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LED & SMME DEVELOPMENT

**An analysis of the
Aberdeen business sector**



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An analysis of the Aberdeen business sector

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A. Introduction: Why study small towns?

Small towns are a neglected topic of study in South Africa, as well as other countries. Much more focus is typically placed on metropolitan issues, as well as “deep rural”, traditional communities. In South Africa, the small town sector has not appeared on any government department’s list of priorities. This is a major problem, because many Departments’ activities have indeed impacted on development in small towns – and most of this has been negative, in the sense of undermining local economies. Small towns represent valuable “sunk capital”, and many people wish to live there, but they are increasingly condemned to poverty and unemployment in these towns. In fact, the scale of urbanisation taking place, with rural people moving to small towns, is so dramatic that it amounts to a “social revolution” in its own right – and there has been no official cognisance yet of this fact.

Increasingly, however, the topic of small towns is becoming recognised as of key importance. The topic of development in small and intermediate towns is becoming recognised as one of major significance. By 2000, more than half the urban population in Africa, Asia and Latin America lived in urban centres with less than half a million inhabitants, many of them in towns with between 5 000 and 100 000 people (Satterthwaite and Tacoli 2003: 1). Furthermore, there has been, internationally, a rapid growth in government services during the last 50 years. Government services typically use small towns as service centres from where they can serve local populations, as well as people in the rural hinterland (Satterthwaite and Tacoli 2003: 7).

Small towns (population 5 000 – 100 000) are becoming increasingly important in South Africa, due to rapid urbanization. Small towns are typically the “first stop” for people migrating from deep rural areas or from farms. Many small towns have burgeoning populations, often with high levels of poverty. At the same time, many skilled people are leaving small towns to look for better prospects in the cities. This translates into poor levels of urban management, as well as a dwindling middle class, with a concomitant loss of economic initiative.

Aberdeen in the Eastern Cape’s Karoo was selected as a case study of small town development. Aberdeen is one of three towns making up the Camdeboo municipality, the other two being Graaff-Reinet and Nieu-Bethesda. Aberdeen is located about 60 kilometers south-west of Graaff-Reinet. The reason for its selection was that it was a manageable sized town (population around 7 000) from a research point of view, and it had showed some signs of gentrification and tourism. Furthermore, the Camdeboo Municipality has showed strong interest in promoting Local Economic Development (LED), and it was hoped that the study would assist the municipality in this regard.

The Aberdeen Business Survey was conducted from the 17th to the 21st of July 2006 by Prof. Doreen Atkinson of Rhodes University, and a team of six field assistants. On completion of the fieldwork a workshop was held for the business community to discuss ways in which the municipality might assist them.

B. Aberdeen's early history: A vibrant town

The Karoo town of Aberdeen was established around 1857.² Aberdeen is now about 150 years old. It has always functioned primarily as a stock breeding and sheep centre (Banach 1969: 7).

During the early 20th century, Aberdeen was served by the railway line which ran nearby. Aberdeen Road Station was located 21 miles from the town, which had a good hotel, plentiful water and a number of fine gardens (Brown & Brown 1895:272). The economy was vibrant. A cart ran four times a week to the station. There were two hotels and four churches. "Monthly stock fairs are held when many thousands of cattle change hands" (Brown & Brown 1913: 424). By 1913, Aberdeen was connected to Aberdeen Road Station via a "daily motor service".

A weekly newspaper, *The Aberdeen Post/Pos* was started in 1904 (Aberdeen Municipality 1955:30) and was still being published, at the very least, until 1955. Later, the newspaper was bought out and published by the *Graaff-Reinet Advertiser* group. In 1952, Aberdeen's Victoria cinema was featuring two shows per week (Pask 1952:200). Aberdeen had its own Horse Racing Club (Scully 2006). Significantly, 1921 also saw the opening of a telephone exchange with 13 subscribers and one public phone (Aberdeen Municipality 1955:15). Viviers (2000:12) reports the establishment in 1900 of an Aberdeen *Afrikaanse Handelshuis* where 190 people invested a total of 10 000 Pounds towards start-up capital.

The *South African Municipal Year Book* (1911) stated that the water supply was drawn from a permanent fountain and boreholes. A municipal market had been inaugurated in 1857. There were 10 miles of macadamised roads and eight miles of kerbs and channels laid. The annual revenue from licence fees was 20 Pounds. The Public library (established in 1886) had 5000 books and received an annual government grant of 40 Pounds. In 1911 municipal debt stood at 2287 Pounds. Municipal assets were valued at 4494 Pounds (double the debt). There was a Council with six members.

² There is some uncertainty about when exactly Aberdeen was declared a municipality. According to the *South African Municipal Year Book* (1911) the town was laid out by the Dutch Reformed Church in 1856 (see also Myburgh 1978: 29) and the municipality established in 1857. Westby-Nunn (2004:151) gives this latter date as 1858. An official Aberdeen centenary publication (1955:10), however, cites a source from 1922 which claims that, although the town was founded in 1855, on the farm *Brakkefontein* owned by a Mr. Jan Vorster, the first erven were only made available in 1857.

Westby-Nunn (2004:153) reports that: “the prosperity enjoyed by the town and district... came largely from ‘The Golden Fleece’ – the wool of the Merino sheep”. The Aberdeen Wool Growers’ Association, formed in 1921, was instrumental in encouraging farmers “to breed better sheep and gave demonstrations on how wool should be classed”. This was a new departure for the farmers and resulted in their receiving higher prices. Westby-Nunn also points out that Aberdeen is an especially healthy district insofar as the absence of typical sheep diseases is concerned.

Cattle also do well in Aberdeen, and the town was once a major cattle centre. One farmer alone owned a thousand head, but cattle gradually lost ground to sheep – partially due to a successful campaign to rid the district of prickly pear (Aberdeen Municipality 1955:5).

The 1930 Royal Automobile Club of SA Route Book features a map of the town and there is an advertisement for the Aberdeen Hotel (“electric light...spacious ample rooms...new wing under construction, with 14 lock-up garages”).

During the 1950s Aberdeen was famed worldwide for Frank Wilke’s *Aberdeen Zoo* (Viviers 2000:30-32) which drew visitors in their thousands every year. The lions alone consumed 500 donkeys a year. Wilke was closely connected with the proprietor of Pagel’s Circus.

The beginning of the 1950s also saw the acquisition by the municipality of 2700 morgen of commonage from the Nederduitsche Gereformeerde Kerk, on the sole condition that it was never to be used for the playing of sport on Sundays (Viviers 2000:32).

C. Aberdeen: From 1970 to 2006

Aberdeen must have reached its peak in the 1930s. By the 1960s, it was clear that Aberdeen was experiencing the general “rural exodus”, particularly amongst its white residents. After the Second World War, whites’ standard of living steadily increased, and this created an inexorable trend of moving towards larger cities, where more professional jobs and higher standards of living could be achieved.

1. Population trends after 1960

In 1960, the Aberdeen district had a population density of 1.3 people per square kilometre, which made it the most sparsely populated area in the Eastern Cape Karoo. It had a rural and urban population profile as follows (Cook 1971: 2):

Table 1: Aberdeen population: Census 1960

| | Aberdeen urban | Aberdeen rural | TOTAL |
|--------------|-----------------------|-----------------------|--------------|
| White | 1353 | 580 | 1 933 |
| Coloured | 2354 | 2966 | 5 320 |
| Black | 940 | 720 | 1 660 |
| TOTAL | 4647 | 4266 | 8913 |

Aberdeen’s population showed a growth rate of 1.45% between 1951 and 1960 (Cook 1971: 19). Cook described Aberdeen’s growth rate as “continuous but uniformly below the mean and not varying more than one per cent (moderately healthy)”.

The black population growth remained constrained, due to the National Party’s policy of influx control. In 1955, farmers were complaining of a lack of sheep shearers and were expecting the problem to worsen due to there being “no vast labour reserves” near Aberdeen (Aberdeen Municipality 1955:37).

According to the 1960 census, whites made up 29.05% of Aberdeen’s population (Cook 1971: 54). However, Table 4 below shows how dramatically the racial profile of Aberdeen changed during the 20th Century:

Table 2: Aberdeen population, 1895 – 2001

| Year | Total population | White population | Non-white population | | |
|--------------------|--------------------|---|-------------------------------------|-----------------|--------------|
| 1895 | 1 225 ³ | | | | |
| 1913 | 2 553 ⁴ | | | | |
| 1918 | 2 746 | 1 751 ⁵ (63% of total population) | 995 | | |
| 1924 | ? | 1 770 ⁶ | | | |
| 1935 | 3 410 | 1 840 ⁷ (53% of total population) | 1 570 | | |
| 1946 | 4 403 | 1 689 ⁸ (38% of total population) | 2 714 | | |
| 1961 ⁹ | 4 647 | 1 353 (29% of total population) | 3 294 (2354 coloured and 940 black) | | |
| 1970 | 4 647 | 1 347 ¹⁰ (29% of total population) | 3 300 | | |
| 1978 | 6 029 | 1 276 (21% of total population) | 4 753 | | |
| | | | Black | Coloured | Asian |
| 1996 ¹¹ | 8608 | 958 (11% of total population) | 1 392 | 6 163 | 95 |
| 2001 ¹² | 8662 | 971 (11% of total population) | 1 449 | 6 158 | 84 |

From the table, several key factors are evident.

Firstly, the fortunes of the white population are particularly important for an economic analysis. It is a good indicator of economic activity, since virtually no black or coloured business was allowed before 1990. Even today, due to extremely high levels of income inequality, and a concentration of entrepreneurial experience in the white community, the proportion of whites remains an important indicator. The white population peaked in 1935. By 2001, the white population had dwindled to 11 % of the total population. Viviers (2000:48) reports that 1985 was the last year that the NGK saw 20 baptisms in a year. From then on there was a steady decline. As far back as 1955 the Methodist Church was reporting a declining congregation due to “constant removals to the bigger centres” (Aberdeen Municipality 1955:8).

³ *Brown and Brown Guide to South Africa*, 1895.

⁴ *Brown and Brown Guide to South and East Africa*, Juta 1913

⁵ *Official Yearbook of the Union of South Africa*, no. 3, 1919.

⁶ Donaldson’s *South African Motor Routes*, K Donaldson 1924.

⁷ *Official Yearbook of the Union of South Africa*, no. 18, 1937.

⁸ Gordon-Brown’s *Guide to South and East Africa*, Juta, 1949.

⁹ Cook 1971: 7.

¹⁰ Braby’s *Business Directory 1970: 2-C*

¹¹ Global Insight 2006.

¹² Global Insight 2006.

Secondly, the black and coloured populations have increased dramatically since 1960. Today, the black population is still increasing rapidly. This may be due to two factors: The loss of agricultural jobs on the farms, and influx from other areas (e.g. the erstwhile Ciskei).

The 2001 Census indicated a total population for Aberdeen of 7083 (Aberdeen 1140, Lotusville 4427 and Thembalesizwe 1516)¹³.

Official unemployment rates extremely high, particularly among black and coloured residents (Global Insight 2004):

Table 3: Unemployment in Aberdeen, 1996 and 2001

| | 1996 Percentages | 2001 Percentages |
|----------|-------------------------|-------------------------|
| Black | 49 | 56.6 |
| White | 21.6 | 27.3 |
| Coloured | 31.2 | 44.6 |
| TOTAL | 33.1 | 45.2 |

The number of people living in poverty is large, and increasing (Global Insight 2006) for all race groups:

Table 4: People living in poverty in Aberdeen

| | Number of people 1996 | Number of people 2001 | Percentage 1996 | Percentage 2001 |
|----------|----------------------------------|----------------------------------|------------------------|------------------------|
| Black | 579 | 760 | 41.6 | 52.5 |
| White | 21 | 40 | 2.2 | 4.1 |
| Coloured | 2 547 | 3 047 | 41.3 | 49.5 |
| TOTAL | 3 148 | 3 847 | 36.6 | 44.4 |

The fact that more than half the black population is living in poverty suggests that Aberdeen's economy is not meeting the needs of its people. Furthermore, the number of white people living in poverty is still small, but growing.

¹³ Camdeboo Local Municipality, Integrated Development Plan. This is at variance with the total of 8662 supplied by Global Insight (2006) in Table 2, although the latter includes the rural populace around Aberdeen.

2. Economic profile of Aberdeen

Official figures regarding the economically active population (employed and unemployed) of Aberdeen are as follows (Global Insight 2004)¹⁴:

Table 5 : Number of economically active population in Aberdeen, 1996-2001

| Race group | 1996 | 2001 |
|-------------------|--------------|--------------|
| Black | 437 | 548 |
| White | 231 | 272 |
| Coloured | 2 279 | 2 694 |
| Asian | 0 | 0 |
| TOTAL | 2 946 | 3 514 |

Aberdeen's economic profile has steadily moved away from agriculture towards the service sector. In the 1950s and 1960s, Aberdeen had the following economic profile (Banach 1969: 114):

Table 6: Sectoral profile of GDP of Aberdeen, 1954/5 and 1959/60

| Aberdeen's sectors | 1954/5 | 1959/60 |
|---------------------------|---------------|----------------|
| Agriculture | 61.7 % | 35.6 % |
| Mining | - | - |
| Manufacturing | 1.4 % | 3.5 % |
| Trade | 4.2 % | 3.9 % |
| Finance | 2.1 % | 2.7 % |
| Transport | 13.8% | 23.9 % |
| Dwellings | 3.4 % | 5.8 % |
| Government services | 9 % | 15.3 % |
| Other services | 5 % | 9.3 % |
| TOTAL | 100% | 100% |

¹⁴ Economically active population: The economically active population (EAP) is defined as the number of persons that are able and willing to work between the ages of 15 and 65. It includes both employed and unemployed persons. The REX uses the expanded definition of the EAP in that persons who consider themselves unemployed and did not take recent active steps to find employment are considered part of the economically active population.

Even this short time period (1954-1960) suggests several key trends:

- The agricultural sector declined dramatically
- Manufacturing increased slightly, but at a very low level
- Trade decreased slightly, also at generally low level
- The transport sector increased significantly, possibly due to public road works
- Government services increased significantly.

Formal employment in the Aberdeen *district*, by sector, was the following in 1996 and 2001 (Global Insight 2004):

Table 7: Employment in the Aberdeen district, 1996 and 2001

| Sector | 1996 | 2001 |
|--|--------------|--------------|
| Agriculture | 684 people | 665 |
| Mining | 0 | 0 |
| Manufacturing | 95 | 65 |
| Electricity | 0 | 0 |
| Construction | 23 | 18 |
| Trade | 90 | 98 |
| Transport | 67 | 54 |
| Finance | 0 | 0 |
| Community services | 328 | 394 |
| Households (domestic service, gardening) | 535 | 502 |
| Total | 1 823 | 1 796 |

For the period 1996 to 2004, the number of formally employed people, per occupation, was calculated as follows (Global Insight 2004):

Table 8: Sectoral employment in Aberdeen district

| Occupation | 1996 | 2001 | 2004 | TREND |
|--|--------------|--------------|--------------|-------------------------|
| Agriculture and hunting | 684 people | 665 | 720 | Decrease, then increase |
| Food, beverages and tobacco | 30 | 20 | 18 | Decrease |
| Textiles, clothing, leather goods | 21 | 14 | 12 | Decrease |
| Other non-metallic minerals | 10 | 5 | 4 | Decrease |
| Transport equipment | 35 | 26 | 23 | Decrease |
| Construction | 23 | 18 | 20 | Static |
| Wholesale trading | 21 | 23 | 23 | Increase/static |
| Retail trade and repairs of goods | 56 | 61 | 61 | Increase |
| Sale and repairs of motor vehicles, sale of fuel | 10 | 11 | 11 | Static |
| Hotels and restaurants | 3 | 3 | 3 | Static |
| Land and water transport | 14 | 10 | 9 | Decrease |
| Air transport | 29 | 20 | 18 | Decrease |
| Post and telecommunication | 25 | 24 | 24 | Static |
| Public administration and defence | 91 | 99 | 126 | Increase |
| Education | 156 | 202 | 214 | Increase |
| Health and social work | 12 | 15 | 16 | Increase |
| Other service activities | 69 | 77 | 83 | Increase |
| Households (domestic service, gardening) | 535 | 502 | 504 | Decrease |
| TOTAL | 1 823 | 1 796 | 1 890 | |

Aberdeen's growing sectors are primarily government services (including education and health), and a slight increase in the trade sector. All other sectors are either static or declining. These trends can be shown with reference to directories of businesses from the 1960s onwards. Between 1961 and 2006, the business profile of Aberdeen changed as follows:

Table 9: Business facilities: 1961, 1970, 1971 and 2006

| | 1961 ¹⁵ | 1970 ¹⁶ | 1971 ¹⁷ | 2006 | TREND Increase / decrease / New type of business / Type of business disappeared |
|-----------------------------------|--------------------|--------------------|--------------------|-----------------|---|
| Bank and bank branch | 3 | 3 | 3 | 2 | Decrease |
| Cash loans | | - | | 1 | New type |
| Garage/vehicle repair | 3 | 4 | 3 | 3 | Decrease ¹⁸ |
| Building society | 2 | 3 | 2 | - | Type disappeared |
| Insurance office | | 3 | 1 | - | Decrease |
| Medical doctor and specialist | | 2 | 1 | 2 | Static |
| Chemist | 1 | 1 | 1 | - | Decrease |
| Attorney | 2 | 2 | 1 | 1 | Decrease |
| Estate agent and auctioneer | 3 | 4 | 2 | 4 | Static |
| Other professional | | 1 | | | ? |
| Butchery | 3 | 4 | 6 | 1 | Decrease ¹⁹ |
| Dairy | 1 | 1 | | - | Decrease |
| Tea room/café /tuck shop | 2 | 1 | 3 | 3 | Static |
| Bakery | 1 | - | - | - | Decrease |
| Bottle store | 1 | 1 | 1 | 4 | Increased |
| Restaurant | | | | 2 | Increased |
| Other provisions | | 2 | | | |
| Department store | | - | | 1 ²⁰ | Increased |
| Groceries/General dealer | 21 | 10 | 6 | 14 | Decreased, then increased ²¹ |
| Produce buyer | | 1 | 2 | - | Decreased |
| Wholesaler | | 1 | | - | Decreased |
| Hardware | 1 | | | 2 | Increased |
| Speciality shop / arts and crafts | | 1 | | 3 | Increased ²² |
| Engineering | | - | - | - | |
| Electrician/plumber | | | 2 | 1 | Decreased |
| Builder/carpenter | | 1 | 1 | 4 | Increased ²³ |

¹⁵ Braby's Business Directory, 1961, p. 1-C.

¹⁶ From G Cook (1971:7).

¹⁷ From Cape Times Directory, 1971, p. 1.

¹⁸ There is now only one filling station in Aberdeen.

¹⁹ There appears to be a dramatic decline in the meat trade.

²⁰ PEP stores may be described as a department store. (???)

²¹ This is probably due to new spaza shops in Thembalesizwe and Lotusville.

²² There are now at least three gifts/crafts shops in Aberdeen.

| | | | | | |
|-----------------------|---|---|---|---|-------------------------|
| Hotel / guest house | 1 | 1 | 1 | 5 | Increased |
| Hospital | | 1 | 1 | 1 | |
| Other services | | 5 | ? | ? | |
| Old Age home | | ? | | 1 | |
| Art gallery | | - | | 1 | New type of business |
| Nightclubs | | | | 1 | New type |
| Transport | | ? | 2 | 4 | Increase |
| Clothing/tailor | 4 | ? | - | 2 | Decreased |
| Funeral service | 1 | ? | | 1 | Static |
| Hairdresser | 3 | ? | 1 | 1 | Decreased |
| Upholsterer/furniture | | | 2 | 1 | Decreased |
| General agent | 1 | | 2 | - | Decreased / disappeared |
| Printing | 1 | | 1 | | |
| Mineral works | 1 | | | | |
| Brick maker | 1 | | | | |
| Bicycle shop | 1 | | | | |
| Windmills | 1 | | | | |
| Cinema | 1 | | | | |
| Hides and skins | 1 | | | | |

Several sectors in Aberdeen have declined during this period, viz. the financial sector (banks and building society branches) and other professional services, insurance offices, chemists, and attorneys. The number of garages and filling stations has decreased (probably due to the new bypass highway). A significant factor is the decline of agriculture-related businesses, such as butcheries, produce buyers, dairies, windmill repairers and hides and skins sellers. Several service trades have also declined (grocers' stores, electricians, hair dressers, clothing stores, plumbers, furniture sales, printers, and brick makers).

The businesses which have increased in number recently are bottle stores (this excludes the apparently large number of informal shebeens), groceries (particularly because of the rise of spaza shops), and shops related to the tourist industry (restaurants, a curio shop, an art gallery).

The absence of manufacturing in most Karoo towns was very evident in Cook's study (Cook 1971: 51). This is still the case in Aberdeen, where there was virtually no case of manufacturing in the Aberdeen study (with the partial exception of a small tailor works).

It is worth noting that all three key categories of services that Cook notes (farm equipment, financial and primary educational services) are now provided to a lesser extent in Aberdeen, than was the case in 1970. There is no provider of farm equipment at

²³ This is due to the large number of artisans (or aspirant artisans) in Thembalesizwe.

present; the number of banks has decreased from 3 to 2; and the schools are no longer patronised by white children (with a concomitant loss of middle-class purchasing power).

A loss of purchasing power has always been evident in Aberdeen. In Cook's study (1971: 23), items such as groceries, personal goods, household goods, and specialised goods were often bought elsewhere (mainly Graaff-Reinet).

D. Small towns in the Karoo: Long-term decline during the 20th Century

When analysing Aberdeen's economic history, it is necessary to situate it in a broader context.

Several studies were undertaken in the early 1970s, which included the Karoo and the Cape Midlands. In particular, there were three important studies, done by John Banach (1969), Gillian Cook (1971) and Jesmond Blumenfeld (1971). Cook and Blumenfeld's works were part of a 5-part study, which was commissioned by the South African Planning Advisory Council. These studies remain a landmark in geographic and economic research of the region. Consequently, it is important to use them as a historical starting point for the study of Aberdeen.

Blumenfeld and Cook's studies showed a steady decline in the economy of the Karoo and Cape Midlands during the 20th Century. Small towns, in particular, showed a long-term tendency to decline economically. (This is an important finding for our research – conducted almost 40 years later – because we will reflect later, in this report, on the more recent economic dynamics of small towns in arid areas).

Jesmond Blumenfeld's 1971 analysis showed that Aberdeen shared the same deficiencies as the rest of the Cape Midlands and Karoo region (Blumenfeld 1971: 144):

- The disadvantageous geographic location of the regional relative to the major national centres of production and consumption
- The lack of exploitable mineral resources and processable raw materials (with the exception of wool and meat)
- The instability of the resource base (droughts), and fluctuations in the export base, with a long-term sectoral trend towards a decline in demand for wool
- The very high proportion of external earnings accounted for by subsidies and other transfer payments to individuals and institutions in the region
- The low purchasing power of the region's population, and its low market potential
- The general unimportance of the region in terms of national development policies
- Poor backward and forward linkages between productive activities in the region: notably, the agricultural sector obtains its inputs from outside the region, and agricultural products are not processed within the region.

In Region 10²⁴, the rate of urbanisation was high between 1911 and 1960, due to push-factors from the agricultural sector (Banach 1969: 65). The decline in the agricultural sector caused many people to leave the farms, and this caused a knock-on decline in the small towns. Banach described the Karoo area as “lacking in economic opportunity and virtually stagnant in terms of population growth” (Banach 1969: 66).

However, the racial profile had changed dramatically. In particular, the number of black people in the towns had increased. The population structure of the Cape Midlands (excluding Port Elizabeth and Uitenhage) had changed dramatically since 1911:

Table 10: Population of Cape midlands, 1911-1960

| | 1911 | 1960 | Percentage change |
|-----------------|---------------|----------------|-------------------|
| Urban whites | 35 645 | 53 793 | + 57 % |
| Urban blacks | 18 631 | 87 757 | + 371% |
| Urban coloureds | 22 047 | 53 763 | + 144% |
| TOTAL | 76 323 | 195 313 | |

A concomitant phenomenon was the relative decline of the white population. As Blumenfeld (1971: 50) observed, “Since the Whites are the main generators of employment opportunities in the urban areas, no less than in the rural areas, the question similarly arises whether the region’s towns are able to carry the additional burden arising from the rapid increase of non-White population whilst the White population is all but stagnant”. This change in racial profile was particularly significant, because, under *apartheid*, only whites were allowed to own businesses (with rare exceptions) until 1990. This means that the size of the entrepreneurial class, relative to the whole population, dwindled from 46% of total population in the Cape Midlands, to a mere 27% of the total population.

To make matters worse, the white migrants who moved to the towns from the farms were generally the elderly (retired people) and the young (school going children). Out-migration from the towns had been biased towards working-age people. This means that there was a further decline of entrepreneurial potential. The decline in the middle class of Aberdeen is reflected in the fortunes of the white school: Viviers (2000:50 & 52) records that the (white) high school (grades 9 to 12) was launched in 1935 with a complement of 132 pupils. In 1943 grade 8 was offered by the school and 45 pupils enrolled in this grade. By 1976 there were still 123 pupils in the school. By 1986 this figure had dropped

²⁴ Aberdeen, Steytleville, Jansenville and Willowmore.

to 72. Six years later there were just 15 pupils in the entire school. In 1993 just five schoolchildren were left and the school was shut down.

These population shifts led to an economic decline, which affected all residents of the small towns. Blumenfeld concluded that “unemployment and poverty, with all their attendant social ills, are rife amongst the Bantu and Coloured populations of the region” (1971: 70). He found “a distressingly high dependency burden on Bantu workers in the region” (1971: 70). Many coloureds and blacks tended not to migrate away from the Karoo towns, because they had little likelihood of getting work or accommodation in major centres. Cook suggested that “the provision of alternative sources of work for the non-White groups poses a serious problem, and most centres indicate that, despite the large numbers of non-Whites, the ratio of White to non-White employees only averages 1 to 1.5. Influx control laws are implemented by all the centres. The stated aims are to enable the urban places to meet the housing backlog, and to keep pace with the high natural non-White population increase so that an attempt can be made to keep urban unemployment in check” (1971:53).

The dynamics in the farming sector also changed greatly with a massive loss of agricultural jobs. The people who left the farms either moved to nearby towns (such as Aberdeen), or left the area altogether:

“As various factors, such as changing cultural and social attitudes and values, the high risk factor inherent in farming enterprise, improved agricultural techniques, low income elasticity of demand (as well as unstable demand) for agricultural products, and the unceasing battle against the elements, have combined to create, and drive out, a surplus rural population, the region’s inability to re-absorb this displaced population in other occupations and sectors – but particularly in manufacturing industry – has resulted in the loss of this population to other areas. Similarly, in times of agricultural hardships, the region has lacked a non-agricultural ‘base’ of sufficient depth and diversity to enable it to cushion the impact. Again, it has been unable to keep pace with the growth of population in the towns, it has lacked the means for accumulating the necessary development capital” (Blumenfeld 1971: 107).

It is likely that Aberdeen shared in the declining per capita GGP levels of the rest of the Cape Midlands and Karoo regions, which Blumenfeld detected (1971: 26). The employment profile of Region 10, which included Aberdeen, Jansenville, Steytlerville and Willowmore, showed that the majority of the workforce was still employed in agriculture – although there was a strong trend of declining employment in this sector:

Table 11: Employment profile of Region 10, 1960 (Banach 1969: 76)

| | White | Black | Coloured |
|----------------------|-------|-------|----------|
| Agriculture | 40.5 | 32.8 | 46.7 |
| Mining | 0.4 | - | - |
| Manufacturing | 4.7 | 0.6 | 1.8 |
| Construction | 6.8 | 23.8 | 9.9 |
| Electricity | 0.4 | - | 0.3 |
| Commerce | 13.5 | 3.6 | 2.0 |
| Transport | 16.7 | 3.9 | 2.2 |
| Services | 11.1 | 28.8 | 25.8 |
| Unemployed | 5.9 | 6.5 | 11.3 |
| TOTAL | 100% | 100% | 100% |

The relatively large proportion of black people employed in the construction sector may have been due to the provision of government capital works. However, as Blumenfeld (1971: 152) observed, such capital works have a limited capacity for direct generation of additional income and employment, over and above the original stimulus.

Blumenfeld found that all but two of the nine production sub-sectors of the Cape Midlands and Karoo region experienced a downward local factor shift between 1954/5 and 1959/60. That is to say, all but two grew at a slower rate than the national average for the relevant sub-sector in the period. The two exceptions are (1) manufacturing, construction and power; and (2) private services (Blumenfeld 1971: 31). The region thus suffered from the double disadvantage of specialising in an industry (agriculture) which, at the national level, was actually declining – in both absolute and proportionate terms, and at the same time experiencing a very much larger-than-average decline in agriculture. This suggests that the lack of diversity in the region's economy and its heavy dependence on agriculture was a greater hindrance to economic growth in the region than its various comparative locational disadvantages. Insofar as the agricultural subsector was concerned, the reason for its poor performance could be traced to a lack of diversification and to the heavy dependence on wool – a commodity for which the demand was relatively elastic and which had been adversely affected by the growth in production of highly competitive man-made fibres.

Significantly, by 1960, the tertiary sector had become at least as important as the primary sector in the Cape Midlands and Karoo region (Blumenfeld 1971: 133). However, Blumenfeld warned that most tertiary activities would not normally be considered growth-inducing. A growth in GDP for a town did not necessarily translate into a growth

in employment. For example, in Regions 9, 10 and 11²⁵, the value of retail trade grew by 15.3% between 1952 and 1960; however, retail trade employment grew by only 8.3% (Blumenfeld 1971: 115) – in fact, in Regions 10 and 11, employment in retail trade *decreased* by 0.8% (Blumenfeld 1971: 116).

Because of these economic trends, the small towns of the Cape Midlands did not develop strong economies. Cook described the functions of Local Service Centres (Order 7 towns) as follows:

“[They] provide a variety of services for the persons living within a surrounding zone averaging 40 km radius ... The local significance of Order 7 places tends to increase as urban places become more scattered in response to decreasing natural resources ... Order 7 places can maintain their relative position as long as they retain their place as suppliers of *farm equipment, financial and primary educational services*. Provision of such facilities should attract sufficient people to support a limited number of more specialised retail shops to supply goods of a moderate range throughout the service area” (1971: 35) [italics added].

As will be shown in the next section, Aberdeen’s ability to provide farm equipment, financial, and primary educational services have all declined since the 1970s.

There had also been a steady leakage of purchasing power, largely because of the improvements in the road system (Blumenfeld 1971: 121). Blumenfeld cited numerous complaints about this from country delegates to various Cape Midlands Chamber of Commerce conferences in the 1960s. He even found a trend whereby institutions, government bodies, building and other contractors, as well as non-commercial business concerns in the region, would buy direct from suppliers outside the region. As far as construction was concerned, contracts had been awarded to outside firms who, in turn, had imported many of their supplies, and possibly even some of their more skilled personnel (Blumenfeld 1971: 152). Small town businesses tended to have difficulties in procuring direct supplies from factories, due to a lack of co-operation from the manufacturers; in such circumstances, dealers fell back on the more expensive, but more efficient, sources of supply through middlemen.

Blumenfeld described the towns of the Midlands and Karoo region in the following terms: “The towns in the region are generally small and low in functional status. They

²⁵ Region 9 was Albany (Grahamstown and coastal); Region 10 was the mid-western districts (including Aberdeen, Jansenville, Steytlerville and Willowmore), and Region 11 was the northern districts in the Eastern Cape Karoo (Graaff-Reinet, Colesberg, Hanover, Middelburg etc) (Banach 1969: 186).

suffer from a lack of economic diversification and functional specialisation, and from apparently high levels of unemployment and high dependency ratios of economically inactive to economically active population. Although their populations are growing, the ratio of higher to lower income groups is falling, resulting in a lagging rate of growth in purchasing power and probably also, in some instances, providing more of a burden on, than a stimulus to, urban development” (1971: 80).

As Blumenfeld summarises: “The picture which emerges ... of the Cape Midlands and Karoo region in its national context, is one of poor and disadvantageous location relative to the main national centres and corridors of economic activity; poor resource endowments; and falling shares of national output, population and employment. More particularly, the proportion of low income-earning population groups in the region is high and rising; dependency rates are high; and the region’s industry-mix is, at best, conducive to only slow growth” (1971: 34). Like other rural and hinterland areas in South Africa, the Cape Midlands and Karoo faced a “problem ... that their populations, although growing slowly, are nonetheless increasing at a faster rate than the value of the output which their economies can produce” (1971: 34). The Cape Midlands and Karoo was a region “caught in a vicious circle of under-development”:

“In particular, there is the low volume level of economic activity, resulting in structural deficiencies, a lack of economic diversification and a general lack of employment opportunities on the one hand, and the separate but related factor of the low level of economic welfare of its population, resulting in a lack of market potential, a lack of local sources of development capital and a loss of human skills and resources (both as a result of out-migration of trained personnel and as a result of the low level of training of the residual population) on the other hand. Both these socio-economic problems in turn have lowered even further the region’s ability to attract significant volumes of economic activity and raise the general level of welfare of its population” (Blumenfeld 1971: 152-3).

Cook predicted that, in a manner similar to Canada, the USA and Australia, the total number of rural centres would decline in response to the increasing per capita incomes and mobility of the rural population (Cook 1971: 57). Urban places most vulnerable to decline are those that are in close proximity to higher order centres which, besides providing a similar level of convenience for shopping services, also offer a wider choice and therefore encourage multipurpose shopping trips. Places which had already begun the downward spiral were also likely to be the hardest hit; for with the decline, the attractiveness for any form of investment decreases and the existing capital investment continues to be eroded.

Is Aberdeen in a negative spiral?

Analysts who researched the Midlands-Karoo in the 1970s made some prophetic observations. Cook noted that, “As commercial enterprise in the urban centres declines, so capital and labour are siphoned out of the area and the inevitable result is that money spent on public services and amenities (schools, hospitals, roads) is cut down. The end result is that people are less likely to be attracted to the area, and capital investment ... is further reduced” (1971: 60). Since the 1970s, the loss of Aberdeen’s purchasing power to Graaff-Reinet has continued apace, with a decline in enterprises in the CBD. However, public service spending appears to have increased, and this has halted Aberdeen’s decline. As Blumenfeld suggested, “In the recent period of declining importance of rural purchasing power, due to continued out-migration of the White rural population and to falling agricultural revenue, the sustaining factor in the regional economy has been the injection of capital by these external government agencies consequent upon the expansion of services” (Blumenfeld 1971: 12).

Cook continues: “Economic stagnation of the urban places can be averted by entrepreneurs with sufficient enterprise (and capital) to initiate the changes necessary to meet the consumer demands in their initial stages and so encourage rural residents to buy locally. The onus lies on the local professional and trades-people to provide services at a competitive level and at favourable prices which will result in residents coming to regard long-distance shopping trips as an unwarranted expense” (1971: 58). This is not happening sufficiently at present, with the result that many shoppers still prefer to visit Graaff-Reinet (or even Port Elizabeth) for key purchases.

In the case of Aberdeen, there have been a number of recent investors from the cities. It is not yet clear whether this investment will be sufficient to lift Aberdeen out of its long-term decline, but there is room for optimism. A point made by Blumenfeld in 1971 was prescient:

“As an economy begins to move from the ‘minerals era’ to the ‘services era’, evaluation of the prospects for regional growth requires us to move away from a definition of resource endowment which sees resources exclusively as tangible materials upon which technology works in the production of goods, and toward one which sees natural resources as including other features of the natural environment which have consequences for economic decisions” (Blumenfeld 1971: 134, quoting Perloff and Wingo, 1961).

This opens the way for “amenity resources” – that “special juxtaposition of climate, land, coastline and water, offering conditions of living which influence directly the location of population (and, therefore, of markets), as well as production” (Blumenfeld 1971: 134, quoting Perloff and Dodds, 1963).

Blumenfeld identified three such “amenity resources” which could benefit the Eastern Cape Midlands and Karoo (1971: 124-6):

- The relative concentration of educational institutions, particularly in the light of the fact that modern cities are providing a less and less attractive educational environment;
- The increasing number of affluent retired persons, who can live in areas far enough from cities to avoid the less desirable features of the metropolitan environment, but close enough to render their wider range of facilities still readily accessible
- The tourist industry, with land uses such as nature reserves, game farming, and hunting.

As far as education is concerned, the Aberdeen schools are not providing for the out-of-town educational market. They also have to compete with excellent schools in Graaff-Reinet, which undermines the likelihood that affluent children will be attracted to Aberdeen.

Aberdeen is, however, attracting a number of affluent retired people (as reflected by an improvement in property sales and property prices), and lately, several tourist-oriented enterprises have been established. The survey conducted in Aberdeen casts more light on these commercial trends.

Since 1970, there have been several major seismic shifts on the national social and economic scene:

- Influx control has been abolished, with the result that larger numbers of black people have settled in Karoo towns
- The social grant system has been extended and improved, with the result that larger proportions of the poor population receive grants; this is a disincentive to migrate away to larger centres where jobs may be more plentiful.
- Periodic droughts lead to a decrease in the number of farms, reduced rural population, and a decline in the type and volume of goods required by the farmer. The greater variety and more specialised types of goods demanded by farmers are less likely to be supplied by the local urban places (Cook 1971: 60).

- Mobility has increased, with the growth of private car ownership and the taxi industry.
- Government education policies have changed dramatically. With the racial integration of schools, those schools with a minority of white learners have gradually lost all their white learners to larger centres (e.g. Graaff-Reinet). This means that a great deal of middle-class spending power is lost to larger centres.
- Controls over liquor provision have been abolished, with the result that legal or illegal liquor outlets are generally left to flourish. This may be taking place to the detriment of other types of shops and services, because a greater amount of capital and purchasing power is devoted to liquor outlets.
- HIV/AIDS is taking its toll on the population of young adults and small children.
- A significant amount of “reverse migration” now takes place, with city investors seeking country homes, for purposes such as residence, art galleries, guest houses, curio shops, and coffee shops.
- Rail transport has declined dramatically, because the special protection for the rail sector under the National Party Government has fallen away; and there has been a spectacular rise in road goods transport.²⁶ Since Aberdeen is located on a fairly important highway, it ought to have benefited from this trend. However, this appears not to have been the case, possibly because of inadequate facilities for truckers and long-distance drivers.

These factors impact on the whole country. The crucial question is: Will these factors help or hinder Aberdeen’s economic recovery?

To understand Aberdeen’s economy, a survey of businesses was conducted in July 2006 by a Rhodes University team. We believe that the insights from this survey should not simply be regarded as being specific to Aberdeen; they very likely reflect trends in many other small towns in the country. But by understanding these trends, it becomes possible for the local community to take control of its fate and to build on its strengths.

²⁶ Blumenfeld (1971: 123) observes that, in the Cape Midlands and Karoo, “apart from the occasional taxi, cartage contractor, travel agent and other privately owned transport service, [transport of passengers and goods] are provided almost exclusively by the public sector (railways and post office)”.

E. A survey of businesses in Aberdeen: July 2006

Aberdeen is situated on the Camdeboo plain, about 60 km south-west of Graaff-Reinet. Its central business district (CBD) consists of one main street (Voortrekker Street), with a few businesses located on six streets that cross Voortrekker Street at right angles. The imposing NG Church building is situated in the middle of the main street, and serves as a historic landmark.

The architecture of the shops dates from the 19th century or early 20th century, with verandahs along the street. There are some derelict sites within the CBD, which detract from its general appearance. Nevertheless, some of the buildings (such as the Post Office and the police station) are elegantly designed. Several guest houses are now situated in historic homes, and these also have beautiful Victorian architecture.

There is little traffic along Voortrekker Street as too few cars turn off the N9 Highway to enter Aberdeen. There are many pedestrians though, who walk and sit on the verandahs outside the banks, the main grocer, and PEP stores. The CBD is generally clean, although old-timers recall that the municipal garden on Voortrekker Square is a pale shadow of what it used to be.

Hope Street crosses Voortrekker Street, and heads out in a south-easterly direction, towards Klipplaat and Steytlerville. Along the road, and on the other side of the river, are located the predominantly black residential area (Thembalesizwe) and the coloured residential area (Lotusville). Lotusville has a very small central business area, where six businesses are clustered. The business area is generally poorly maintained, and gives a rather depressing impression. Thembalesizwe has no central business area at all, although the municipal hall serves as the *de facto* central point. The few businesses in Thembalesizwe are scattered amongst the houses.

Theme 1: Number of businesses/business profile

Although a scan of the 2006/7 telephone directory revealed there to be a total of 35 businesses in Aberdeen, sufficiently established to have a listed telephone number, 61 business undertakings were polled by means of a questionnaire. The interview typically took about 30 minutes to complete, where it was the business owner who was being interviewed. In 30 percent of the cases, however, the owner was unavailable and a shortened set of questions was answered by a manager or supervisor.

While it was intended to survey both the formal and the informal sectors, fully 94 percent of the enterprises surveyed claimed to operate a bank account of some sort. If possession of a bank account (which entails *inter alia* a fixed address) is regarded as a valid proxy for formality then the number of informal businesses in Aberdeen may be accounted as being very low. This is perhaps underscored by the fact that only one in five of the businesses were actually based in the two townships of Lotusville and Thembalesizwe.

With the significant exception of the estimated 100 unlicensed shebeens operating in Aberdeen, it is confidently estimated that about 90 percent of the businesses in Aberdeen were captured by the survey.

A preliminary meeting with the municipality raised the question of whether churches, of which there are a number said to be operating in Aberdeen, should be regarded as businesses or not. It was decided against regarding church organisations as businesses although the following quote (pertaining to Middelburg in the Eastern Cape) might suggest that this decision be revisited for future surveys:

“Die kerke het vandag ’n besigheid geword, want as ouma en oupa X nie hul maandelikse bydraes aan die kerk betaal het nie, weier die kerk om hulle uit die kerk te begrawe“. (*Advertiser* 4 August 2006:6).

All the respondents were either business owners or business managers in Aberdeen (including Thembalesizwe and Lotusville). Thirty percent of the respondents were under 36 years of age, whereas 56 percent were aged between 36 and 60 years of age. This latter age cohort accounts for roughly 25 percent of the Camdeboo population as a whole.

The racial classification of the business owners/managers is clearly at odds with the demographic composition of the overall populace in Camdeboo (as reflected by the IDP). There are significant variances in all the population groups with the sole exception of the Black African group:

Table 12: Racial profile of entrepreneurs and municipal population

| Population group | Aberdeen Business Community | Camdeboo Municipality |
|------------------|-----------------------------|-----------------------|
| Black African | 18% | 22% |
| Coloured | 20% | 67% |
| Asian | 8% | 0% |
| White | 54% | 11% |
| Total | 100% | 100% |

Fifty-nine percent of the respondents were mainly Afrikaans speaking, only 15 percent English, and 20 percent Xhosa. Almost two thirds of the respondents were male.

Interestingly enough, fully 51 percent of the interviewees had been resident in Aberdeen for over 20 years whereas only 13 percent had been resident for under three years. This would seem to confound perceptions that it is newcomers driving the local economy. Fifteen percent of interviewees had been resident for from six to 10 years.

A quarter of the enterprises were engaged in the provision of household groceries and foodstuffs. A significant one in six business were in the construction/artisanal sector. This figure probably reflects the recent upsurge in the gentrification of Aberdeen as well as the opportunities created by various state public works and housing programmes. The licenced provision of liquor accounted for 10 percent of businesses which seems high and does not include the staggering number of illegal operators. Guesthouses and eateries accounted for 13 percent of businesses. It is singular that there appeared to be only one undertaker in the town and only two concerns that could be regarded as providing personal services regarding bodily grooming. This further points to the fact that typically informal commercial activities seem to be markedly underdeveloped in Aberdeen.

Table 13: Businesses in Aberdeen

| Type of business | Number | Percent |
|---|---------------|----------------|
| Groceries, vegetables, butcheries, bakeries | 15 | 25 |
| Cars, mechanics, filling stations | 3 | 5 |
| Construction, artisans | 10 | 16 |
| Restaurants, eateries | 3 | 5 |
| Accommodation | 5 | 8 |
| Alcohol, liquor, bottle store, shebeens ²⁷ | 6 | 10 |
| Clothing | 3 | 5 |
| Arts and crafts | 3 | 5 |
| Funeral services | 1 | 2 |
| Health/medical services | 1 | 2 |
| Transport, taxis | 3 | 5 |
| Personal services – hair, beauty | 2 | 3 |
| Furniture | 1 | 2 |
| Financial services, banks | 3 | 5 |
| Real estate | 2 | 3 |
| TOTAL | 61 | 100 |

²⁷ This excludes the many informal shebeens which apparently function in Thembalesizwe and Lotusville.

The use of an own vehicle was by far the most commonplace means of effecting business travel with 70 percent of mentions. By contrast taxi transport only accounted for 10 percent of mentions.

Eighteen percent of the enterprises actually manufactured their own products. There were no hawkers or street traders in evidence (other than two individuals from Zimbabwe selling wood-carvings who moved on after a few days). About three quarters of businesses operate from formal sites or shops while 18 percent could be classified as home-based businesses.

An extraordinary 70 percent of undertakings had been owned for less than six years – 44 percent of the total for less than three years. This could confirm the contention of a well-placed source that there is no real growth in the Aberdeen economy, and that the number of small businesses coming fleetingly into being before failing or closing is very high indeed. It might however be a function of the general perception that the Aberdeen economy has picked up in recent years. Visible evidence of gentrification, coupled with the increasing reach of social grants in recent years, may have been the stimulus for a rash of new business undertakings that have yet to demonstrate their viability and durability.

This state of affairs needs to be interpreted in the light of the statistic given above that half the owner/managers had been resident in Aberdeen for over 20 years:

Table 14: Length of residence in Aberdeen

| Number of years resident in Aberdeen | Number | Percent |
|---|---------------|----------------|
| Recent (1-2 years) | 8 | 13 |
| 3-5 years | 5 | 8 |
| 6-10 years | 9 | 15 |
| 11-20 years | 7 | 12 |
| Over 20 years | 31 | 51 |
| Missing | 1 | 1 |
| TOTAL | 61 | 100% |

Given that over 50 percent of business owners have lived in Aberdeen for longer than 20 years, but only 10 percent of businesses are of similar vintage, it creates the impression that it is mainly long-standing residents of Aberdeen who have, in the past few years, responded to a perceived improvement in prospects in the economic climate by starting new enterprises. Indeed, 19 respondents (just under a third of the total) fall into this

category. The sudden upsurge in recent arrivals (1-2 years resident in Aberdeen) is notable.

Table 15: Length of ownership of businesses

| Ownership of businesses: Number of years | Number | Percentage |
|---|---------------|-------------------|
| Recent (1-2 years) | 22 | 44 |
| 3-5 years | 13 | 26 |
| 6-10 years | 5 | 10 |
| 11-20 years | 5 | 10 |
| Over 20 years | 5 | 10 |
| Total | 50 | 100.0 |

Five businesses have been in operation for six to 10 years, five for 11 to 20 years, and five for over 20 years. This shows an even spread of more mature undertakings. The more recent businesses are particularly in the following sectors:

- Groceries, vegetables, butcheries, bakeries (9 enterprises have been in existence for 1-5 years)
- Accommodation (4)
- Restaurants (3)
- Alcohol sales (3)
- Clothing (2)
- Arts and crafts (2).

The firms which had been in existence for over 20 years were a motor workshop, the filling station, and Transport operators.

Although there are 22 very new businesses, only eight business owners were recent arrivals in Aberdeen. Again, this suggests that some of the more long-standing residents are starting new businesses.

Just over two-thirds of businesses were launched financed by personal savings whereas 20 percent of start-ups had recourse to loans. Only two start-ups had been financed with social grants.

The concept of 'turnover' was not always clear to interviewees and turnover figures could only be obtained from 40 of the respondents:

Table 16: Monthly turnover (business revenue)

| Monthly turnover | Number | Percentage |
|-------------------|-----------|------------|
| R0-R500 | 2 | 5 |
| R501 – R1000 | 1 | 2 |
| R1001 – R2000 | 1 | 2 |
| R2001 – R5000 | 8 | 20 |
| R5001- R10 000 | 6 | 15 |
| R10 001 – R50 000 | 11 | 28 |
| More than R50 000 | 11 | 28 |
| TOTAL | 40 | 100 |

The table shows a wide diversity of business sizes, with the most clustered around the top end of the scale. Of course, turnover is not profit, and this does not necessarily mean that businesses are very profitable.

A third of the interviewees had problems with bad debts, suggesting that many firms lack management skills.

Theme 2: Views on the economic climate in Aberdeen

Perceptions as to whether Aberdeen's economy was improving, declining or static were very mixed. Forty percent of owners believed there was an upswing, 27 percent believed quite the reverse, and a third claimed it was static:

Table 17: Aberdeen business owner's views on the local economy

| Views on Aberdeen's economy | Number | Percentage |
|-----------------------------|--------|------------|
| Improving | 19 | 40 |
| Static | 16 | 33 |
| Declining | 13 | 27 |
| Total | 48 | 100 |

The sectors which are particularly optimistic about Aberdeen's economy are Transport and Real Estate. Most sectors are fairly evenly divided between those who think that the Aberdeen economy is improving and those that think it is static or declining.

These responses might well reflect different time horizons with some individuals thinking in terms of the last two years, say, and others making comparisons with 20 years ago. On balance, though, the mood was that the town was more prosperous than it had been, and that its prospects were starting to improve. This could be partially due to the plans to tar the gravel road between Aberdeen and Baroe (which is catered for in the Camdeboo IDP at a cost of R24-million). This would entail a tarred connection between Aberdeen and Port Elizabeth which is likely to be of even greater impact in view of the contemplated commencement of uranium mining in the Beaufort-West district – as close by as 60km from Aberdeen according to one informant.

Three-quarters of the owners aspired towards expanding the size of their businesses, which suggests that there is significant business confidence. The following categories of business wanted to expand:

- Groceries, vegetables, butcheries and bakeries (71% of this category)
- Construction, artisans (100%)
- Restaurants (100%)
- Alcohol outlets (100%)
- Clothing outlets (100%)
- Arts and crafts (100%)
- Medical services (100%)
- Personal services (hair, beauty etc) (100%)
- Transport (66%).

The businesses gave several reasons for this:

Table 18: Reasons for wanting expansion of businesses

| Reasons for expansion | Number | Percentage |
|--|---------------|-------------------|
| To make more revenue / meet growing demand | 12 | 40 |
| Need bigger space | 4 | 13 |
| Need more staff | 2 | 7 |
| To attract more clients | 7 | 23 |
| To provide more jobs | 4 | 13 |
| For personal growth | 1 | 3 |
| TOTAL | 30 | 100 |

Fifty-six percent claimed that they wanted to diversify. Those who were looking to diversify mainly wanted to go into arts and crafts, followed by the selling of furniture and appliances:

Table 19: Diversification options

| Directions for diversification | Number | Percentage |
|---|--------|------------|
| Groceries, vegetables, butcheries, bakeries | 3 | 12 |
| Construction, artisans | 3 | 12 |
| Restaurant, eatery | 2 | 8 |
| Alcohol, liquor, bottle store, shebeen | 1 | 4 |
| Clothing | 1 | 4 |
| Arts and crafts | 5 | 19 |
| Health | 1 | 4 |
| Personal services – hair, beauty | 1 | 4 |
| Furniture/appliances | 4 | 15 |
| Gardening/crops/agriculture | 2 | 8 |
| Selling electricity | 1 | 4 |
| Gambling | 1 | 4 |
| Events management | 1 | 4 |

Interestingly only one respondent mentioned liquor suggesting that existing businesses may see that sector as saturated. The sole mention of diversifying into gambling was from an individual who was already a liquor merchant.

Two-thirds of the respondent owners were looking to upgrade their premises, which suggests a level of optimism for the future. The biggest *obstacles* to businesses' growing were cited, not surprisingly, as being lack of demand due to the high unemployment rate, and lack of capital with which to do so.

The respondents had very different sentiments as regards the changes in their client base. The majority maintained that it had increased, painting a picture which is more positive than negative:

Table 20 : Changes in client base

| | Number | Percentage |
|-----------------|--------|------------|
| Increased | 31 | 51 |
| Decreased | 13 | 21 |
| Stayed the same | 16 | 26 |

In particular, the following types of businesses noticed an *increase* in the number of clients:

- Construction and artisans
- Restaurants

- Alcohol outlets
- Clothing stores
- Transport operators
- Funeral services

Significantly, the majority of businesses who have a local client base believed that their number of clients have increased in the last two years. Of those whose client base is non-local, the majority thought that their client base had decreased. This suggests that local sources of purchasing power (such as social grants) are indeed being spent in the local community, while businesses depending on clients from other centres possibly need more active marketing.

The businesses which experienced *a decline or static* client base were the following:

- Mechanics and filling stations
- Accommodation
- Arts and crafts
- Furniture sellers.

The large category of groceries/food/bakeries/butcheries (with 15 shops in this category) recorded very uneven results: seven had experienced an increase in customers, five experienced a decrease, and three maintained that their customer base was static.

Several factors prevented them from growing their client base:

Table 21 : Problems preventing businesses from expanding their client base

| Problems | Number | Percentage |
|------------------------|---------------|-------------------|
| Competition | 9 | 16.7 |
| Crime | 1 | 1.9 |
| Space constraints | 5 | 9.3 |
| Too little capital | 13 | 24.1 |
| Lack of jobs/demand | 15 | 27.8 |
| Cost of supplies | 3 | 5.6 |
| Lack of qualifications | 1 | 1.9 |
| Lack of time | 1 | 1.9 |
| Government regulations | 3 | 5.6 |
| Total | 54 | 100.0 |

In particular, the lack of demand was mentioned by food sellers (groceries, vegetables, butcheries and bakeries), Construction/artisans, and Accommodation establishments. This might suggest increasing competition in these sectors. The need for more capital was particularly mentioned by food sellers, construction/artisans and restaurants, suggesting that they need better access to finance.

Interviewees were also asked what factors had caused a change in their number of clients. Some responses were positive (indicating that the number of their clients has improved), while others were negative:

Table 22: Positive and negative responses on the growth of the client base

| | Number | Percent |
|---------------------------------------|---------------|----------------|
| Positive responses | | |
| Increased purchasing power | 7 | 15 |
| Increased public works | 1 | 2 |
| Improved publicity | 5 | 10 |
| Improved customer service, management | 6 | 12 |
| Decreased competition | 1 | 2 |
| Good premises | 1 | 2 |
| Negative responses | | |
| Decline in tourism | 1 | 2 |
| Declining purchasing power | 5 | 10 |
| Unemployment | 2 | 4 |
| Increased competition | 8 | 17 |
| Reduced capital reserves | 1 | 2 |
| Poor race dynamics | 1 | 2 |
| Recent start-up | 8 | 17 |
| Undercutting prices | 1 | 2 |

Those who had seen their customer base grow tended to ascribe this to a general increase in purchasing power as well as improved customer service and management. Those, by contrast, who had experienced a reduction in their number of clients unsurprisingly tended to attribute this to increased competition and *a decline* in purchasing power i.e. wholly external factors. To detect a decline in purchasing power in a time of low inflation and a general upsurge in social grants sounds like a rationalisation although, in certain instances, it might reflect the general fortunes of a more specialised clientele (eg. farmers).

Theme 3: Employment creation

The following table shows the number of people employed by businesses in Aberdeen:

Table 23: Employment creation by Aberdeen businesses

| Number of employees | Number | Percentage |
|------------------------|-----------|------------|
| No employees | 8 | 13 |
| 1-2 employees | 26 | 43 |
| 3-5 employees | 11 | 18 |
| 6-10 employees | 11 | 18 |
| 11-15 employees | 3 | 5 |
| More than 15 employees | 1 | 2 |
| TOTAL | 60 | 100 |

It would appear that, very roughly, a total of about 220 people found permanent employment with the private sector businesses polled. This represents just three percent of the *total* 2001 census population and this low figure might reflect a general reluctance to employ people except when absolutely necessary.

According to the Camdeboo IDP, 60 percent of its total populace is aged between 15 and 64 years. If one infers from this that roughly half the population is technically employable, and applies this to the 2001 census figure for Aberdeen of about 7 000, then for Aberdeen to experience full employment about 3 500 people would have permanent jobs (see also Table 7 above).

If one makes allowances for small businesses inadvertently excluded from the business survey, as well as domestic workers, and employed farm workers that might be resident in the town, it can be estimated that Aberdeen's private sector employs a total of around 300 individuals, given the figure of 220 mentioned above. If the number of individuals employed by the public sector (the post office, magistrates court, municipality, police, schools, clinic etc.), and the small local NGO as well as the church organisations, is unlikely to exceed 200 then it might be estimated with a reasonable degree of confidence that no more than 500 people in Aberdeen have formal jobs. In the light of the figure of 3 500 given above then, it would seem that roughly one in seven employable people in Aberdeen actually has a fulltime job. This suggests that about 85 percent of the residents are un- or underemployed.

Notwithstanding the number of imponderables²⁸, it can be estimated that between 80 and 90 percent of eligible Aberdeeners are either unemployed or underemployed. This might suggest, as is the general consensus, and in the evident absence of any vibrant informal sector, that it can only be social grants that are keeping Aberdeen's economy afloat.

There have been attempts by the Municipality to boost the local economy, but with mixed results. In 2002, the Municipality budgeted R60 000 for job creation in Aberdeen. This appears to have involved the cleaning up of cemeteries and the river bed (cf. IDP356). The 2002 Council minutes also reveal that in 1998 the Aberdeen Abattoir was sold to "Chicken Farm Projects" for R25 000 but that the project had subsequently gone bankrupt and the facilities had been vandalised.

A number of projects (community gardens, welding, hawkers, bricklaying, plumbing, carpentry, needlework, waste recycling, painting, a "self-help TV station" etc.) were envisaged for Aberdeen, but these appear either never to have got off the ground, or to have miscarried, for a variety of reasons. A prominent member of the community was of the opinion that too much money was being wasted on unviable projects and that it would make more sense to direct these resources towards supporting the town's infrastructure.

Theme 4: Education, training and business support

The education levels of the business owners and managers were generally high:

Table 24: Education levels of business owners and manager

| Education level | Number | Percent |
|------------------------|---------------|----------------|
| High school – Grade 10 | 18 | 30 |
| Matric – Grade 12 | 23 | 38 |
| Diploma – non-degree | 12 | 20 |
| University degree | 7 | 12 |
| Total | 60 | 100.0 |

A third of the respondents had completed either a diploma or a university degree after matric. Thirty percent had not completed matric whereas 38 percent had matric. This surely underscores the business advantage conferred by education.

²⁸ *Inter alia* the true size of the current population; the applicability of the overall Camdeboo age breakdown to Aberdeen itself; misleading or incorrect answers to the questionnaire; and the actual number of people in employment in Aberdeen.

Of the business owners themselves, although three-quarters had not had any formal training related specifically to their undertakings, about half reported having undergone on-the-job training and 59 percent said they had received relevant training at a previous workplace.

Just over half of the respondents believed that they were in need of further training (mainly in management skills and finance/accounting) – surely a clear message for the Department of Labour:

Table 25: Business owners' need for more training

| Type of training desired | Number | Percentage |
|----------------------------------|---------------|-------------------|
| Bricklaying/building | 3 | 11 |
| Carpentry | 1 | 4 |
| Computers | 2 | 7 |
| Management | 11 | 41 |
| Sewing/weaving | 1 | 4 |
| Accounting, bookkeeping, finance | 4 | 15 |
| Marketing | 3 | 11 |
| Cooking | 1 | 4 |
| Hair dressing | 1 | 4 |

A considerable 70 percent of owners said they would be interested in receiving business mentoring and 65 percent would value free tax advice. Forty-seven percent said they would be interested in receiving business loans to grow their enterprises. The fact that only a minority are interested in receiving business loans is perhaps indicative of a certain wariness regarding gearing – not necessarily a positive sign.

The majority of businesses have not provided training for their employees. Only 28 percent of the businesses had provided training:

Table 26: Firms providing training to employees

| Firms | Number | Percentage |
|----------------------------|---------------|-------------------|
| Provided training | 17 | 29 |
| Have not provided training | 35 | 60 |
| Did not answer | 6 | 10 |
| TOTAL | 58 | 100 |

The companies who have provided training tended to be the larger ones: The only category where a majority of companies provided training, was the category with 6 to 10 employees (64 percent of this category had provided training).

Those who provided formal training were in the following sectors:

- Groceries/vegetables/butcheries/bakeries (4 mentions)
- Mechanics (2)
- Construction, artisans (4)
- Restaurants (1)
- Clothing (1)
- Health (1)
- Transport (2)
- Personal services (health/beauty) (1)
- Financial sector (1).

Almost half of the interviewees (46 percent) believed that their employees would benefit from training, while 39 percent did not think so. This suggests that there is a real need and opportunity to improve employees' skills levels. It is also the larger companies who would like their employees to receive more training – and this suggests that the Department of Labour's training system is not reaching the potential market for training.

Business owners identified a need for training for employees:

Table 27: Types of training needed for employees²⁹

| Types of training needed for employees | Number | Percent |
|---|---------------|----------------|
| Bricklaying/building | 5 | 16 |
| Carpentry | 1 | 3 |
| Plumbing | 1 | 3 |
| Computers | 3 | 10 |
| Customer service | 2 | 6 |
| Management | 13 | 42 |
| Sewing/weaving | 1 | 3 |
| Accounting, bookkeeping, finance | 2 | 6 |
| Driving | 2 | 6 |
| Nursing | 1 | 3 |
| TOTAL | 31 | 100 |

On balance there appears to be significant demand for training in Aberdeen and the town is fortunate in being possessed of a suitably resourced NGO which could be engaged as the ideal vehicle for the delivery of such training. This is the Masiphathisane Development Centre.

²⁹ This question allowed multiple mentions.

Masiphathisane was started in September 2002 and the following year appointed its own fundraiser and project advisor. It has grown to the point where it now has its own Board of Directors, Management team, and financial administrators. With the aid of funds from the State lottery the NGO now has fully equipped offices, with communications infrastructure, a computer training centre with 10 computers, and facilities from which a bead, art and craft project operates. This project involves 10 women. Masiphathisane is a member of the Eastern Cape NGO coalition and in 2006 it was awarded the runner-up prize in the “Best Practice’ category for Sustainable Job Creation at the Eastern Cape Provincial ‘Jobz Summit’.

The NGO has a partnership arrangement with the Development Bank of Southern Africa. This partnership led to the formulation of a strategic plan for training in Aberdeen as well as plans for various socio-economic programmes. Masiphathisane maintains a database of donor funding opportunities which is available to the community and it can assist with the drawing up of business plans. There are also plans for the Eastern Cape Maclean College to link up with Masiphathisane as a satellite. Negotiations are afoot with the Eastern Cape Tourism Board to market the products produced by the bead, art and craft project, and with Food and Trees for Africa for the establishment of two children’s play parks. The NGO has identified various tensions and sources of miscommunication in Aberdeen at large and it intends to address these with a series of workshops aimed at building up trust between the various factions in the town.

Masiphathisane would appear to represent the sort of social capital which could benefit the municipality and the business community. The NGO is particularly keen to participate in any tourism initiatives which might emanate from the town. It claims to have a good working relationship with the Camdeboo Municipality and with a number of government departments. Its Project Manager is also a director of the Camdeboo Development Institute based in Graaff-Reinet.

Theme 5: Local multipliers

Although only 12 percent of respondents sourced their supplies solely from within Aberdeen, 69 percent reported their client base as solely consisting of local residents. Only the five guesthouses reported their custom as originating wholly outside the local community. Clearly most businesses’ existence is in response to local demand.

Only a little over a third of businesses ever advertise their products or services and this is mainly by means of newspapers or brochures/leaflets. Six enterprises had some form of web presence.

Something of a sore point in Aberdeen was the significant leakage from the local economy in favour of Graaff-Reinet. The comparative advantage, which the fact of geographical proximity to the consumer confers, is surely one which it is up to the local business community to take advantage of by way of attractive pricing, and stocking a comprehensive range of products.

It proved impossible, for instance, for the research team to purchase a cheese-grater in Aberdeen. Thus it is that someone in need of such an everyday implement would, sooner or later, use this as a partial rationale for a shopping excursion to a neighbouring centre. In order to justify the cost of their trip they would almost certainly use the opportunity to make other purchases which would have been made in Aberdeen, had not the stimulus to shop elsewhere arisen.

Theme 6: Municipal governance

On being asked whether they thought the Camdeboo Municipality's business licencing policy was too strict, not strict enough, or just right, fully half the respondents professed not to know enough about it to venture an opinion. This suggests that there is little organised or coherent liaison between the Municipality and the business community.

A quarter thought that the Camdeboo Municipality's licensing policy was too lax and this might reflect a vested interest in keeping competition at bay – it is certainly the attitude of licensed liquor traders with respect to the rash of applications for the licensing of taverns. It could also be indicative of a widely expressed concern that liquor trading was far too pervasive in Aberdeen and that alcohol had become so freely available as to nullify whatever social protections licensing is intended to bestow. At least four authoritative sources were of the opinion that the liquor trade had been the only business to show real growth in Aberdeen. In the words of one source (apropos of shebeens), "They are killing our nation". The perception that the Council's licensing policy was not strict enough could have been conflated with the feeling that the *enforcement* of the consequences of failing to be licensed was not being implemented. This would be more of a reflection on the police force than on the Council were it not that the police are hamstrung by a general confusion at the municipal level as to what Camdeboo's liquor licensing policy actually consists in. This policy void is a matter of concern as any scan of the Camdeboo Council minutes will readily confirm.

The topic of alcohol distribution is an issue that deserves a separate study in its own right, particularly because it reflects a trend towards alcohol consumption that seems to be

prominent nation-wide. It appears that the municipality's approach is to *regulate* shebeens, than to *control* them (in which case they simply go underground). The Council does not itself issue liquor licences (this is done by the DEAT's Liquor Board), it only gives permission for 'departure use'. It decides the *where* and *when* of the liquor trade. Departure use is only granted once a fairly elaborate procedure has been followed although it is not clear whether this process is in fact always adhered to. Departure use is granted for a period of five years after which it may not be renewed if there have been a lot of complaints. Successful applicants are also advised that they will forfeit their indigent grants. The entire licencing process seems to have been bedevilled in recent years due to widespread confusion concerning the appropriate powers and functions of province, and its agencies, versus local government. A professor from the Nelson Mandela University is evidently in the process of drawing up new liquor by-laws for Camdeboo.

During the questionnaire interviews, a key point arose with some frequency. This was that the municipality could do more, by way of signposting, to encourage passers-by on the N9 highway, that links Graaff-Reinet with George, to turn off into the town.

Theme 7: Business organisations

There is little organised support for businesses in Aberdeen. Eighty-one percent of enterprise owners reported that they had not received help from any institution in the setting up of their business.

Only 29 percent of business owners reported belonging to any kind of trade or business organisation. The following organisations were mentioned as having helped firms to become established, or to which firms belong, or which might be helpful in future:

- Camdeboo Development Institute
- Masiphathisane Forum for Small Business
- Electricity Contracting Association
- Publicity Association
- Aberdeen Business Development Forum (6 mentions)
- Police Forum
- Alliance P.E.
- SBDC
- Umsobomvu (3 mentions)
- Eastern Cape Tourism Board
- NOLTDA (Taxi Association) and SA National Taxi Council

- ACVV (Afrikaanse Christelike Vroue Vereniging).

These organisations can, therefore, form the nucleus of a networking strategy, if the business community were to become more organised. Significantly, 78 percent said they would join a Chamber of Commerce in Aberdeen in the event of such an organisation being established. It is therefore timely that an Aberdeen Business Development Forum (ABDF) has recently been established under the auspices of the Ward Committee system which has also recently been revived in Aberdeen.

The aim of the ABDF is to uplift local business and to organise informal operators, primarily in the construction sector at present. It operates out of Aberdeen's Legal Advice and Development Office. The ABDF aims to help informal contractors register as companies (or service providers) so as to put them on a more formal footing for purposes of tendering for, and securing, work. The ABDF's identity is still in the process of being forged but one of its more novel ideas (advanced by its secretary, who also chairs the Ward Committee's Economic Development sub-committee) is the establishment of an archive of both oral and written materials to record the many interweaving narratives that go to make up the collective social fabric of Aberdeen. This is partially catered for in the IDP as a R1-million Department of Social Development "unfunded project": "Establishment of a one stop publicity/tourism/archive/resource centre". Another nascent project is to exploit the district's clay reserves for purposes of ceramic sculpture. This initiative will link with tertiary educational institutions and encourage postgraduate contacts with them. The ABDF would also like to see Aberdeen's profile boosted in the *Karoo Advertiser* published in Graaff-Reinet.

The resuscitated Ward Committee has organised itself into a number of subcommittees, one of which is for Business and Publicity, and another Economic Development. Both of these are chaired by entrepreneurial newcomers to the town who should help to infuse these portfolios with valuable new perspectives and ideas.

While the Ward Committee is a commendable development there is a danger of its energies dissipating in the welter of sub-committees and sub-sub-committees that it has spawned. It is not obvious that Aberdeen has the requisite depth of human resources effectively to maintain so many fora for any length of time. It might be best to dispense with these structures in favour of more flexible 'champions' of issues who could run with their portfolios without being unduly hampered by the dictates of excessive consultation. Be that as it may, a meeting of the newly convened Sports, Arts & Culture sub-committee revealed a number of interesting proposals for the re-invigoration of these spheres in Aberdeen including the fact that, amidst some enthusiasm from the hunting fraternity, R3 500 had been raised towards the R14 000 required for the establishment of a website for Aberdeen.

While three-quarters of the owners felt that the Camdeboo Municipality ought to assist businesses it is perhaps significant that one in four did not, thereby signalling their perception that the business community and the municipality inhabit domains that do not intersect.

Of those sectors who did maintain that the Camdeboo Municipality should help them, the most predominant were the food sellers (groceries, vegetables, butcheries and bakeries), the construction workers/artisans, the alcohol outlets, the arts and crafts sellers, the personal services (hair, beauty, etc), and real estate sellers. There appears to be a real need for the municipality to liaise with businesses on an ongoing basis on what these businesses require from the municipality.

Theme 8: How can business be promoted in Aberdeen?

A workshop was held at the Aberdeen municipal buildings on 20 July 2006. It was attended by about 20 business people. The researchers pointed out that the Camdeboo Municipality is obliged to formulate a Local Economic Development (LED) strategy and that a business survey such as the one under discussion would feed into that process. The compilation of such a strategy is a relatively novel one in the municipal context.

The meeting then turned to a consideration of which of Aberdeen's assets could be turned to good account. Two strengths that were cited were that the town is embedded within a district that produces mohair wool, and that it has a plentiful water supply. This implies that the mohair can be washed locally and that downstream value-adding processes might be situated locally. Apparently the buchu herb grows well in Aberdeen's environs but the implications of exploiting this resource have yet to be explored. A further advantage Aberdeen possesses is its geographical centrality which entails a fair amount of passing traffic. It was felt important that Aberdeen should be in a position to satisfy the needs of this clientele. The issue of young people lacking training was then identified as a potential resource that might be exploited to the good of the economy. This resonates with the high level of unemployment mentioned earlier and with the fact that the town is host to the Masiphathisane NGO whose mission is precisely that of inculcating job skills.

The unpolluted environment, the evocative landscapes and the distinctively human-scale feel of the town, contextualised within the Karoo plains, were also advanced as assets that could be capitalised on and it was felt that the natural environment should be employed as a synergistic 'partner' in economic development. The concept of *ubuntu* (mutual support) also came in for mention as did the relatively low crime rate. These assets were perceived as being under threat by the unacceptable levels of alcohol abuse.

One of the participants remarked that there were skilled people in the town whose talents could be used for training, but that there was no formal channel for this to take place. The community was also benefiting from increased participation in state development programmes. The presence of newly discovered exploitable mineral reserves in an adjacent district was also advanced as offering interesting possibilities as was the nature reserve which the municipality was trying to resuscitate.

Key strengths in Aberdeen's economy were identified as the high level of household electrification, Aberdeen's tourist potential, the large infrastructure programmes (roads and housing), community-based public works, and the millions of rands that flow into the town by way of social grants. The municipal caravan park is very well kept (a comparative advantage in an environment where many municipalities have allowed their caravan parks to become run-down) and the historic cemetery (which is a draw card for a more specialised kind of tourist) is immaculately maintained.

Aberdeen has a number of tourist attractions (which were not explicitly broached at the meeting) along with a helpful tourism information centre. The IDP reflects the sum R55 000 as an unfunded DEAT³⁰ project for the "repair, maintenance and security of Publicity Association Building". These attractions, while unlikely to exert much pulling power each on their own, can nevertheless, in the aggregate, achieve a measure of critical mass such as to warrant a stopover in Aberdeen. A new tourism brochure was in the process of being compiled for the town and the nearby Fonteinbos Nature Reserve, which has been allowed to fall into desuetude, is said to hold real prospects for the town. There seems little doubt, as was suggested by the meeting, that Aberdeen has the potential to insinuate itself as a gateway of sorts to various parts of the province. The envisaged tarring of the road connecting Aberdeen with Baroe should assist in this regard.

Insofar as community-based public works is concerned there is a register of contractors in Aberdeen and work is apparently allocated on a rotation basis. This work involves repairing potholes, clearing pipes, and combating erosion. Interestingly, the IDP review dd 25 May 2006 reveals on page 23 that no input was forthcoming from Ward 1 (Aberdeen) as regards the prioritisation of infrastructure projects. Neither was there any input as regards social/community projects. This seems unfortunate for Aberdeen.

The exact amount flowing into the community by way of social grants is not known, but is estimated as being somewhere between R1-million and R2-million a month. It stands to reason then that, in this kind of environment, the local multiplier effect is of considerable importance, and may contribute as much as R3 million to the local

³⁰ Department of Environmental Affairs and tourism.

economy. However, the concern was expressed that a great deal of this economic injection accrues to the formal and informal liquor sellers. It would be more desirable if the local multiplier was indicative of greater spending on a less socially destructive item than liquor.

There was some uncertainty concerning the degree to which the municipal commonage, a potentially important asset, was being leveraged in the interests of the townsfolk. A scan of Council minutes from 2002 to 2005 yielded a number of items revolving around the issue of overgrazing. A letter from the Loskop Management Club in October 2003 claimed that the stocking rate on the commonage was triple what is normally allowed. The authors of the letter offered to assist with land reform, extension services and general mentoring.

At the municipal workshop, it was also suggested that a campaign to brighten up the town with subsidised paint might have positive economic spin-offs (the town's centre has a couple of very derelict, drab eyesores) and instil investor confidence. In similar vein, it was suggested that Graaff-Reinet had been declared a 'heritage town' and that the municipality could lead the way in partnering Aberdeen with Graaff-Reinet to share in the benefits of 'heritage status'.

The meeting next turned to a discussion which focussed on the blockages preventing Aberdeen from giving full effect to realising the value locked-up in its assets, both tangible and intangible.

The suggestion was advanced that perhaps it was not so much a matter of blockages as a matter of deficiencies in co-ordination. The participants felt, in particular, that skills training could be better co-ordinated in Aberdeen. Nevertheless, there would seem to be scope here for fruitful collaboration between the municipality and the Masiphathisane NGO.

A delegate from Masiphathisane said that solo unemployed individuals would encounter insuperable difficulties in securing training. This is because there is considerable red tape involved and the Department of Labour requires that training only be delivered to groups of at least 10 persons. Such groups also need to prove that they have made some progress in their chosen profession. There appears to be little scope for *individuals* who need training (such as an aspirant hairdresser for example). It was felt that, before anything else, what was required was effective local co-ordination and a central 'clearing-house' and venue to facilitate training. The focus is on training the youth but there is little clarity as to what training the youth actually want.

There are at least two types of training – that which is project specific, and that which is more open-ended (vocational training). Business skills training could be of either type. But not everything can be imparted by way of a formal course and business mentoring (in fact mentoring of all sorts) is also vital. This is where the Department of Trade and Industry (DTI) or the provincial Department of Economic Affairs could play a role through the SEDAs (Small Enterprise Development Agency) or by funding a system of apprenticeships or mentoring. Established businessmen could be persuaded to spend an hour or two a week giving advice to struggling businesses.

At present, the central training venue is typically found to be in Graaff-Reinet because that is where the critical mass of demand is. This poses special logistical problems with cost implications for unemployed youth in Aberdeen.

A major problem is creating an efficient clearing-house whereby skills are matched up to demand. Whereas various departments do apparently maintain databases of service providers, it is not clear how current or comprehensive these databases are. It is not clear whether the resident Community Development Worker (CDW) can assist with promoting co-ordination, but, if so, why is not this being done already?

A major stumbling block is that the Department of Labour (DoL) requires that trainers have to be accredited. But this generally presupposes that trainers are operating from commercially inspired motives which is by no means always necessarily the case. The red tape involved in training is stifling skills transfer. Therefore, even skilled people who might want to impart their knowledge and train people for the public good, out of a sense of altruism, are frustrated in their attempts to establish suitable courses. There needs to be co-ordination with the DoL to overcome these blockages. It was felt that the CDW under the auspices of the District Municipality should be fulfilling a co-ordination function of this nature.

It was said that there was insufficient communication about what is happening concerning the IDP process, which is why the community does not get involved with issues that will have an impact on it. It was pointed out that the ward committee system (which has recently been resuscitated in Aberdeen) exists precisely to address such communication blockages, and this should be supported by the business community.

It was also said that the standard of education and discipline at the schools sometimes left a lot to be desired. It was uncertain whether the school children were being taught the sort of skills (eg computer literacy) that stood a chance of making them marketable in the world. Simply learning craftwork is unlikely to equip them to move into the formal economy. The municipality could intercede on behalf of the community with the Department of Education about this.

The question of skills transfer was, however, just one aspect of promoting local economic development. Sustainable business projects are needed, with proper market research. Well-planned projects, properly contextualised, with ‘feeder’ systems and properly specified outputs stand a much better chance of attracting funding and serious engagement on the part of government departments. But sound project-planning is itself a skill that the poor generally do not have.

The discussion then moved on to another of Aberdeen’s assets – the fact that it is situated on a main road. It was felt that for some reason Aberdeen was not exploiting this asset to its fullest potential. There needs to be a more concerted effort to get motorists off the main road and into town. To do so would open up all sorts of possibilities. The town aesthetics need to be looked after if tourism is to prosper. For township tourism to work, these areas need to be cleaned up. It would not be difficult to outsource solid waste collection (picking up litter) to community members, but apparently this is blocked by the municipal trade union – even though the municipality does not at present have the manpower to perform this function properly.

Open spaces could be transformed into parks with very little effort (there is R50 000 budgeted for in the IDP for 2006/7 for the “decoration of parks and entrance roads”). Even private urban spaces could be ‘greened’. Local people adjoining the parks could be approached to take responsibility for them.

The question was posed as to why there was no ‘value-added’ to agricultural products in the town. Although wool-washing is apparently not easy, it is feasible, because Aberdeen has sufficient water to do this function. Nothing is being done to leverage the asset that the municipal commonage represents. People need to get more involved in community organisations to overcome divisions and develop a sense of shared pride. The ward committee is the channel provided by the democratic system but it needs to be used to work.

Taxi fares are not such as to discourage people from going to shop in Graaff-Reinet and this leads to a downward spiral, especially in terms of what stock is available to buy in local shops. Furthermore, local shops do themselves no favours however with their uncompetitive pricing, which simply encourages people to take their business elsewhere. There is a real need for local shops to make special efforts to become attractive to local shoppers. “Buy local” is a two-way endeavour, and will involve the commitment of shop-owners as well as shoppers.

It was felt that the Camdeboo municipality’s policy on ‘departures’ was unclear and could be used more intelligently to facilitate a more integrated approach to economic

development. Alcohol sales need to be discouraged, and more effort should be taken to encourage other types of enterprises. At present, the only business sector that is really booming in Aberdeen is the liquor trade and this spells disaster for the social fabric of the community.

F. Aberdeen's economy: What does it tell us about small towns?

The business survey conducted in Aberdeen shows that the town has a wide range of businesses, including product sales and shops. In some respects, its fortunes have dwindled since the 1960s, but there are signs of regeneration in some sectors. The following are key characteristics of Aberdeen's economy:

- Aberdeen's business sector is fairly well diversified. However, it appears that local businesses cannot provide an adequate level of specialized products and services, and therefore purchasing power is lost to nearby Graaff-Reinet. The highly skewed income distribution of Aberdeen creates a situation where the wealthy few tend to by-pass local centres, since these cannot provide the specialized goods and services demanded by this group (Satherthwaite and Tecoli (2003: 32).
- The white population is over-represented in the business community, and the coloured population is under-represented. The entrepreneurial class of Aberdeen is still predominantly white. However, the fact that the black component of the business sector has reached 18 percent, and the coloured component has reached 20 percent, suggests that there has been some improvement in black and coloured participation in business.
- The informal sector is weakly developed, with the exception of the large number of informal shebeens (liquor sellers) in operation, and whose business by all accounts leads to a multitude of social evils.
- Seventy percent of businesses are relatively new (in operation for less than six years), suggesting that an economic revival is taking place. A fair proportion of these businesses are owned by people who have recently arrived in Aberdeen, indicating that Aberdeen is attracting new investment capital.
- A cautious sense of optimism is reflected in the fact that 40 percent of owners believed there was an upswing. A large majority of businesses want to expand, primarily in the face of growing demand. Over half the businesses want to diversify. But for some sectors purchasing power is either insufficient, or it is lost to other centres. The loss of custom to Graaff-Reinet is exemplified by the regular taxi transport trade between Aberdeen and Graaff-Reinet.

- Several factors may contribute to a sense of optimism, including the plans to tar the road between Aberdeen and Baroe (in the direction of Port Elizabeth), the increased governmental expenditure on highway maintenance, and the growing appreciation of Aberdeen's tourism potential, especially its architecture, heritage and rustic ambience.
- Business owners are relatively well educated, but there are signs that business skills need to be improved (for example, about a third of businesses have a problem with bad debts, and only about a third of businesses ever advertise their products). Many interviewees identified management skills training as a strong need. Almost half the interviewees identified training of employees as a need. This suggests a pent-up demand for training which is not being met by the Department of Labour's Skills Development Programme.
- The training system provided by the Department of Labour appears to be difficult to access, because potential trainees have to organise themselves into groups, and they have to prove that they have already begun their enterprise. They are inhibited by a lack of skills and capital from doing this.
- The unemployment rate (estimated to be above 80 percent of working age people) remains massive, and is said to be growing, due to the ongoing influx of unemployed people.
- Mutual communication and understanding between the business sector and the Camdeboo Municipality appears to be in need of attention. There is widespread interest on the part of the business community to engage the municipality more effectively. The fact that the business community is not organised as a Chamber of Commerce surely hampers communication. A factor causing grave and widespread concern is the seemingly indiscriminate approval of liquor merchants by the Council.
- Aberdeen does not benefit adequately from the traffic on the N9. This latent market generally heads on for Graaff-Reinet (or George). Recently, some restaurants and curio shops have opened in Aberdeen to attract this market, but the lack of signage prevents them from functioning to their full potential.
- The business sector of Aberdeen is poorly networked with support organisations, whether local or outside the town. The great majority of respondents approve of the idea of establishing a Chamber of Commerce. The Ward Committee has potential to become a useful conduit of information between the business

community and the municipality. However, this type of social organisation will require widespread commitment and effort, and must not fall on the shoulders of a few isolated individuals. There are indeed potential strengths in the economy of Aberdeen, but better organisation is required to actualize its potential.

From the literature on small towns, more general observations can be made with regards to Aberdeen's economy.

Firstly, according to many recent researchers (such as Satterthwaite and Tacoli 2003:1; Xuza 2005: 91), one of the key strengths of small towns is their linkages with rural areas. While this may be the case in other parts of Africa, this does not necessarily characterise the small towns in South Africa, particularly in commercial farming areas. Many farmers sell their products at markets located in larger centres. Aberdeen appears to have lost its primary function of providing goods and services for the farming community, or of processing local agricultural commodities. Satterthwaite and Tacoli (2003: 4) characterise situations of poor rural-urban linkages as follows:

- Farming is dominated by large export-oriented units
- There is a demand for sophisticated non-farm goods and services, mainly by the wealthier elite
- There are limited opportunities for local income diversification
- There are limited opportunities for small-scale farming, manufacturing or production
- The local urban centres have a limited role in basic service provision, and focus primarily on the distribution of cheap imported goods
- Produce by-passes local centres in favour of larger export centres
- Value-adding activities take place outside the region
- This results in local economic stagnation.

These factors characterise Aberdeen's economy. Agricultural production is not stimulating off-farm non-agricultural enterprises. There is the partial exception of the local emergent farmers on the municipal commonage – a phenomenon which requires more detailed study to determine its impacts on the local economy. But the difficulties of small-scale agriculture in South African towns should not be underestimated. As Xuza writes, with regards to the town of Alice in the Eastern Cape, “Small town agricultural production competes with commercial agri-business at national and global levels. Local consumers often ignore local suppliers and instead purchase from national and international suppliers because of commodity price differentiation. Overall, there are generally low levels of profitability from agricultural products produced in small towns” (2005: 94).

Secondly, Aberdeen manifests many of the causes which contribute to chronic poverty, especially since poverty is often the result of multiple deprivations (Satterthwaite and Tacoli 2003: 34), such as unemployment; a lack of skills; family disintegration (due to illness and death of income earners); and the substantial amount of purchasing power which is lost to the shebeen trade. The municipality urgently needs to spearhead a strategy whereby potential traders are lured away from the shebeen trade to more constructive business alternatives. This will include, *inter alia*, providing assistance to school-leavers to access new business ideas, technical training and start-up capital, so that they are not tempted to resort to the alcohol industry.

Third, there has been a complete lack in government policy to support small towns. This is a typical phenomenon in developing countries: “The growth, or the stagnation and decline, of small and intermediate urban centres, and the nature of their economic relations with their rural regions, are often strongly influenced by macro-economic strategies, pricing policies or sectoral priorities that make no explicit reference to spatial dimensions” (Satterthwaite and Tacoli 2003: 5). Similarly, in South Africa, neither the Integrated Sustainable Rural Development Strategy, nor the Urban Renewal Strategy, is focused on small towns (Xuza 2005: 91). In South Africa, for example, the lack of support for either the commercial or emergent farming sectors has meant that the agricultural functions of small towns have dwindled. Commercial farmers, who now compete in the globalised world with very little tariff protection or marketing support, have to be cut-throat in their attitudes to labour and marketing. Labour policies have also encouraged farmers and other enterprises to utilise relatively little labour. Emergent farmers – particularly those on municipal commonage – have received no support for production or marketing. Similarly, Aberdeen has not yet experienced any support with regards to tourism development, business advice, or public construction works.

Fourth, small towns typically provide a site for the provision of governmental services (Satterthwaite and Tacoli 2003: 1). In the case of Aberdeen, this is still an important function of the town, because of the post office, the police station, the schools, and the hospital. However, the loss of a school for middle-class children has meant the loss of a great deal of purchasing power, as many parents tend to shop in the larger centres when they take their children to school. The importance of non-state institutions in Aberdeen which have undertaken public functions should not be underestimated; for example, the old age home, the agricultural co-operative, and Masipathisane Training Centre provide valuable public services to the Aberdeen population, and thereby make an important contribution to the local economy.

Fifth, there has been a large degree of migration of unemployed and relatively unskilled people to Aberdeen. There has also been an out-migration of skilled people. This is a cause for concern. Convincing evidence has been found that small town functions should

be backed by an emerging modern middle class of entrepreneurs, professionals and civil servants, who have the training, the knowledge and the means to exploit new opportunities and to develop more efficient hinterland relations (Hinderink and Titus 2002: 387). The issue of providing technical and management training for businesspeople is a critical one, and the municipality can take the lead in creating linkages between businesses and the Department of Labour. Furthermore, the provision of training to school-leavers is also extremely important. One way of promoting such linkages is to invite the DoL to utilise the Community Development Worker at the municipal offices in Aberdeen. This staff member should be able to liaise with potential trainees and training providers, to ensure that training is actually provided in Aberdeen. This official should also liaise with local organisations (such as the Masiphathisane Centre and the Local Contractors' Forum). In particular, there is a need for apprenticeships and mentoring (McGrath 2003: 45). The municipality will need to take the lead in guiding the Community Development Worker to play a key role in this regard.

Sixth, the recent influx of skilled and experienced investors – many of them have come from the cities – is an extremely important factor in Aberdeen's economy. This is an international phenomenon. The trend towards “reverse migration” or “population turnaround” has been recognised as one of the most important demographic trends in the United States. There are, typically, three reasons why city people move to smaller places: (1) economic decentralization; (2) preference for rural living, particularly when in commuting distance of a central city; and (3) modernisation of rural life, including all-weather roads, highways, cable television, telephone service, water and sewerage systems (Brown and Wardwell 1980: 14). In the case of Aberdeen, the second two factors are of primary importance. It is likely that this trend will continue in future.

Seventh, there is little evidence of “clustering” of certain kinds of firms in Aberdeen. No sector is emerging as a key sector. Some kind of clustering will be beneficial to Aberdeen, for several reasons: It will lower costs for clustered producers; there will be a pool of specialised workers; there will be better access to suppliers of specialised inputs and services; and there will be quick dissemination of new knowledge and opportunities (Satterthwaite and Tacoli 2003: 24). In Aberdeen, two sectors have the potential to develop the “critical mass” to become potential clusters: The construction sector, based on highway maintenance and public works; and arts and crafts, based on the tourism and export markets. However, these sectors will require a great deal of organisation and support. Already, the creation of a Contractors Forum in Aberdeen suggests that the construction entrepreneurs want to secure more work, but they have not managed to engage effectively with the municipality or other stakeholders.

Eighth, the loss of purchasing power to Graaff-Reinet is a major concern. In this respect, the presence of branches of large and modern companies in Aberdeen is very important –

particularly the banks and PEP Stores. Such companies make shopping in Aberdeen more attractive, and help to keep customers in the town. Where possible, more companies should be attracted to the town, and this is possibly a task for the municipality.

Ninth, the need for support for small and micro-entrepreneurs is glaringly obvious. Satterthwaite and Tacoli (2003: 26) refer to the need for assistance to access markets, capital, basic education and essential technical knowledge. There is a lack of affordable credit for entrepreneurs; many entrepreneurs lack collateral to obtain formal sector bank loans; people's asset base may be eroded by illness; and it is difficult to access training. Again, the local CDW needs to play a key role in assisting entrepreneurs, and to link up – as a matter of urgency – with the Department of Labour.

The last factor is arguably the most important one. This is the key role which the municipality must play. Time and again, the international literature points to the leadership role of local government, in galvanising local energies, creating common understandings, reaching common goals, and negotiating with stakeholders. Local municipalities are expected to “engage” with communities, so that concerted social and economic actions can be undertaken (O’Toole and Burdess 2005: 243). Of course, Camdeboo Municipality has limited numbers of staff, and a huge area to govern. But it has already shown a strong interest in LED. The presence of the Community Development Worker provides an important mechanism to promote LED in Aberdeen. It is the municipality's task to ensure that this individual is guided to play a key role in facilitating local discussions and in creating linkages with possible support organisations (such as Department of Labour). Liaising with the Ward Committee and the new Local Contractors' Forum would be a good place to start.

An interview with Mr Danie Japhta, the mayor of Camdeboo Municipality, revealed that there is a good deal of creative thinking going on about how to promote the economic development of Camdeboo. This could have a positive impact for Aberdeen. Mr Japhta feels that the municipality's investment policy is currently “too shallow”, and ideas are being explored (and ‘best practice’ from other areas looked at) to make this a more innovative instrument whereby to attract outside investment. One of the problems Camdeboo has had to contend with is undue interference with rezoning applications from provincial role players. Objectors to rezoning applications sometimes bypass the local authority by appealing directly to province. There are also inordinate delays with the processing of Environmental Impact Assessments (EIAs).

G. Conclusion

The business survey conducted in Aberdeen has highlighted several positive and negative aspects of Aberdeen's economy. There are many strong and vibrant characteristics, notably the wide range of shops and services that are available, the recent increase in community involvement by means of the Ward Committee and the Contractors' Forum, and the influx of new and talented city people to Aberdeen.

However, the economy will need a much stronger level of municipal guidance, to play to the strengths and to avoid the weaknesses. The municipality urgently needs to intervene in the shebeen market, to limit the proliferation and the operating hours of these establishments. It also needs to be proactive in creating linkages with the Department of Labour and other support organisations, to assist potential entrepreneurs to identify other types of local business. It needs to work with the local business sector (possibly by means of a Chamber of Commerce, or through the Ward Committee) to promote the business area and to find ways of keeping local purchasing power in the town. The presence of a local Community Development Worker – who seems to be underutilised at present – is a major potential asset.

Business people will also have to play their part in making their establishments attractive to the local clientele. Regular meetings with the municipality need to be held, whereby issues of concern can be identified. The most promising approach will be one of “quick-wins”, whereby small but important achievements can be gained in the short-term, to create confidence and to build momentum.

Thus far, there has been little evidence of a concerted approach to promoting the Aberdeen economy. But the institutional fabric is already in place. Organisations such as the Ward Committee, the Contractors Forum, and Masiphathisane provide the institutional basis on which to build. The Camdeboo Municipality's strong LED focus provides a valuable point of contact to take these issues forward.

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