inspired by the growth centre theory, small towns were seen as potential growth points through which economic growth could be injected into stagnating rural peripheries by transplanting a growth industry. Unfortunately this expectation was too often not fulfilled. As a result, small towns remained isolated enclaves in the local economy without much local impact other than the wage multiplier (Pedersen, 1990).

During the 1970’s small-towns administration in South Africa shifted from white hands to blacks. They were now seen as commercial and administrative centres of resource exploitation and control through which the capitalist system in general and the colonial powers in particular, has sucked resources out of the rural areas (Pedersen, 1990; 1995). Development activity focused directly on the peasant farmer and the support needed was provided directly by government. And the result was rural development programs that often bypassed the small towns and blocked the development of intermediary activities that could have been the basis of rural industrialization (Pedersen, 1995).

By the 1980’s, the image of the small town had improved. New urban policies favouring the development of small towns were introduced. The new policies have been more concerned with the provision of public and private services. The
small towns are here seen as necessary and important to the development of the rural region. The small town functions as a link between the rural areas and the large towns, but especially the role of the small town as a service centre for the rural region is emphasized.

The role of the small town as an intermediary between rural areas and the higher levels of the urban hierarchy has been emphasized in the literature (Hinderink and Titus, 1988; Rondinelli, 1988; Gaile, 1992; Pedersen, 1995). The small town functions in the economic system include the local distribution of commodities and services produced locally; collection and processing of local agricultural products for export to the region; distribution of products and services produced outside the region; and local processing of non-local inputs for a non-local market. Some of these activities, because of the capital they require, may be carried out by large enterprises. The small town therefore, becomes the place where the larger rural non-agricultural activities meet with the branches of the large enterprises and of the public hierarchies. The development of small towns and of the urban system, to a large extent, depends on the resulting balance between the large and small, private and public enterprises, and the different functions they pursue in the economic system

2.4 SMALL TOWN RENEWAL IN AFRICA

The key characteristic of the small town in the African urban hierarchy is that it contains functions that link rural areas with major urban centres. The role of the
small town as a residence of the ‘middlemen’ has developed a bad reputation in
the continent. In the urban hierarchy, small towns remain at the lower end,
compared to metropolitan centres and secondary cities. Small towns themselves
are of different sizes and depending on socio-economic and geographic structure
of the country, they may belong to different levels of the urban hierarchy. So a
narrow size definition of small towns is not important. The definition and
delimitations of small towns should rather be responsive to policy solutions than
being used for problem formulation.

A comprehensive account of the development of small towns in Africa is beyond
the scope of this study. There is lack of statistical and evidence-based
approaches to their development. Selected case studies on small towns show
that small towns in Africa have been growing rapidly even though their fate
remains unknown (Baker, 1990; Pedersen, 1995). In some countries small towns
seem to have grown rapidly while in others they have apparently stagnated and
are undergoing processes of ruralization. These differences are indicative of the
complex processes involved in the development of small towns, which have very
diverse geographic and socio-economic settings. Pedersen (1995) states that the
development of small towns depends, on the one hand, on the development of
their rural hinterlands and the consolidation of rural, non-agricultural activities into
larger entities, and on the other hand, on the development and decentralization
of functions from the large urban areas. This assertion emphasizes the
relationship between the small town and its hinterland and its valuable function
as an intermediary between large cities and rural communities.
2.5 SMALL TOWN: A BASIS FOR RURAL DEVELOPMENT?

In several studies, it is argued that there are mutually reinforcing linkages between small towns and their rural hinterland (Baker, 1990; van den Bos and Helmsing, 1998; Nel, 2005). Small towns play a significant role in stimulating agricultural productivity, hence rural incomes. At the same time, rising rural incomes lead to increased demand for non-agricultural goods and services, and this creates job opportunities and business growth in small towns (Hinderink and Titus, 1988; Evans, 1989; Simon, 1992).

It is also argued that as agricultural incomes grow these linkages between the small towns and the rural hinterland become stronger. In low surplus agricultural areas the linkages are generally weak. As a result these areas have very few towns and villages with significant levels of market trade. When an area does have a large number of small towns, their settlements are usually not physically and economically integrated and their markets are not vertically coordinated. Nevertheless, when an area is in transition towards commercial agricultural production, the linkages between the small towns and the rural hinterland become stronger (Rondinelli, 1988: 4-5).

In this section we ask two questions, namely: a) how does the growth of agricultural production influence small town development and b) to what extent is rural development influenced by the presence of small towns. These questions are relevant in the South African context, where rural development strategy, as
contained in the Integrated Rural Sustainable Development Strategy (ISRDS), is biased towards agricultural production and small towns such as Alice are surrounded by no less than fifty rural settlements.

2.5.1 Influence of growth of agricultural production on small towns

There seems to be a general acceptance that the quality and diversity of the function of small towns depends on the development of their hinterland, and not the other way around (Hinderink and Titus, 1988; van den Bos and Helmsing, 1998). Agriculture is found to be the most significant source of growth of non-agricultural activities in low income areas. As a result, it is argued that the prospects of economic growth of non-agricultural activities in small towns hinges on future agricultural performance. Economic viability of small towns continues to stagnate until their rural hinterland demonstrates potential to yield surplus agricultural produce for markets (Evans, 1989; Tambunan, 1993).

Some observers compare these arguments to those that arose in the context of green revolution in India in the 1970’s (Mellor, 1995). The endogenous, demand-led growth in the green revolution area, derived from its increased prosperity, and was driven by higher levels of rural consumption necessitated the growth of the broader region. When this growth diffused over a substantial geographic area, it stimulated the development of broadly non-agricultural activity, which occurred, at least initially, in every small market town (Mellor, 1995). Van den Bos and Helmsing (1998) summarise the process described by Mellor (1995) into three
rural growth linkages: that a rise in agricultural productivity means an increase in rural incomes, which, in turn, profits small towns through consumption linkages. Secondly, small towns can profit from the increased agricultural production through demand-led or supply-driven production linkages. Other linkages occur in investments, that is when the money earned through agricultural production is invested in non-agricultural activity.

Even though the existence of a relationship between small towns and their rural hinterland is logical, there are many questions still open for debate. There is some disagreement on the kind of linkages between small town and the rural hinterland, their relative importance and the way that they function (van den Bos and Helmsing, 1998). Factors such as the characteristics of rural hinterland and their population; and, the type of demand created by agricultural growth and whether small towns profit from it or it by-passes them; and or whether the savings made by the wealthier rural households are important source of investments in non-agricultural activities, are amongst the debates that need to be investigated further in the affirmation of an influence that agricultural production has on small town development.

2.5.2 Influence of small towns in rural development

The question here is whether rural development is dependent on the presence of small towns. The links between agriculture and non-agricultural activity has been addressed in the earlier paragraphs. This question therefore requires a
synthesized model of rural-urban development that demonstrates a mutually reinforcing pattern of linkages between small towns and their rural hinterland and stimulates the growth of both agricultural and non-agricultural activity (Evans, 1989).

There are a number of ways that small towns are supposed to stimulate the development of the rural hinterland. Small towns could provide employment and markets for the agricultural products of the rural areas. They can also play a major role in increasing the efficiency of agricultural support services, such as commercial and financial services and physical infrastructure. In addition, small towns can accommodate a wide range of agro-processing, small-scale manufacturing and commercial enterprises that could provide employment for rural residents. If the economies of small towns are inextricably linked to the agricultural activity in the rural hinterland, then they do provide increased stimuli for rural agricultural development (AEroe, 1992).

Another positive effect of small towns on rural areas is their ability to transfer financial resources from the cities to their hinterland (van den Bos and Helmsing, 1998). This normally occurs through the purchases of rural raw materials, through wage remittances and through the spread of investment from the city to the rural hinterland. Furthermore, cities themselves can spread benefits and development impulses such as improved transportation networks, health services, education, cultural facilities into the small towns, and these would also service the rural areas.
The perspective that small towns play an important role in the development of their hinterland depends on the relative strength of the ‘trickle-down effects’ of their capacity to offset the ‘backwash effect’ which drains the hinterlands of their resources (van den Bos and Helmsing, 1998). Different views exist with some authors emphasizing the positive role small towns play in their function as market places and in the opportunities they offer for rural income diversification (Hinderink and Titus, 1988; Rondinelli, 1988; Gaile, 1992) – and others offering a limited impact of small towns on rural development (Hinderink and Titus, 1988; Tambunan, 1993). It is possible that ongoing research on this issue may point to the negative effects small towns or urban centres in general have on their rural hinterland.

2.6 UNDERSTANDING THE POLICIES AND PROCESSES OF SMALL TOWN DEVELOPMENT

The role of small towns, as intermediaries, derives their development and growth both from the rural areas and from the national urban economy. The development of small towns, therefore, is sensitive both to urban and rural national sectoral policies (Pedersen, 1995). There is a need for specific policies that are responsive to the development of small towns. But the highly centralized national sectoral policies that are exploitative of the rural areas tend to limit the effects of small town specific policies. And where the national urban economy is supportive of rural development, small-towns development and the services they provide make that support more efficient.
The key driver of a genuine process of small-town development is the growth of rural incomes from agricultural, non-agricultural activities and remittances. It is argued therefore, that it is important to change the agricultural marketing regulations, which would increase agricultural incomes and improve agricultural services and infrastructure, which in turn increase agricultural activity and productivity. But to secure the sustainability of these improvements, producers need to have more influence on the marketing and agricultural services they use.

The decentralization of public and private urban functions from larger cities is also important in the development of small towns (Pedersen, 1995). In the public sector, this has been in the form of the establishment of local government units. The presence of local government units results in a growing number of civil servants with fixed salaries. This increases and stabilizes local money incomes and provides opportunities for private sector services and production. In other words, the public sector is instrumental in bringing the private sector in small towns (Pedersen, 1995).

2.7 STRATEGIES AND PERSPECTIVES FOR SMALL TOWN RENEWAL IN SOUTH AFRICA

As South Africa experiences political and social reform, there appears to be a growing awareness of the need to reconstruct small town communities (Dewar, 1994; CDE, 1996, ILO, 2002). About 40 per cent of the nation’s population is rural dwellers, living in poor conditions and efforts to provide the essential social
and service infrastructure necessary to support vibrant rural development initiatives have been introduced.

While there are many definitions of rural development, most include an emphasis on the building and sustaining local wealth of rural community members for the common good of all who live and work in it. Rural development involves identifying and using local resources to create opportunities for sustainable livelihoods and employment. For it to succeed, it depends on human and social capital, as well as integration with their neighbouring small towns and national structures to promote and support community initiatives (Baker, 1990).

Despite the importance of these issues internationally, rural development is increasingly regarded as the key responsibility of local government (Pycroft, 2000). National government recognizes that local government structures have a particularly important role to play in harnessing national and provincial resources to promote their areas and in facilitating strategic local partnerships to enhance and sustain economic sustainability (RSA, 2002).

From a policy perspective, LED strategies are being implemented at various municipalities as a vehicle for sustainable development of all communities, including small towns (Abrahams, 2003a). These strategies are aimed at addressing the localized community needs (Binns and Nel, 1999). As a result, their application has seen different approaches. In some areas, community groups have met their development challenges with local initiatives
Stutterheim is one of these small towns where the process is well developed (Nel, 1994). A forum, comprising of representatives of historically race-based communities, both rural and urban has been established to discuss issues and make decisions. A section 21 company has been established to manage development funds and oversee the implementation of projects and subcommittees of the forum are initiating projects on a variety of fronts, including education and housing.

Institutionally, these LED establishments have taken different forms. In some communities such as Seymour, LED initiatives are led by non-governmental organizations (NGOs) (Nel, 1997). The problem experienced by NGO-led development initiatives is that when donor funding withdraws, the initiatives collapse. In other communities, local municipalities have established centralized LED units either in the office of the Executive Mayor or the Municipal Manager – to initiate projects aimed at stimulating economic growth. But, due to lack of committed funding and capacity in rural municipalities, these project initiatives are regarded as an ‘unfunded mandate’. The result is persistent levels of economic decline in rural small towns (Khumalo, 1998; Lloyd and Horn, 2001).

Traditional industries such as mining, agriculture and textile are declining and there is a need to diversify the economic character of small towns (Nel, et al, 2003; Nel, 2005). One of the most promising sectors that is widely applied in the regeneration of small town economy is tourism (Binns and Nel, 2002; Nel and Binns, 2002, Abrahams, 2003b). Tourism development initiatives and their ability
to promote place marketing are yielding improved results in the regeneration of small towns economies.

This study is largely informed by the experiences of LED implementation and regeneration strategies in various small towns of the Eastern Cape. While project work is done and case studies are well documented on the implementation of LED strategies, results on the ground are uneven with many failing initiatives occurring in rural small towns. What is clear is that specific approaches to development in the small towns need to be found. Recent experience in initiatives such as the South African Cities Network (SACN) indicates that further work in local development policy programmes is required to ensure that small town renewal process impacts positively in the lives of those living in the town and those who work and shop in it, that is, the surrounding rural communities (www.sacities.net). This study therefore is conducted in the interest of stimulating constructive debate about a currently neglected development intervention, one which holds great promise for rural development on the one side, and positive action for the regeneration of small town economy on the other side.