

## **Economic revitalization and integrated development in Middledrift, Eastern Cape, South Africa**

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## **SUMMARY**

Middledrift has historically been the administrative center of a large magisterial district comprising approximately 60 villages. The town has a population of 5,000 with 20,000 living in the surrounding settlements. Prior to 1996, the primary infrastructure was inadequate to support residential and business development. Job opportunities were scarce and unemployment high. Additionally, the ineffectiveness of town planning and township registration hindered development in the center, while the shortage of housing led most of the salaried employees to seek accommodations in the surrounding urban areas such as Alice, Dimbaza, and King William's Town, depriving Middledrift of badly needed income, consumer spending and the multiplier effect of expenditures on goods and services.

Recognizing the potential of becoming the service center for both agricultural and small business development in the district, and despite severe financial constraints, the Municipality's leadership decided to take on the challenge revitalizing the town center, improving municipal governance and upgrading the living environment. Members of the city council and development forum, including a woman councilor, worked with the mayor and the town clerk forming a very dynamic team. First priority was given to reorganizing the municipal administration and upgrading the infrastructure in the town center in order to promote development and create jobs. Development of housing for a broad range of income groups followed with two expansion zones that are currently under construction: the first includes 360 stands of 1,200 m<sup>2</sup> for upper and middle income housing and the second 162 stands of 300 m<sup>2</sup> for lower income groups and pensioners.

The following three initiatives were implemented:

- Improving the effectiveness of the municipal administration
- Providing a package sewage treatment plant, a bulk sewer, and a tertiary sewerage network for Middledrift CBD
- Rehabilitation of the existing water reticulation network, and building an elevated storage facility for the town
- Rehabilitating existing gravel roads and providing of stormwater surface drains
- Developing housing for a broad range of income groups using cross subsidization

To date infrastructure and low cost housing projects totaling more than R\$19 Million have been implemented in Middledrift, providing the community with waterborne sanitation, reliable metered water supply, upgraded roads, a taxi rank, a sports field and a landfill site. More than R\$2 Million has also been invested on employment and training of over 300 workers.

Through the implementation of these initiatives, the Middledrift Town Council has addressed a broad range of objectives: improving municipal services in Middledrift; providing employment and skills training, reinforcing local government structures, promoting development of the town, and encouraging community participation and empowerment.

### **Situation before the initiative began**

Prior to 1996 there was minimal economic activity in this small town, which resulted in a high level of unemployment and poverty. The surrounding region suffered from economic depression. Informal businesses, mainly hawkers, vended their wares on the streets and businesses, such as Upholstery, Metal Work, Sewing, Radio and TV Repairs and Small Loans were operating in the Small Business Development Centre (SBDC).

The roads in the Central Business District were gravel, with very little stormwater runoff control in place, which resulted in a lot of dust when dry and muddy conditions when it rained. There was no water borne sanitation available and the water supply was unreliable, as there was no storage reservoir for the town. This lack of bulk services was a constraint to both business and residential development. The absence of bank facilities in town was another constraint in the economy of Middledrift as people were forced to travel to nearby towns for this service. They invariably spent their money in those towns, thus depriving Middledrift of their trade.

There was no middle or low cost housing available in Middledrift to accommodate the various income groups and people were forced to commute between the rural areas and towns, which cost families in the region R240 per month, an amount that they could ill afford. The cost of taxi fares in the rural areas is very high due to the very poor condition of the gravel access roads to the villages.

Other than the magistrates court, government facilities in the town, included a police station, a post office, municipal offices housed in a small building, agricultural office, a small TB clinic, on primary school and one high school and, a district prison. The staff at the recently built health center reported that they relied on rainwater and supply by tankers. This system often meant that they were at times without water forcing them to curtail services.

The revenue base of the municipality, which is reliant on service payments, was diminished as residents were not paying due to the poor quality or lack of infrastructure services.

## **Process**

### *Municipal Administration*

The mayor and the town clerk had to streamline and improve the efficiency of the town's administration. The number of salaried municipal employees was reduced to cut the budget deficit. The permanent core administrative staff was pared down. The inefficient accounting system was reformed so that bills for taxes and charges are issued monthly and collections pursued. Accumulated arrears were rescheduled and collection rates increased from non-payment by all except the small cluster of properties in the town center to over 65% of bills issued.

### *Infrastructure*

The projects were defined following a needs assessment and designed to accommodate the town's projected growth. The rocky terrain precluded the use of on site sanitation options. The consultant recommended a cost effective small bore system with a 1,000 liter digester tank on each stand to minimize flow into the system. The capital cost to be borne by the municipality over and above MIP funding entailed a monthly charge of R30 per household. The major component of the operations and maintenance expenditure is the cost of electricity needed to power the pumps and the treatment plant which unfortunately has doubled over a five year span.

The bulk water storage tank with a capacity to supply the entire urbanized community for 24 hours was built on the hill overlooking the town and the water reticulation network rehabilitated. The rates charged include both water and sewer charges. Prepaid water meters prevent waste through sharpened awareness of consumption in a more direct and transparent manner than monthly meter reading and billing methods.

A tarred road section was designed for the roads network, that could be built for the same cost as gravel roads thereby allowing the total cost to be covered by the infrastructure grants. The innovative design consisted of a sub-base over compacted shale with a single seal bituminous binder and deep shoulders. The design is perfectly appropriate to low traffic speed, easy to maintain and could be built with the available funds.

### *Community facilities and business development*

The taxi rank and the sports field / stadium are jointly funded by district and the municipality. The projects have helped the town economically and financially improving the quality of life for its residents. The ability to deliver higher quality services has enabled the town to dramatically improve its collection record as citizens appreciate the upgraded services and are willing to pay for them. Households and businesses have all paid their connection fees. Residents started to pay the charges for water supply, sewerage and refuse collection when the infrastructure projects were nearing completion.

### **Results achieved**

General improvement of the town has been visible since the projects were implemented; these include the Road, Sewer, Water, Solid Waste, the Taxi Rank and the new low-cost Housing Projects. The Municipality was able to create excellent relationships between local officials, businesses and the community. The capacity of municipal workers has been enhanced through their active participation in the implementation of these projects, particularly the taxi rank. Micro-entrepreneurs in the Small Business Centre are convinced that the new infrastructure services will improve the standing of Middledrift in the region and therefore attract more people to the town benefiting their businesses. Some new businesses have started operating in the town including, Saloons, a Funeral Parlour, Butchery, Restaurants and Lawyer's Offices.

The construction of a new taxi rank with bus terminal, hawkers' stands and public washrooms has had a major impact on taxi services in the community and the municipality in terms of frequency and reliability. Hawkers, the majority of whom are women, have indicated that their living conditions have improved as their income has increased. Now that they are able to trade from the new stalls at the taxi rank, their business has been picking up, thus realizing more profits. Previously they were operating alongside the dusty road and few people were interested in buying their products. These stalls are also a source of revenue for the Municipality with the monthly rentals of R120 paid by each hawker.

The residents, businesses and Municipality have handled the issue of non-payment quite well and with the improved infrastructure the payment rate has steadily increased. Local businessmen stated that they are pleased with the waterborne sewerage system, as they no longer have to deal with unreliable services to pump out septic tanks.

The provision of waterborne sewerage, a reliable water supply and surfaced roads in the CBD have had a definite impact on enterprise development. This development has taken place in both the formal and informal sectors. The town has seen new businesses opening such as the Fairsave Supermarket, Tavern and extensions to the existing Supply Store and Petrol Forecourts. The small business sector has also expanded both at the SBDC and at the various stalls, which were constructed at the new taxi rank. The Health Centre has expanded its clinics and service hours. Although the town still does not have a branch office bank, an ATM has been installed inside the new Fairsave supermarket.

The new housing developments have also improved the living conditions of most people in Middledrift. One hawker interviewed at the taxi rank stated that now that she is living close by she could see the profits made in the businesses without the burden of transport costs, which she used to incur.

Middledrift has also opened a village bank offering loans, savings and funeral schemes to its shareholders. This village bank had a positive impact on the small local entrepreneurs who could not get loans from formal banks because they could not fulfil the requirements like, sureties, pay slips and credit history as stipulated by these banks.

The development projects implemented by Middledrift have had a significant impact on the living conditions of the communities especially in terms of civic engagement, income generation and job creation and have contributed to the economic revival of the small town.

### **Sustainability**

The payment of services has increased by 60% which is a major breakthrough and clearly demonstrates the satisfaction of the community with the development achieved in Middledrift. As the tax base expands and the collection rates rise, the increase in municipal revenue is allowing the municipality to cover the operating and maintenance costs of the infrastructure systems it has built despite increases in expenditures for the operation of the new infrastructure systems. In 2001 the budget showed a surplus for the first time since 1994. The increase in receipts allowed the municipality to have for the first time its own funds to invest and leverage in order to finance projects.

### **Lessons learned**

1. Partnership and civic pride are important to local initiatives. The success of Middledrift's projects can be attributed to the close working relationship between the municipality, community and professional service providers. This has created a sense of pride in the results achieved and led residents to pay the services they receive.
2. Efficient public services are needed to support economic development. Local businesses have responded to the installation of services and public facilities by opening new businesses or expanding their existing operations. Some producers, particularly apparel manufacturers, have started to export their products to urban centers in the region. Many of these microenterprises are owned by women. An Eastern Cape Development Association was launched by 10 local businesses.
3. Empowerment and capacity building are key to sustain local development. The involvement of the councillors and community representatives has empowered them on the various, complex issues that are involved in governance and development of a town. The experience gained has paved the way for them to be very valuable assets in leading future development of the municipality. The village bank was launched through the efforts of these leaders.
4. Good governance, integrated planning and careful management have enabled Middledrift to access funds from various sources for its infrastructure needs and increase available funds from South Africa's housing subsidy scheme to finance construction of the top structures. The result is that the houses for lower income groups currently being built are of much higher standard and have better quality finishes than is usually the case. The local builders have also contributed to this process by putting a lot of effort into ensuring that the houses are built with pride.