



**Training for Township Renewal Programme:**  
*Local Economic Development Strategy Development: the case of  
the Urban Renewal Programme Nodal Economic profiling initiative*

*September 2008*

MONITOR GROUP

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This document provides an outline of a presentation and is incomplete without the accompanying oral commentary and discussion.

## Aims of Presentation

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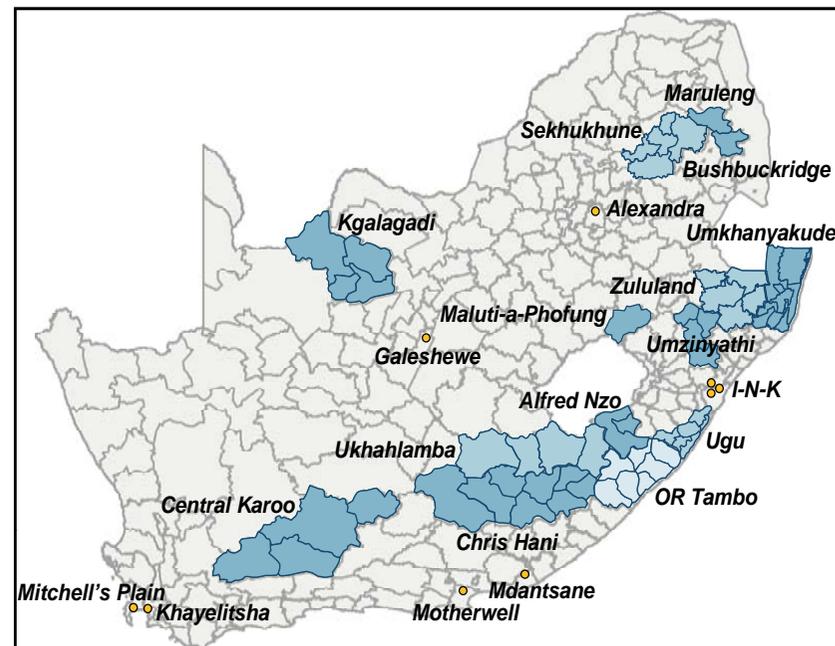
- **Provide background** on work done by Monitor during the Business Trust “Community Profiling” project
  - Highlight the research approach and some of the challenges experienced in the course of the project
- Explain the details of **the “urban themes” research methodology** used in profiling economic activities in urban nodes and develop the approach’s understanding for its use as a tool in looking at Local Economic Development (LED)
- Highlight **research highlights** from the profiling work completed on **Mdantsane** in the course of the themes discussion
- Conclude with **perspectives and learnings** from Monitor’s project for developing LED interventions in townships

# Profiling economic activity in SA's "Poverty Nodes" allowed the Monitor Group to gauge LED approaches and URP programmes of seven urban areas

## Background

- In 2001, the State President Mr. Thabo Mbeki announced an initiative to address underdevelopment in the most severely impoverished areas ("Poverty Nodes") in SA
  - These nodes amount to 15 rural and seven urban areas and house around 10 million people
- In 2006, The Monitor Group was appointed by a group of stakeholders (the Business Trust<sup>1</sup>, the dplg, the Presidency and the IDT) to develop economic profiles for these "Poverty Nodes"
- Aims of this project were to:
  - Understand the levels of economic activity occurring in each of the nodes
  - Develop a perspective of what major obstacles existed to achieving development
  - Capturing ideas of potential interventions and investment opportunities to unlock development

## "Poverty Nodes" analysed during the Monitor Project, 2006/07



Profiles can be found on the Business Trust Webpage  
[www.btrust.org.za](http://www.btrust.org.za)

Note: <sup>1</sup>This project was a part of the Community Investment Programme of the Business Trust

## Our approach of balancing desk research with on-the-ground, qualitative investigations allowed us to address a number of challenges

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### Outputs

- Profiles on each of the poverty nodes, highlighting economic development, constraints and opportunities
  - Refer to [www.btrust.org.za](http://www.btrust.org.za) for profiles and summary documents
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### Process

- We spent on average 3-4 weeks on each poverty node:
    - One week of desk research, including collecting and reviewing existing data and reports, and analysing census and other official data
    - 1-2 weeks conducting interviews in the nodes with different stakeholders, including local residents, business people, NGOs, ward councilors, URP managers, government institutions, municipal managers, etc.
    - One week of compiling findings, including testing documents with different stakeholders
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### Challenges

- The short time spent in and on each node
- Poor data availability, specifically relating to quantitative demographic and development indicators (*e.g. census data four years old and considered unreliable*)
- Institutional weaknesses (*e.g. short tenure of office holders*)
- Expectation management of interviewees (*e.g. discussion on unlocking growth followed by interviewees asking "what will happen now?"*)
- Integrating issues not immediately within the scope of this profiling project and framework, but relevant from an economic development perspective (*e.g. HIV, skills, etc.*)

## Agenda

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- Introduction and Background
- **Urban Themes Approach**
- Perspectives and Key Learnings for LED

# When we started to conducting a pilot phase of urban studies, we found that challenges were similar across different urban poverty nodes...

*Interviews across INK stakeholder groups have identified a list of seven main challenges that the INK areas are currently faced with*

*INK Case Study*

## Low Skill Levels

- INK has limited capacity for self-initiated change, due to poor education levels and poor skills development (from trade skills to business skills)

## Limited Internal Economic Activity

- Economic activity that would allow for large scale employment generation is non-existent in INK, while the majority of consumer spending leaks out of the INK areas

## High Unemployment and Low Incomes

- Finally, as a result, and a cause, of the challenges listed above, INK faces pervasive unemployment and widespread poverty

## Infrastructure and Services Backlogs

- Though main roads between KwaMashu and Durban are well developed, roads within INK remain unpaved or in disrepair, while water and electricity are still not available to large sections of the population

## Inadequate Housing

- Complicated by land tenure issues, adequate housing provision remains a major challenge for INK, and there are several crowded informal settlements with extremely poor living conditions

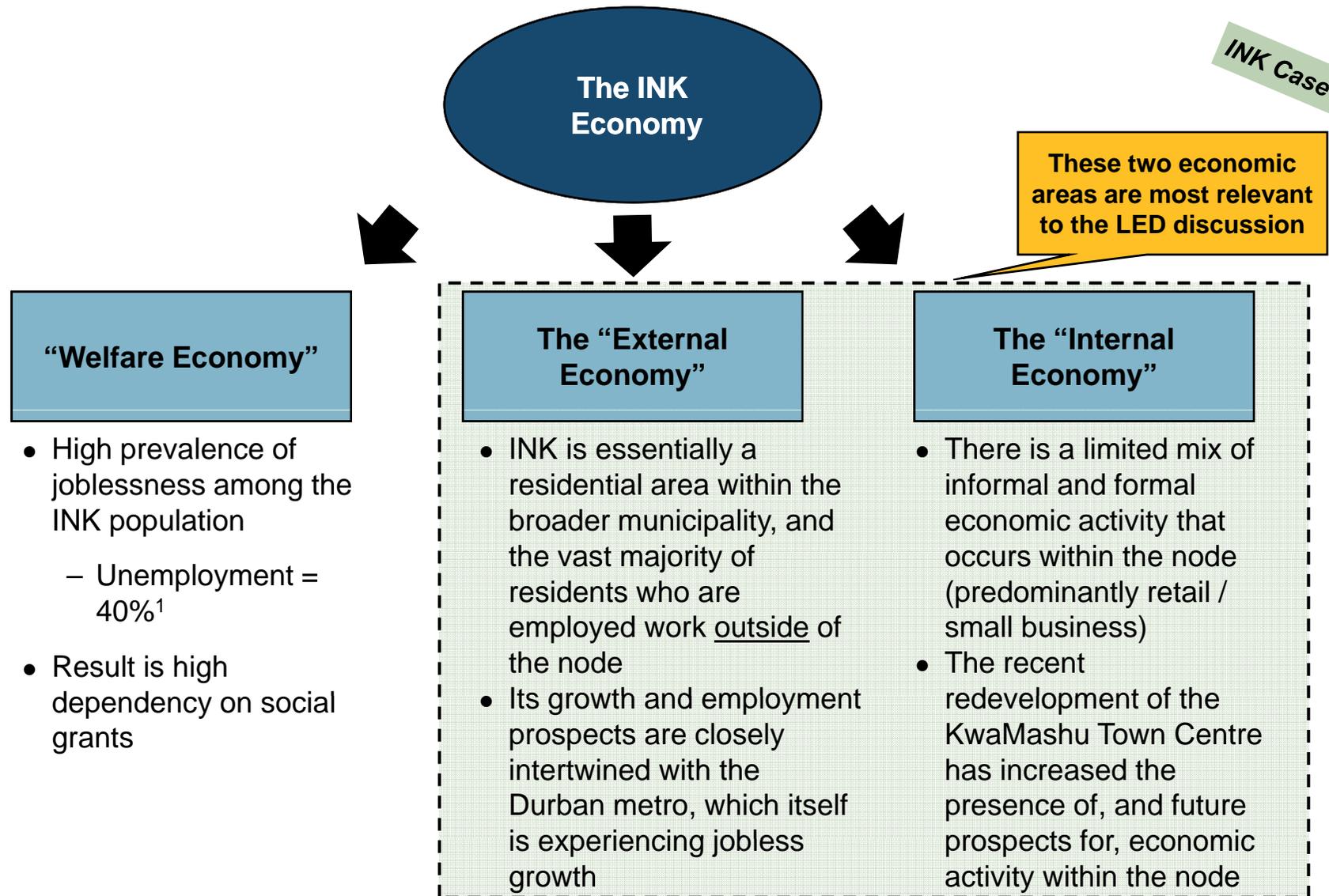
## Crime and Security

- Anecdotally, crime has improved significantly with the redevelopment of the KwaMashu Town Centre, however, the area still has high levels of crime

## HIV / AIDS

- In a country with one of the highest rates of HIV infection in the world, KZN is the most infected province, and INK is one of the most infected areas within the province

... also, we found that “Township Economies” can be conceptualized as a mix of welfare, employment outside of the node, and internal economic activity



Note: <sup>1</sup>Among total population aged 15-65. Unemployment is 59% among the economically active population.

Source: Stats SA Census 2001, INK Economic Profile 2006

# Considering the location of economic activity of urban nodes resulted in us developing three themes to assess township local economic development

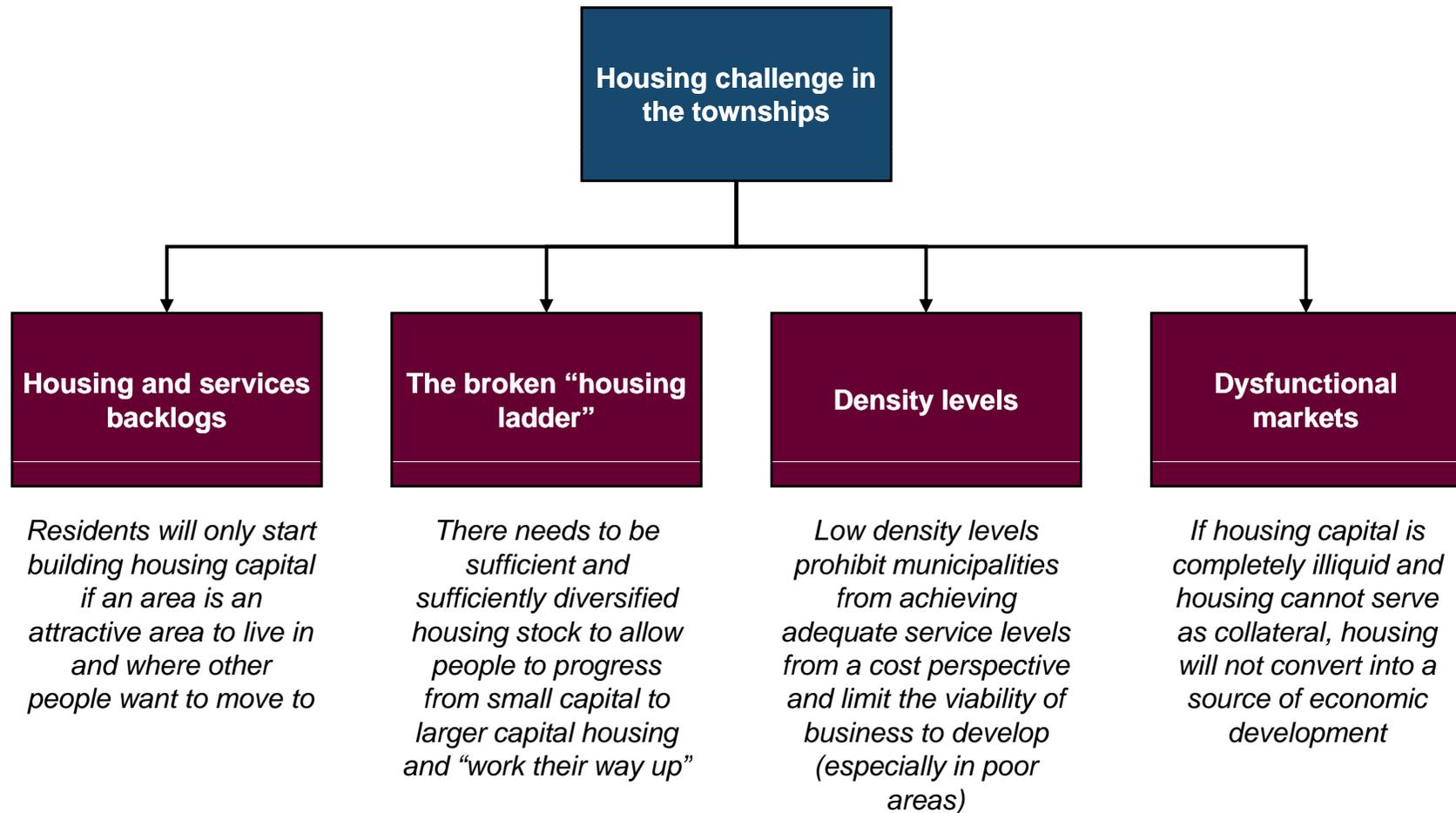
*The three themes of “Residential Life”, “Commercial Activity” and “City Linkages” cover key sources of employment creation, economic upliftment and development*

Theme	Description	Justification
<p>1. Improving the quality of <b>residential life</b></p> <p>2. Stimulating <b>commercial activity</b> in the node</p>	<ul style="list-style-type: none"> <li>Although ‘quality of life’ covers a large number of issues, the focus here is on providing <b>housing</b> and the public infrastructure that goes with it since this offers investment opportunities</li> <li>Because the retailing of goods and services is the predominant form of economic activity, attention must be on <b>helping retail to diversify and thrive</b>, as well as formalise</li> </ul>	<p>These two themes account for the overwhelming weight of economic activity in the urban nodes</p>
<p>3. Fostering <b>linkages</b> with the rest of the city</p>	<ul style="list-style-type: none"> <li>The nodes history defined them as ‘<b>exclusion areas</b>’, structurally disconnected from the circuits of the city’s economy, and attention must fall on addressing this</li> </ul>	<p>This theme addresses the need to integrate the urban nodes into the economic mainstream of the cities</p>

1.

# To ensure that residential life in townships achieves full economic growth potential, development need to focus on addressing challenges around housing

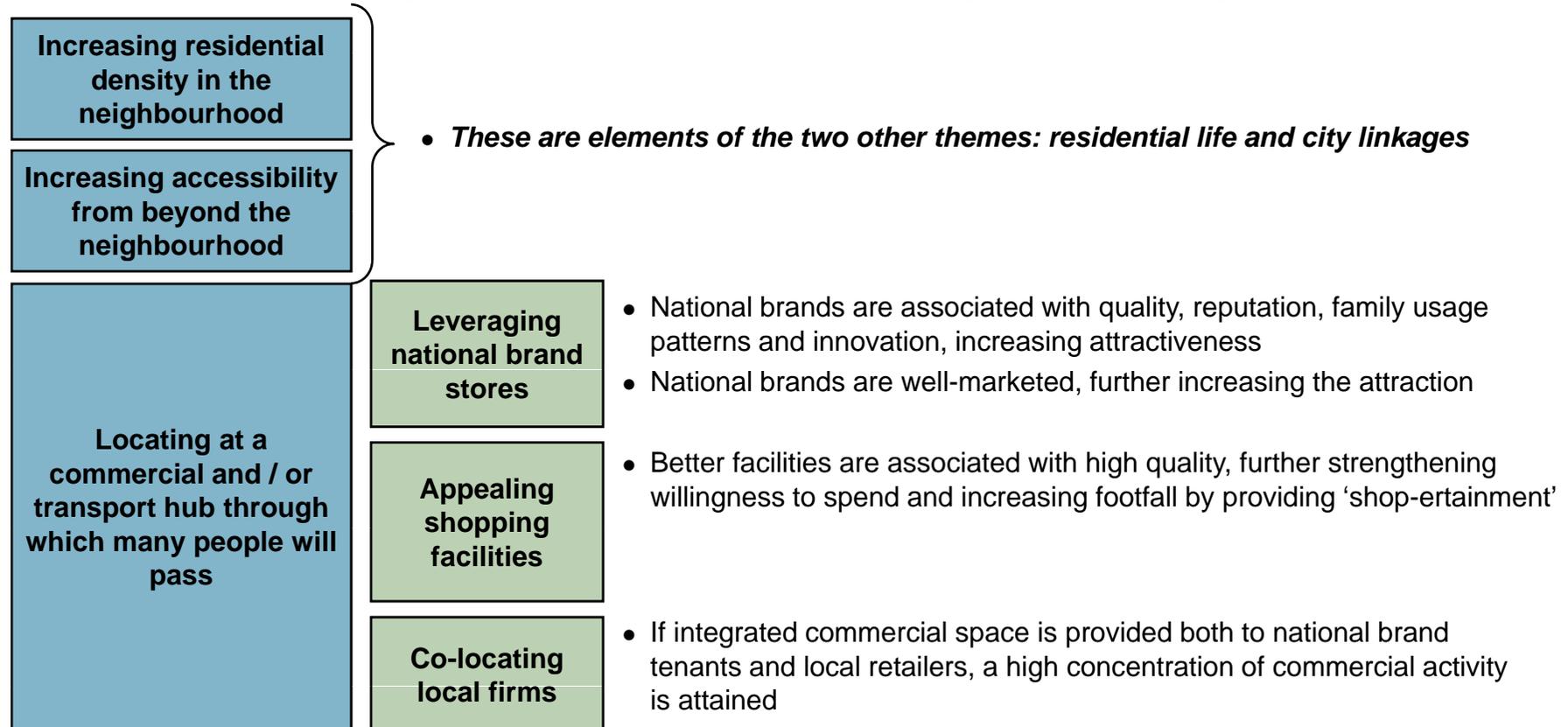
*If any of the challenges remain unaddressed, a danger exists that housing may not contribute to local economic development*



2.

## Townships' economic characteristics suggest that LED with regards to commercial activity means increasing footfall, accessibility and attractiveness

*This will make local business more viable, as more money is available to spend locally, the local population is willing to spend locally, and more money is spent locally*



Nodes require appropriate commercial hubs, preferably using national brand stores as anchor tenants, to increase footfall

2.

## Comparing the pros and cons of increased penetration by external businesses suggests that the pros outweigh the cons

*To the extent that it is possible, however, attention should be paid to mitigating some of the negative consequences*

### Maintain Status Quo of National Brands Outside

<i>Employment outside of node</i>	-
<i>High transport costs and inefficiencies</i>	-
<i>Limits income generation and development in node</i>	-
<i>Protects local business from external competition</i>	+
<i>Maintains business viability outside the nodes</i>	+

### Facilitate National Brand Business Growth

+	<i>Creates local employment</i>
+	<i>Decreases the cost of shopping and increases quality of residential life</i>
+	<i>Increases property values</i>
-	<i>Reduces viability of some local trading stores</i>
-	<i>Reduced custom for firms outside the nodes</i>

### Action Steps

- **Plan commercial hubs**
- **Attract developers and anchor tenants**
- **Release and zone land** for commercial development
- Ensure **public transport** and integrated area planning

### Potential Mitigating Steps

- Provide **affordable commercial space** in new commercial hubs for local traders
- Assist local business in developing **niche business** models
- Assist local business in sharing in external investment opportunities, e.g. by using community funds and **local empowerment**

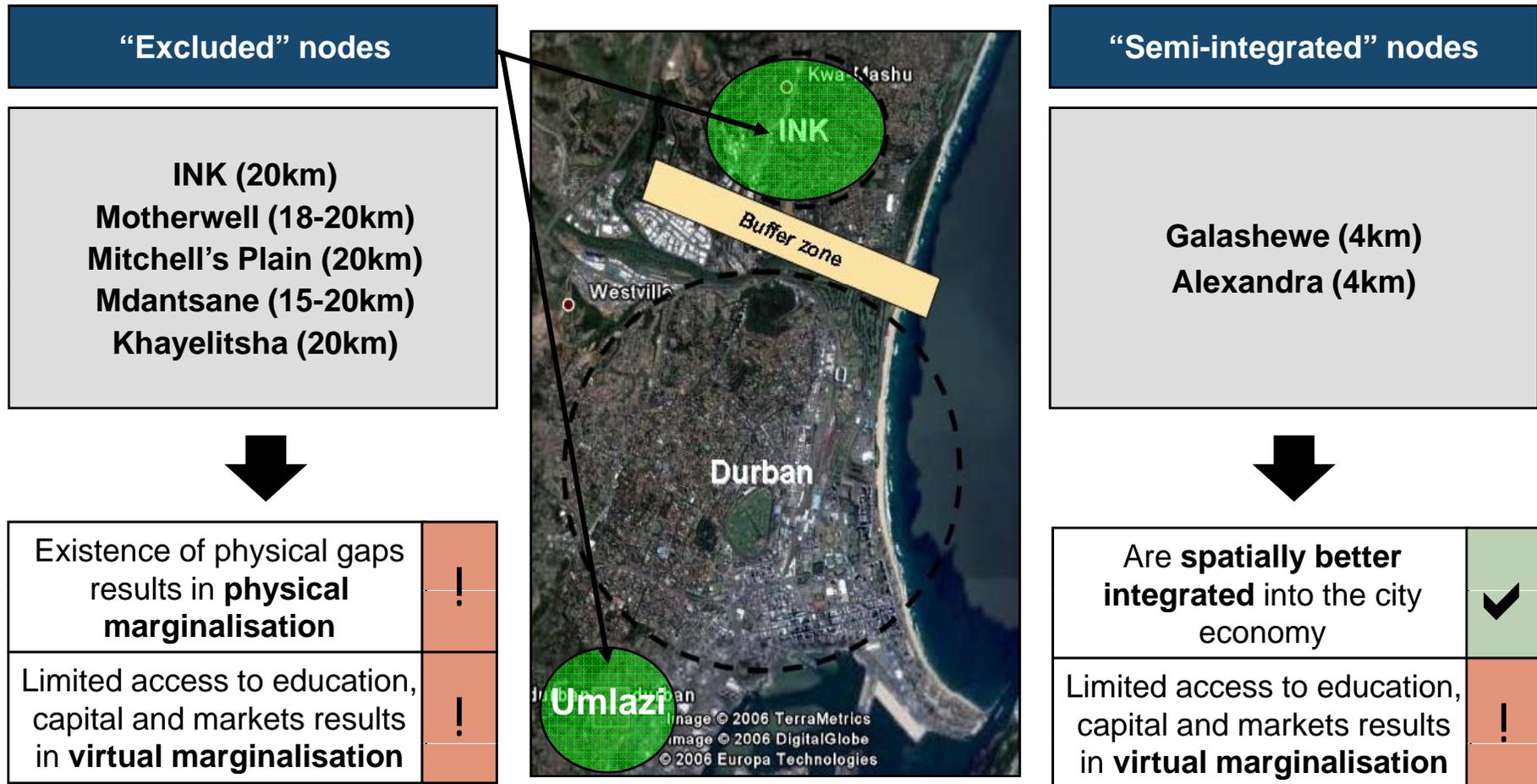
Note: The plus and minus symbols do not indicate the degree of the expected effect, only whether it is positive or negative

3.



The urban nodes can be categorised as ‘excluded’ or ‘semi-integrated’ depending on their spatial proximity to the core city economy

*Historic spatial planning and current approaches to housing development increase economic marginalisation and result in urban sprawl*



3.

# Urban sprawl, and the existence of buffer areas, reduce the efficiency (and sustainability) of human settlements

The majority of the poor and unemployed live on the periphery of the city in large exclusion areas...

### Reasons for present spatial patterns of urban poverty

- Urban geography under apartheid was governed by a design philosophy that:
  - Reflected the exclusionary impulses of that system, and
  - Was intended to create large 'buffer areas' between townships and the city
- Over time, these patterns have become entrenched and self-reinforcing owing to:
  - The attraction of high-income areas to developers
  - The rapid rise in property prices outside of townships, making the development of affordable housing closer to the urban cores more difficult
  - The tendency for new commercial areas to be developed in areas that are even less accessible to the poor than were the old ones

### Examples of spatial exclusion

The maps illustrate spatial exclusion in two municipalities: eThekweni and Johannesburg. Both maps show 'Urban exclusion areas' (shaded green) and 'Economic Hubs' (shaded grey). The Johannesburg map includes a legend for household income levels: 0-10%, 11-20%, 21-30%, 31-40%, 41-50%, 51-60%, 61-70%, 71-80%, 81-90%, 91-100%, and No Data.

## The consequences of urban sprawl

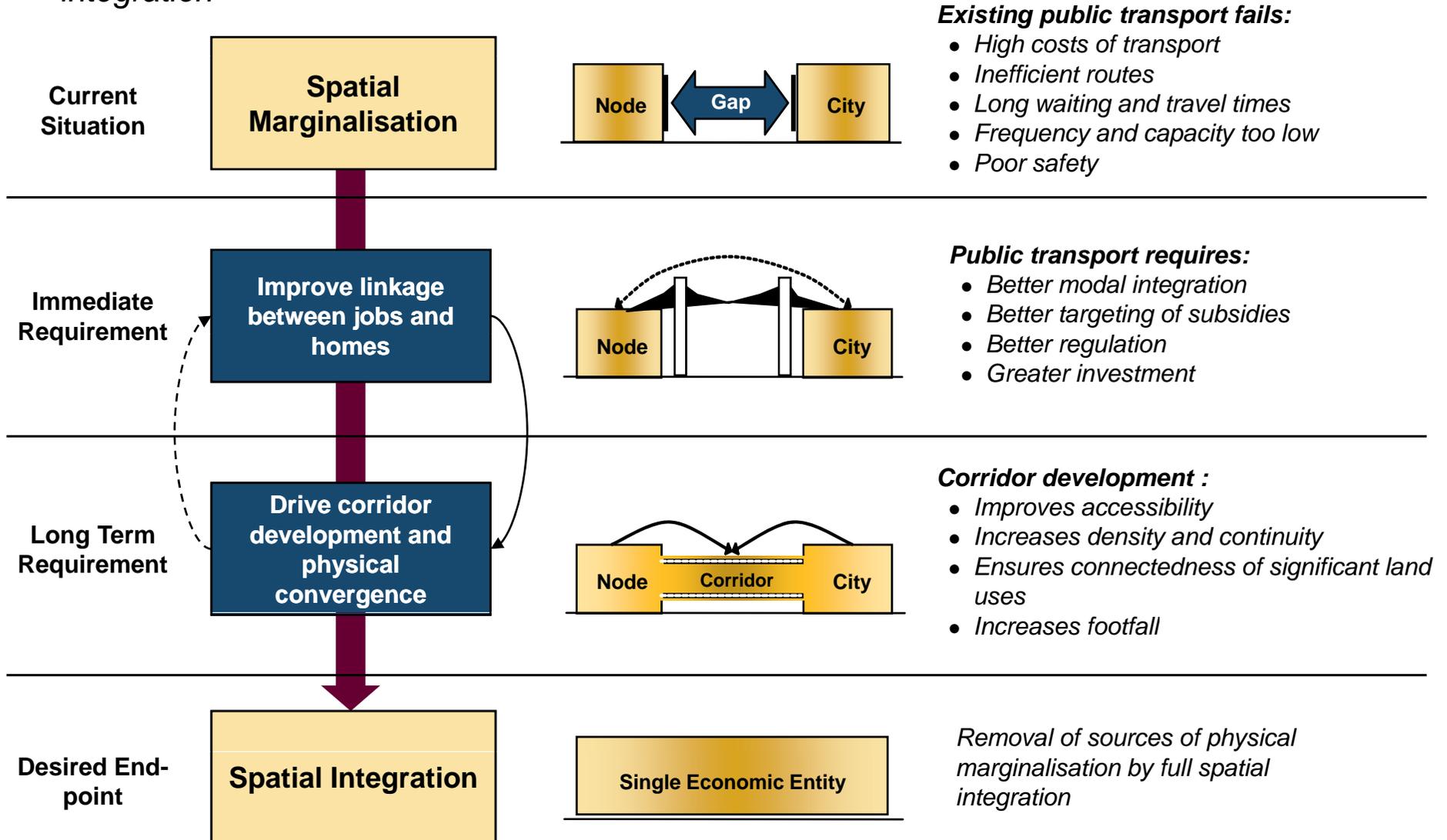
<b>Costs in present</b>	<b>Opportunity costs</b>
Service provision	Reinforced social and political polarisation
Costs of job search	Lack of visibility of investment opportunities
Costs of doing business	Continued inability to integrate labour and capital markets
Transport costs	
Viability of retail	

Continued spatial exclusion will reinforce the dysfunctions of the apartheid city

3.

# To overcome spatial marginalisation, buffer areas must be developed and transport linkages must be improved

*Public transport will play an important role in every development stage of achieving spatial integration*



3.

## Although corridor development in the long run will also improve ‘virtual’ linkages, further initiatives are required

*Improving the ‘virtual’ links offers allows targeted interventions both by the public and private sector*

Issue	Requirements	Comments
<p><b>Capital flows</b></p>	<p><b>Penetration of formal sector financial services into the nodes</b></p>	<ul style="list-style-type: none"> <li>• Growing viability of businesses will attract capital inflows</li> <li>• Economic hubs in townships help ensure local representation of banks and state-supported financial institutions</li> <li>• Gaps in the system of civil justice and the enforcement of contracts raise transaction costs</li> </ul>
<p><b>Information flows</b></p>	<p><b>Information platforms</b></p> <p><b>Market makers</b></p> <p><b>Secondary information</b></p>	<ul style="list-style-type: none"> <li>• Employment agencies could provide information on employment opportunities outside of the nodes</li> <li>• Co-ops offering technical and managerial support could generate scale and offer improved access to outside markets</li> <li>• Greater information about the nodes should provide a platform for informed decision-making</li> </ul>
<p><b>Education for the future</b></p>	<p><b>Access to educational institutions in city</b></p> <p><b>Better local education facilities</b></p>	<ul style="list-style-type: none"> <li>• Bursaries and information on education opportunities can increase enrollment of nodes’ residents in city institutions</li> <li>• Improved basic education ensures that township residents are not barred from later tertiary education or employment opportunities</li> </ul>

## Agenda

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- Introduction and Background
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- **Perspectives and Key Learnings for LED**

## Rather than considering LED as single once-off initiatives, LED should be considered as enabling economic growth spanning three distinct urban themes

*This suggests that LED should be understood under the headline of creating an environment for economic development in townships and addressing shortcomings in the economy's functioning*

### Residential life

- Providing the necessary conditions for the potential of property wealth to be captured through
  - functioning property markets
  - ensuring that the benefit of increasing housing and service provisioning can be captured by local citizens
  - making townships an attractive place to stay

### Commercial activity

- Providing high density commercial space in areas with strong footfall and in proximity of national retail chains to
  - make local businesses more viable
  - ensure increased circulation of money in the township
  - decrease transaction costs for local citizens participating in the economy
  - focuses on viable commercial and service businesses (rather than unsustainable industrial activities)
  - formalise informal business to facilitate expansion and growth

### Linkages

- Providing townships with more active integration into the greater metropolitan economy may enhance participation in economic development and may be achieved by:
  - focusing on spatial planning (providing transport, encouraging development to move into the “gap”, etc.)
  - enhancing virtual linkages (improving access to education, creating “market maker” mechanisms with regards to labour markets, etc.)