

Buffalo City Development Strategy

Managing a city in transition

Draft Consolidation Report

Draft 3.3: March 2007



Acknowledgements

A document such as this and the CDS process in general is the product of a collective effort.

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Cole Consulting c.c.	Provincial Economic Context
Mbumba Development Services c.c.	Institutional Assessment
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- Johnson and Johnson Pty
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- Umhlaba
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- Pan Geo SA
- SA Cities Network
- Amathole Economic Development Agency (AEDA)
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Acronyms

ACSA:	Airports Company of South Africa
Asgi-SA:	Accelerated shared growth initiative of South Africa
AGDS:	Amathole Growth and Development Strategy
BCDS:	Buffalo City Development Strategy
CDS:	City Development Strategy – used interchangeably in this document with CS
ELIDZ:	East London Industrial Development Zone
GVA:	General Value Add
IDP:	Integrated Development plan
ECGDS:	Eastern Cape Provincial Growth and Development Strategy
NSDP:	National Spatial Development perspective
RPi:	Rapid Planning initiative – a methodological approach
SANRAL:	South African National Roads Authority limited
SOE:	State Owned Enterprises

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1. Building Buffalo City's future

1.1 Introduction



What will Buffalo City offer a child born today in Mdantsane or in rural Matatiele in 20 years time? How can we be sure that such a child will have access to a dignified quality of life, be equipped with the right skills and have access to quality employment? The truth is that we cannot presume that anything will be better in the future unless we act today. Meeting the needs of future generations requires careful planning with a sufficient long-term horizon that allows institutions to respond appropriately now with a 20 year or more mindset.

The mechanism through which Buffalo City is preparing to meet the needs of the next decades is the Buffalo City Development Strategy (BCDS). The need for the creation of a City Development Strategy (CDS) is borne from a growing appreciation of the limitations of current development priorities and scope of municipal resources to appropriately impact on the long-term economic, environmental and social challenges faced by Buffalo City.

Should current trends be allowed to become the future reality Buffalo City may be faced with a growing population of urbanised poor, failing municipal service infrastructure and risks becoming marginalised in the spatial economy of South- and Southern Africa. According to existing trends the City can expect to experience slow economic decline, job losses and increased dependence on grants and subsidies to meet the needs of an increasingly poor community; unless it intervenes to find a development alternative. The CDS is a mechanism to changing these trends and ensuring a successful Buffalo City-region

The CDS holds several advantages:¹

- ***A CDS is a potential trend breaker:-*** motivating key decision-makers to think and operate differently so as to break the negative trends faced by a city region;
- ***Guiding short-term implementation within a long term logic:-*** A CDS informs the 5-year integrated development planning (IDP) process and shape term-of-office delivery objectives;
- ***Pulling in the same direction:-*** It allows multiple government agencies, communities and business to rally, act and invest along a similar logic; creating a common focus;
- ***Identifying interventions with the highest leverage potential:-*** A CDS serve to prioritise and direct resources effectively into those identified interventions that holds the best potential;

¹ Also see Cities Alliance, 2006: Guide to City Development Strategies: Improving Urban Performance, for a comparative approach.

- **Anticipating future shocks and contextual changes:-** Through a CDS anticipated long term future changes can be identified and anticipated;
- **Assist in guiding growth:-** A CDS can influence how a city approaches infrastructure creation and physical growth; and
- **(Re)Positioning:-** A CDS serve to reposition the city in terms of national policies and public funding, place-marketing and also the confidence with which ordinary people view the potential of their city.

What should a City Development Strategy achieve? According to the World Bank a CDS should provide the framework to achieve the following:

- **"Livable"**- providing a framework committed to ensuring that the poor achieve a healthy and dignified living standard; that provides systems for adequate housing, secure land tenure, credit, transportation, health care, education, and other services for households; and that addresses environmental degradation, public safety and cultural heritage preservation for the benefit of all residents. And to be livable, cities must also become:
- **"Competitive"**- providing a supportive framework for productive firms, to promote buoyant, broad-based growth of employment, incomes and investment.
- **"Well governed and managed"**- with representation and inclusion of all groups in the urban society; with accountability, integrity, and transparency of government actions in pursuit of shared goals; and with strong capacity of local government to fulfill public responsibilities based on knowledge, skills, resources and procedures that draw on partnerships.
- **"Bankable"**- that is, financially sound and creditworthy. Financial health of municipalities requires the adoption of clear and internally consistent systems of local revenues and expenditures, transparent and predictable intergovernmental transfers, generally accepted financial accounting, asset management, and procurement practices, and prudent conditions for municipal borrowing.

www.unhabitat.org/programmes/ump/cds.asp

<http://wbIn0018.worldbank.org/External/Urban/UrbanDev.nsf/Urban+Development/6F8D329C20CF7AFD85256B18007BA52D>

1.2 Document structure

In order to make this Consolidation Report more accessible this section sets out the document structure.

This 1st chapter provides an introduction on the BCDS. Section 1.1 introduces the CDS concept and explains how the City plans to use it as a mechanism to determine its future. Section 1.3 below is important in establishing a set of policy underpinnings for the BCDS that informs the rest of the document.

Chapter 2 begins to set the strategy out. It frames the BCDS strategic intent and identifies strategic focus areas. Chapter 3 builds on the strategic basis of Chapter 2 and starts deepening the strategic focus areas. Chapter 4 provides even more detail to the various elements of the strategy by adding more detail to each of the strategic focus areas.

The Annexures have been taken out of the main text of the report to facilitate easier reading. Annexure A provides a brief overview of the process of developing the BCDS. Annexure B provides a shortened version of the analysis work underpinning the development of the strategy. Finally, Annexure C provides an overview of comparative work done in linking the Buffalo City experience to other cities across the world.

1.3 Points of departure

An extraordinary ordinary city



Cities are commonly analysed using global cities such as New York, London and Tokyo as points of reference. The reality is that the majority of the world's population live in ordinary, smaller cities that have less of a global impact, but plays a critically important role in the wellbeing of their respective regions. Buffalo City is such an "ordinary" city. Yet, it is also extraordinary due to the special relevance Buffalo City holds to the people living in it. Viewed through the eyes of its people Buffalo City plays many roles, i.e.:

- o For many Buffalo City is a much loved home – a place providing a high quality of life and livelihoods;
- o For many other people the City is a critical launch pad - where the shackles of (rural) poverty can be shed by gaining a foothold in the formal economy;
- o Others use Buffalo City as a waypoint - a temporary residence in the natural process of migration underpinning social and economic mobility; and
- o For a large hinterland Buffalo City is a beacon of hope - a point of access to a better life in the form of jobs, basic services, shelter, education, health care and social welfare.

A city in transition

Buffalo City is "ordinary" in other ways. Like many cities over the world Buffalo City is experiencing an economic transition to a post-industrial stage. Preparing Buffalo City to successfully manage the transition into a new post-industrial economic age is of paramount importance. The new services economy will require new skills, different infrastructure and importantly, need to attract the right investment and investors in order to be successful.

Paralleling the economic transition is a profound social transformation. The city-region is evolving rapidly into being predominantly urban in character. Buffalo City is experiencing a transition whereby the process of urbanization is changing from rapid population growth to a more subtle process whereby people are increasingly living urban lives, even when they do not physically live in the urban core. Underpinning this transition is a change in urban functionality informed by major social change. Social patterns are experiencing a transition from rural to urban living; people's livelihoods, social behavior, skill requirements and cultural patterns are all transforming with increased urbanism.

How can Buffalo City best manage its multi-faceted transition? A critical realization underpinning the BCDS response is that much of current policy responses and plans at various levels do not sufficiently meet the scale and complexity anticipated of the city-region's transition. In building a plan through which to begin addressing the city-region's future has to be rooted in essential policy assumptions to ensure it remains realistic.

Impacting on poverty through growth	The BCDS is premised upon the following policy underpinnings ² :
More urban development - less rural poverty	<ul style="list-style-type: none"> o <i>Impacting on poverty through growth</i>: The BCDS is a city-region strategy that turns the area into an engine of equitable (shared) economic development and has a direct impact on poverty reduction, local economic growth and improved governance. The BCDS thus approaches the question of poverty reduction through the achievement of shared growth; o <i>Better urban development leads to less rural poverty</i>: A successful Buffalo City is intrinsically linked to relieving rural poverty in the region. The BCDS is therefore a strategy for the growth and development of a functional region as much as it is for the urban core consisting of the East London-Mdantsane-Bisho-King William's Town spine. It is recognised that the so-called rural-urban divide is undergoing fundamental change through in-situ urbanisation of peri-urban settlements. Settlements increasingly function as typical (sub-)urban economies. It follows that growth in the urban core will improve value in the semi-urban periphery. The BCDS thus argues that better urban growth means less rural poverty;
Growth through crowding in public investment	<ul style="list-style-type: none"> o <i>Growth through crowding in public investment</i>: The entry point for achieving sustainable shared growth is with crowding-in (concentrated) investment of public resources. A key premise in Buffalo City's approach in creating a broad city development framework is to rally public resource allocation and inform private sector investment decisions is that the future can be planned and shaped through intervention;
Investing in public infrastructure creates shared growth	<ul style="list-style-type: none"> o <i>Investing in transformative/catalytic infrastructure creates shared growth</i>: High impact transformative projects can illustrate intent and create wide ranging momentum. Expenditure in transformative public infrastructure can achieve accelerated shared growth and stimulate economic activity without crowding out private investment. Investment in public infrastructure can create economic multipliers and support accelerated growth; specially in infrastructure directly supporting economic activity. Public investment also stimulated private investor confidence and unleash economic energy;
Complementing competitive strategies	<ul style="list-style-type: none"> o <i>Complimenting competitive economic development strategies by investing into managing an economic transition</i>: Smaller cities have different economic development variables than larger world cities and as such respond less well to "competitive advantage" strategies simply because smaller cities, with a few notable exceptions, simply do not have comparative advantages that allow them to compete effectively on a global stage. An alternative approach to directing public money in small cities is to consciously prepare the city-region for a structural economic transition and make public infrastructure investments that enable the local economy to respond to change. This approach places less emphasis on sectoral support and more on making strategic public investments;
Building alliances of shared interest	<ul style="list-style-type: none"> o <i>Building alliances of shared interests</i>: Impacting on poverty through public led investment requires an unprecedented level of inter-agency and intergovernmental cooperation. The aim of a City Development Strategy process is to build a broad alliance of between the key development actors on a broad

Transformative Investments are multidimensional efforts that remake the urban physical landscape to stimulate economic growth, improve fiscal vitality, and advance social equity
(The Brookings Institution -2006)

² These assumptions are built on a range of urban research and literature.

Creating indirect impact

action agenda to ensure effective implementation – creating an alliance of shared interest around a joint agenda for action; and

Creating indirect impact: Buffalo City does not control the key variables influencing the successful implementation of its strategic agenda. The BCDS emerges in an environment of complex government structures, multiple development agencies and often competing interests from stakeholders. The City as an institution thus needs to find a way to influence institutional behaviour, rather than limiting the BCDS to the implementing of specific projects within its control. The BCDS approach is that of indirect impact – creating a conceptual framework through the BCDS to which other actors has to react and respond.

Change can happen quickly, but usually in time frames measured in decades

Intervening on a city-region basis through collaborative stakeholder effort is not a new concept. Indeed, research evidence shows that the performance of cities and development direction can be changed through intervention within one generation³. Cities, such as Bogotá, Glasgow, Curitiba and Barcelona are all successful international examples of cities that managed to effect major change over several decades through planned intervention, catalytic investment, the right policy choices and inspired political leadership. In South Africa Johannesburg, Tshwane, eThekweni and Cape Town, are all actively developing long term (20-years and more) strategies to impact of their city regions' development paths.

It must also be appreciated that change can happen very quickly with cities if they can develop and implement an appropriate strategic approach. However, the basis for virtually every successful CDS is the availability of key economic infrastructure. Heavy rail, deep water ports, highways, major dams and airports are not infrastructure that appears overnight. Most South African cities, and Buffalo City is no exception, have not had any foundational infrastructure investment in decades. No economic growth is possible unless the key infrastructure on which growth is dependent is already in place as a foundational investment. It is therefore critical that the BCDS informs the investment plans of State Owned Enterprises (SOEs) and fed into Asgi-SA project selection by provincial and national authorities influencing key infrastructure decisions.

The CDS is also a strategy for a functional region beyond Buffalo City's boundaries

Economic activity is not constrained by administrative boundaries. Urban economies have strong linkages with the hinterlands. Cities are the economic growth drivers that impact across regions larger than municipal areas. Investment into cities is therefore also investment into their surrounding regions. This is especially true for cities located in weak or depressed regions as the services and economic activity in the urban centre

Cities are developed over long epochal cycles requiring investments and planning that far outstrips electoral cycles. In 1947, for example, the Cape Town Foreshore Plan was adopted. The full implementation potential of this plan upon the land reclaimed from the construction of a deep water port is still not fully realized. However, it is hard to imagine Cape Town and its economy without a deep water port, the V&A Waterfront and the International Conference Centre, all which flowed from the initial investment into major infrastructure that started in 1938.

CDS to in form both Provincial and Amathole GDS processes

plays an important role in sustaining the regional economy as a whole. It follows that a plan for Buffalo City is also a plan for the functional region surrounding the municipal boundaries. This strategy deliberately does not attempt to define the regional impact of the CDS as it may cause institutional confusion and contestation. It suffices to acknowledge that Buffalo City attracts migrants, provides a services sector reach and

Alliance, 2006: Guide to City Development Strategies: Improving Urban Performance

economic impact that transcends its boundaries. It follows that the Buffalo CDS needs to inform the Eastern Cape Growth and Development Strategy (ECGDS), as well as the Amathole GDS.

In the next section a succinct overview is provided of a long-term strategic agenda for Buffalo City and its region.

2. Framing

2.1 Strategic underpinnings

There is general consensus that the core challenge for Buffalo City and virtually all other cities is to capture sufficient economic activity that can support a level of job creation and improve the quality of life of all its residents within a sustainable environment – the well known triple bottom line. It is the central premise in this document that growth in a city-region anchored by Buffalo City can only be ensured if significant state-led investment in economic and social infrastructure is implemented continuously over a long time horizon (20-30 years).

Crowding-in
state-led
investment

Focus on
catalytic
projects

Utilise Asgi-SA
resources

Target
investment –

Achieve
transformative
impact

Emphasis on
economic
infrastructure

Concentrating
investment
effort in places
of highest
potential

Analysis suggests that one single solution (a silver bullet) cannot resolve all the challenges, but that a series of high impact targeted investments can play a highly catalytic role in triggering a decisive change in the city's fortunes. "Crowding-in" investment is a key element of the BCDS's approach and responds to national goals of achieving a sustainable 6% growth rate and halving unemployment by 2014.

South Africa is poised to invest R372bn through its Asgi-SA initiative. It becomes critically important that the expenditure focus of this state-led investment is generally well chosen and in particular, targets the kind of projects in Buffalo City that achieves the right impacts. The kind of projects the BCDS requires represents transformative investments as these have a proven international track record in turning around cities' fortunes.

As the locus of world poverty shifts to urban centres⁴ through the process of urbanisation the limitations of urban infrastructure in developing countries to sustain sufficient economic activity and provide healthier, more literate and more prosperous communities, are becoming evident. Urbanisation is a reality and with it comes the realisation that the lives of people can only improve if the ability of cities to sustain a higher level of economic activity increases. Such economic activity depends on the availability of more than just basic municipal services, and also has to incorporate basic economic infrastructure such as airports, road links, rail connectivity and ports.

⁴ UN-Habitat, June 2006: State of the World's Cities 2006/07.

An important informant to BCDS design is the National Spatial Development Perspective (NSDP). It is now realised that patterns of economic investment should target places with the highest economic potential. The limitations of past practises of spreading projects as widely as possible are now recognised as their impact has been diluted. The NSDP thus encourages a concentration of effort in places of highest economic potential – which in Buffalo City translates into focussing productive investment upon East London, Mdantsane, King William’s Town and Bisho.

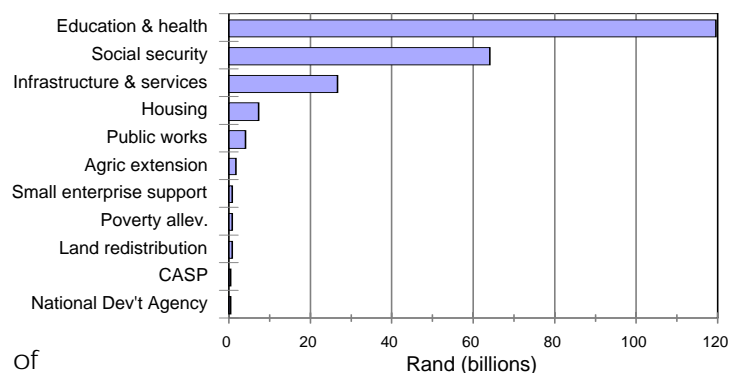
By focussing BCDS’s strategic investment effort at these four urban nodes it will ensure the areas of highest economic activity, job creation and sunk investment are optimised. It is our contention that strong economic performance in the Buffalo City urban nodes will strengthen the functional region as a whole. The region will be served better as the Buffalo City nodes will be able to:

- o Provide a better basis for combating poverty (*by breaking down concentrated poverty by concentrating opportunity*);
- o Provide more jobs in the formal economy (*as opposed to migrating to other cities or dependence on the 2nd economy subsistence livelihoods*);
- o Strengthen the already extensive informal social support networks by allowing wages earned in the formal sector to feed back into rural areas (*enabling less dependency in rural areas on welfare grants*);
- o Allow rural areas access to better quality higher order services available in urban centres (*combating the isolation of many rural areas to high order services that stifles the development of rural communities*); and
- o Create higher efficiencies and lower costs through creating agglomeration benefits enhancing the economic performance of the whole eastern half of the Eastern Cape to the benefit of all.

Attacking the condition of poverty permeates everything Buffalo City intends doing. Poverty reduction is not a separate programme, but an integral part and objective of what we want to achieve in every aspect of the BCDS. The BCDS thus approaches a strategic intervention package through the lens of poverty reduction. However, in attacking poverty the BCDS recommends key policy shifts for a more nuanced response to the needs of the poor. The BCDS shifts the poverty focus consciously by emphasizing:

- o That the current social development agenda is inextricably linked to welfare provision and extension. It is recognized that, despite gaps and weaknesses in this welfare package, the city is in a very weak position to add significantly to welfarist roll out beyond what is currently within the realm of government programmes. In effect the BCDS takes a conscious position

Budgets for poverty reduction, 2004/05



Source: DBSA Development Report 2006:
Overcoming underdevelopment in South
Africa's second economy

- not to emphasize this important aspect, simply because it has little to offer; and more importantly;
- o Consciously shift the strategic discourse to economic development rather than perpetuate the traditional emphasis of welfare provision.

In shaping a fresh approach to poverty reduction the BCDS frames a response that recognizes that:

- o The condition of poverty cannot be defeated through welfare extension only. While ensuring a welfare net the state can serve to relieve the impact of poverty, but ultimately has a fundamental response to lift people out of poverty - *investing in people*;
- o Poverty reduction should no longer only be spatially linked to places where poor people are living today, but should provide a package of initiatives that will grow access of poor people to economic activity and areas with the potential to sustain a higher level of economic activity - *investing in places*;
- o Poverty reduction in a poor region requires a successful urban economy as the future economic growth will be largely urban. More people will find employment in urban based economic activities in the future than all other economic activities combined;
- o Poverty cannot be sustainably addressed without real growth in the economic performance of the urban core of Buffalo City. Investments in economic infrastructure thus anchor poverty reduction in securing real economic performance;
- o Crowding in public investment in the economically productive public infrastructure is the core strategic emphasis of the BCDS; and
- o The BCDS neither detract nor undermine any current poverty alleviation initiatives within the region, wishing to bolster and support these through a more comprehensive focus on the economic performance of a city in a region.

2.2 Managing a City-Region in Transition: Defining strategic intent

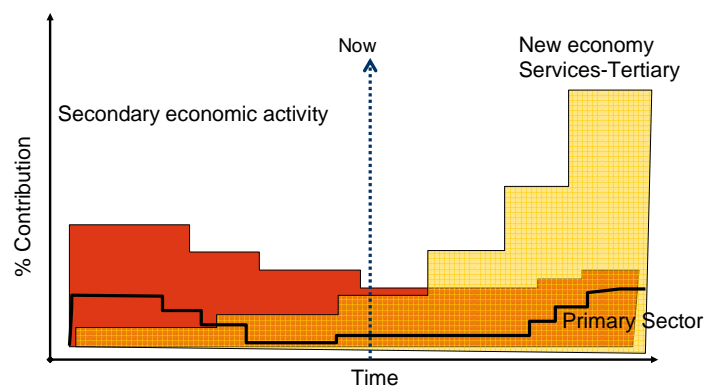
2.2.1 Strategic Intent: Building on trajectories of economic transition



Managing a city-region facing complex economic and social transition is the golden tread running through the BCDS. The logic underpinning this approach is the notion of a predictable evolutionary urban economy in which interventions can be targeted to achieve the desired changes or accelerated responses. Since the city is on a 20-30⁵ year developmental trajectory different strategic responses is deemed necessary at different stages of the city-region's development path.

The rationale behind addressing these five themes is to build on the primary, secondary and tertiary economic growth paths as depicted in the graph below.

Building on trajectories of economic transition



The graph conceptually illustrates that BCM has undergone a relative decline in each of its economic sectors. In following sections the relative decline in agricultural production, manufacturing (notably the clothing and textile industry) will be unpacked in more detail.

The core assumptions underpinning this strategic response framework are that the economic trends will:

- a) Lead to an inevitable decline in primary sector activity such as agriculture and forestry. Interventions in this sector is thus to manage decline and prepare this economic sector for fundamental reform leading into a shift from subsistence

⁵ It should be emphasised that time frames can be significantly longer

- to commercial agriculture and value add forestry and agricultural beneficiation (short-term lead time);
- b) Gradual decline in the proportional (not necessary real) contribution of secondary economic activity such as manufacturing. However, maintaining the manufacturing base in Buffalo City is crucial and essential into the future. The assumption is that manufacturing decline will bottom out following intervention that would allow the city to position itself to attract new growth over time (immediate response required);
 - c) Real future growth will come from the services sector. This sector contains tourism, hospitality, financial services, social services etc. and most importantly, depends on lifestyle and environmental quality factors for success. Not only is the services sector a key international driver of employment, it is set to outstrip manufacturing employment even in Countries such as China. This sector is skills dependent (making the location of Fort Hare Campus crucial), municipal services reliant and highly scaleable (medium to long term impact based on short term steps).

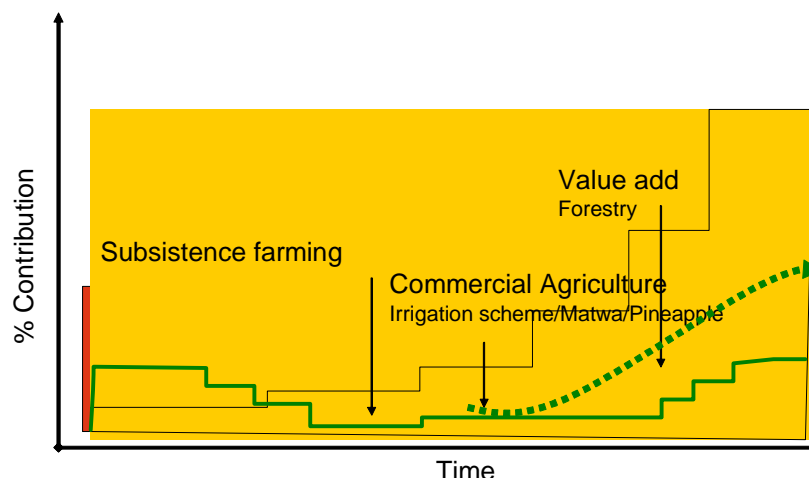
2.2.2 Focus Area: Supporting the primary sector:



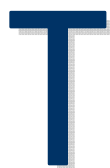
Current subsistence agricultural practices are not viable as low intensity agriculture is practiced on communal land in an unsustainable manner leading to erosion and land degradation. Although the aim of communal land utilization is ensuring food security, the long term commercial farming sustainability and economic growth potential of these practices are questionable. This point is powerfully illustrated by background research conducted for the ECGDS showing that less than 1% of so-called traditional rural people expressed interest in commercial agriculture. Tractors provided for commercial agriculture often end up, like in Mooiplaas, to be used to provide an informal refuse removal service; an urban function.

Addressing the primary economic sector thus includes consolidating subsistence farming into commercial farming into the future through, for example, promoting capitalization of commercial farming practices and the creation of a larger market for cash crops from a vibrant urban economy. Although the agricultural sector is only a small slice of the overall economic activity in the region, creating economically viable agricultural practices on suitable available land in the Eastern Cape, will create a new boost for the region. However, it is also acknowledged that the preconditions for successful large scale commercial agriculture create formidable obstacles in the BC functional region. For this reason forestry holds important short term advantages as it allows industrialized resource exploitation that is internationally competitive and the additional benefit of beneficiation.

Supporting the primary economic sector



2.2.3 Focus Area: Stabilizing and growing the secondary sector



The international employment decline in the manufacturing sector plays an important role in a city where manufacturing employment played a crucial role up to the present. Any short-term destabilization of manufacturing growth or even collapse in this important economic anchor will have very negative consequences for the region.

Manufacturing holds an important place as a key stabilizing aspect of the BCDS to buy time, so to speak, for a robust service sector to emerge.

A key identified weakness of Asgi-SA is its dependency on capital accumulation⁶ and a particular weakness in the last decade to grow an export orientated manufacturing sector.⁷ While the latter is viewed as a key factor contributing to "jobless" growth the former may not achieve its objectives due to the low emphasis in Asgi-SA project selection on supporting manufacturing or investing in manufacturing supporting infrastructure; particularly in regard to the Buffalo City Region. The BCDS's key concern

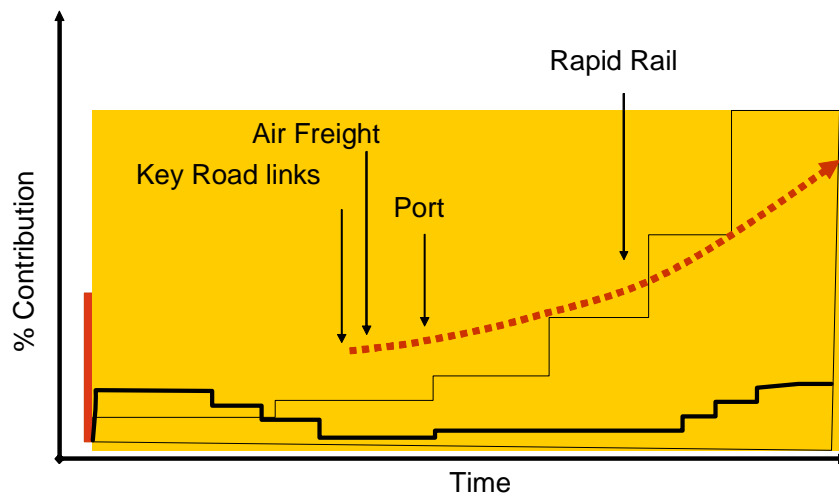
⁶ Franker, J, Smith, B. and Strutzenegger, September 2006: South Africa: Macro-economic challenges after a decade of success. CID Working paper 133. Centre for International Development at Harvard University.

⁷ Rodrik, Dani, August 2006: Understanding South Africa's Economic Puzzles. CID Working Paper no. 130. Centre for International Development at Harvard University.

is the lack of Asgi-SA related investment either through key SOEs or through Provincial infrastructure projects with major impact.⁸

Due to the fact that secondary sector economic activities such as manufacturing and the automotive industry still play a major role in economic growth and employment creation in the city, addressing a growth strategy for this sector is crucial for sustained growth of the city over the shorter term. Although encouraging investment in the port, rail and road are high risk initiatives (since none of the SOEs are currently considering appropriate investments in Buffalo City), as will be illustrated below, addressing these issues through developing diversification strategies for the manufacturing and agriculture industries will ensure the City's growth path during the transition from secondary economic base to a services based economy.

Stabilizing and growing the secondary economic sector



⁸ AsgiSA Summary

2.2.4 Focus Area: Gearing up the services sector to provide the future growth impulse

Real change in the economy is brought about through the tertiary economy that includes services, tourism & leisure and the creation of Buffalo City as a lifestyle city which attracts new economic investment different to the norm experienced to date. This transition cannot be brought about without necessary municipal infrastructure investment being in place. As will be illustrated below, current municipal infrastructure assets are facing a risk of disrepair due to a lack of adequate maintenance and refurbishment over the last decades. Since investing in the tertiary economy is premised on adequate infrastructure implementation this is a long term strategy that is based on a 30 year agenda.

Lessons for small cities in enabling the transition to new economy growth

Fix the basics. In partnership with the state, Cities must improve their financial picture and provision of basic services. Most fundamentally, Central and Provincial government should assure these cities a more consistent flow of local aid Rands in exchange for increased accountability, transparency, and efficiency in local expenditures and service provision.

Build the middle-class workforce of tomorrow. Second, a new state-local partnership in the Eastern Cape must radically step up education and training efforts

Create new economic connections for the 21st century. Finally, cities, their regions, and the state must adopt a new mentality of collaborative competition. In the past, prosperity turned on the sovereign power of individual businesses, factories, and mill towns. Today, economic development depends more on establishing partnerships, nurturing networks, and building interconnected regions that can compete globally for jobs and services.

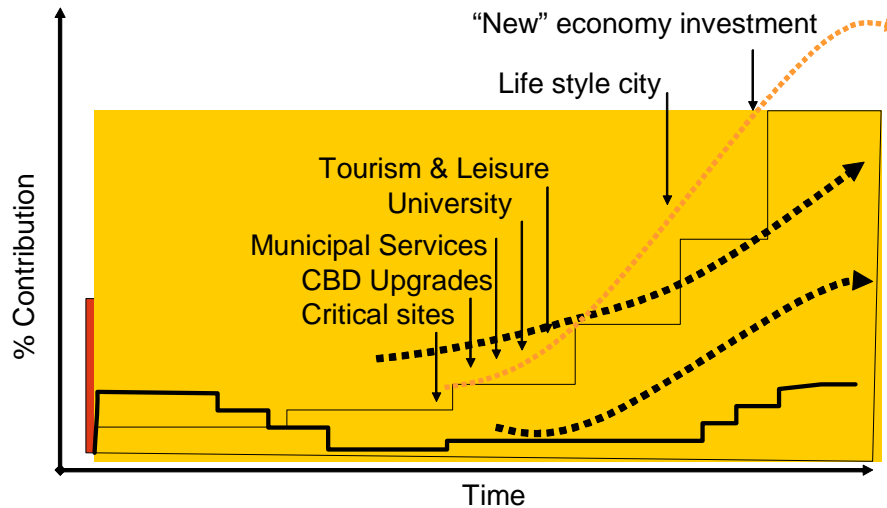
Paraphrased from: The Massachusetts Institute for a new Commonwealth, February 2007: Reconnecting Massachusetts Gateway Cities

In order to put the City on a long term growth path of tertiary economic growth, addressing municipal infrastructure investment is critical to activate tertiary economic growth.

In the interim the pillars of the current economy (primary and secondary sectors) have to be supported in order to prevent fast tracked decline of the city and to provide a phased transition from the secondary to the tertiary economy through upgrading the port, road, rail etc. This will sustain the current manufacturing sector and, in addition, pull a declining region under stress out of the manufacturing sector and over the long term,

through public investment, positioning the city to enter the tertiary economic sector and thus guarantee its long term sustainability.

Gearing up the tertiary economy

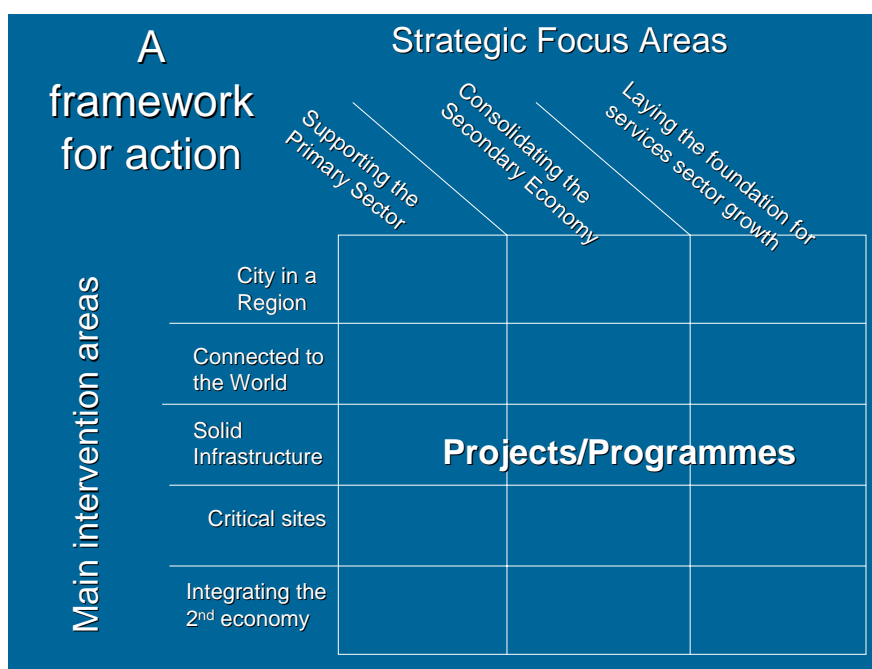


3. Consolidating the Buffalo City Development Strategy

3.1 Putting the BCDS together

In developing BCDS's logic on how to meet its strategic focus areas practically a triangulation of three informant sets were used and resulted in five strategic themes/main intervention areas (see figure below):

- o Firstly, a normative scan of international city best practices and in particular small cities experiences were developed against which Buffalo City was mirrored;
- o Secondly, through the RPi engagements with key stakeholders a careful evaluation of ideas and contextual understanding was developed against which to consider comparative international experience; and
- o Finally, urban theory concepts are applied to refine strategic themes. The collective result of this creative process has been three focus areas informing five emergent intervention areas.



Putting it all together

The three focus areas sets out an evolutionary agenda that guides interventions and their sequencing in a manner that informs priority setting within 5-year IDP cycles. The intervention areas allow us to position specific projects within the focus areas and inform us as to how each project or intervention feeds into our focus areas.

3.2 Deepening strategic focus areas

In this section an overview of the key aspects of the BCDS is provided in the way of a story – a narrative of what we intent doing. It is told in the first person to bring the key concepts across in an accessible manner. It should be noted that emphasis is placed upon managing the secondary and tertiary transition in this section as this is where the emphasis is placed in the BCDS. Importantly, dealing with the primary (agricultural) economy is not less important, but already features in District and Provincial plans, as well as in the City's IDP.

3.2.1 Consolidating and Growing the Secondary Economy (Manufacturing Sector) through investment in connectivity infrastructure

Buffalo City stepped out of its colonial roots once a manufacturing economy developed in the post-Second World War period. Through its manufacturing sector the city could transcend its rural service and limited trade centre roots and laid the foundations of an industrial city to develop. The precondition for industrialization has been the availability of South Africa's only river port, development of rail links to the main national rail network and state incentive packages. Up to now this manufacturing sector has been a key anchor in the local economy providing key employment in core and supplier industries. It is thus critical for the city to retain and grow its manufacturing sector and the employment it provides.

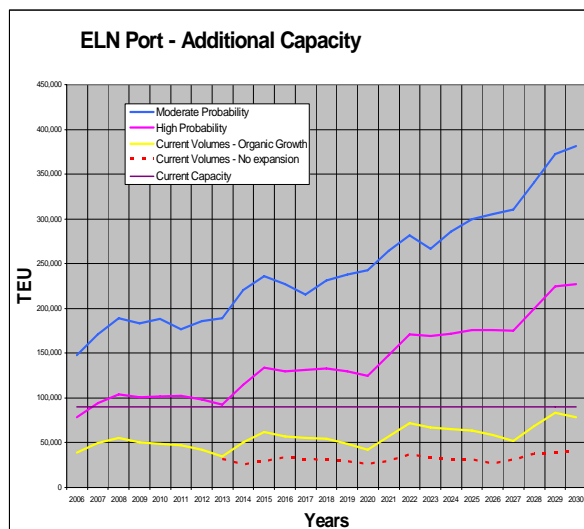
Connecting
Buffalo City by
the logistical
infrastructure
investment

Our analysis has shown that the single most important success factor in Buffalo City's ability to retain and grow manufacturing lays in expanding the capacity of the port. The inability to dock newer generation ships through draft and turning circle constraints, as well as the inability to handle large container volumes is emerging is a critical constraint



on the manufacturing sector. It follows that the IDZ's comparative advantage as an investment location is similarly undermined by the capacity constraints represented by the East London Port.

At the moment the East London Port is not viable for investment based on a Net Present Value (NPV) based viability assessment by Transnet. Transnet's investment mandate from the Department of Trade and Industry is to become a viable business entity, requiring it to focus its investment effort on the most profitable investments. The case for the Buffalo City Port is not so much its viability as a stand-alone facility, but the impact that this facility can have on the regional economy. It is estimated that investing R5bn into the port can create 58 000 jobs⁹. The case for the Port is therefore the multiplier that can be generated. Not investing in the Port will risk 50 000 jobs, undermine the viability of the IDZ, Umzimvubu Catchment initiative, Kei Rail project and the Timber Beneficiation initiatives that depends on export linkages.



The graph reflects:

- Current port capacity
- Organic growth based on current volumes
- High probability - Growth of volumes based on current initiatives which have a high probability and confidence level that they will take place and are combined with current volumes
- Moderate probability - Growth of volumes based on current initiatives which have a moderate probability and confidence level that they will take place and are combined with current volumes
- Impact of current volumes should no expansion take place.

Source: ECDC, 2006: Impact Assessment of the East London Port Expansion, 31 March 2006

The port however, is only one aspect of connectivity. We know from international experience that cities that become isolated from key markets and resource supply areas can go in rapid decline. It is thus of critical importance for all sectors of the economy that Buffalo City remains connected to the National and inter national spatial economy through excellent air, road and rail linkages.

Connecting Buffalo City with high speed broadband sets it up for new economy activity

In addition, to transport infrastructure we know that access to broadband capacity is a critical precondition for attracting "new" economy activities that are currently the basis for future economic growth. Connectivity to high capacity data carrying networks is as important as physical connectivity.

"It is quicker to connect to the internet from Kampala, Uganda, -than from East London" (RPI workshop participant)

⁹ KPMG viability study 2006

Yet, we are aware that the manufacturing sector internationally is experiencing major transformation. For one, a key spatial shift in production to low cost production countries such as China and India is taking place. We also know that most job growth is not taking place within the manufacturing (secondary economy) sector due to higher levels of technology application, mechanization and production productivity measures. We cannot therefore only focus on our manufacturing sector without also making provision for new areas of economic activity. However, due to the high importance in GVA attached to this sector we simply cannot afford to lose the current agglomeration benefits and scale within the manufacturing economy.

We aim to achieve a consolidation of and creating the basis for expanded industrial activity through:

- o Lobbying for investment into the East London Port and acting to facilitate an investment strategy in close cooperation with Transnet, DTI, The Eastern Cape Province and operators such as Safmarine;
- o Lobbying for key road link investments such as the coastal R72 and further improvements to the N2;
- o Lobbying for improved rail freight services linking Buffalo City with both Coega and Gauteng;
- o Emphasising the importance of improving broad bandwidth access to the Eastern Cape and Buffalo City; and
- o Making the case for a long-term investment strategy for a coastal city development strategy that could include a rapid rail link to Durban, Richards Bay, Maputo and the rest of East Africa

3.2.2 Laying foundations for Services Sector growth



Where do we think will future growth come from? All indications are that the services sector (transport, finances, personal services, information technology, tourism, hospitality, government etc.) will be the key driver of future economic growth and employment. Services sector activities already provide the most jobs in Buffalo City outstripping manufacturing jobs by at least 75% and primary sector jobs by an even greater margin. Unlike manufacturing, the tertiary economy has not reached a level of maturity yet and we believe holds the most potential for the future. What investments will the services economy require to thrive? A whole generation of international cities is currently pursuing "creative" economic growth. The common features of this type of growth strategies targeting the high value services sector include:

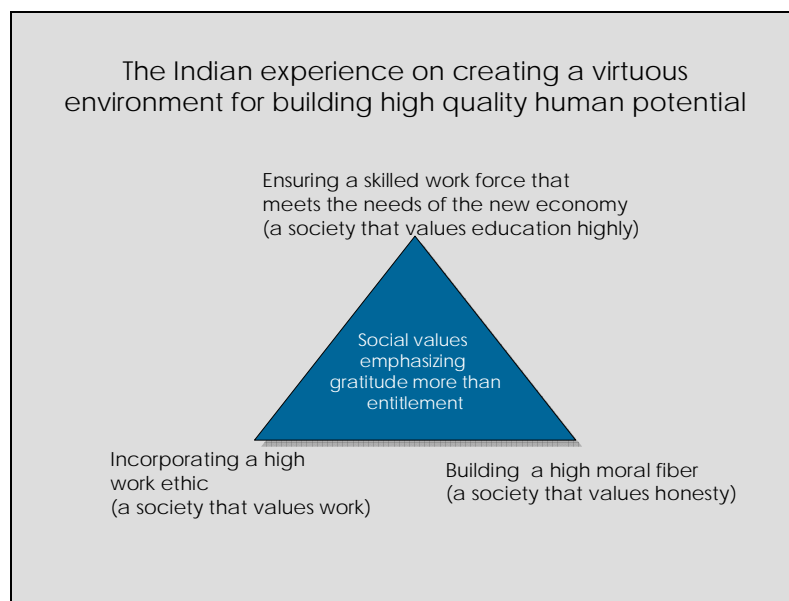
- o Building an economy on sustainability;
- o Combining economic development with social inclusion; and

- o Caring for the environment over a long time period.¹⁰

The impact of such strategies permeate urban success stories such as Dublin (attracting a knowledge economy), Balboa (using culture) Shenzhen (shifting from manufacturing to knowledge economy), Barcelona (using spatial redevelopment) etc. The key realization from international experience is that strategies to grow a services economy focusing on tertiary sector activities takes a long time – often several decades – to gain momentum. It follows that cities need to step onto a development path that builds economic momentum over time.

Analysis of successful cities indicates that Buffalo City can attract service economic activity through a combination of factors:

- i) **Availability of skilled labour (quality human capital):-** most service sector work is dependent on highly skilled labour availability. Investment in skills development is therefore a critical success factor in growing a “new” economy foundation;



Source: ODA study notes 2007

- ii) **Achieving agglomeration:-** A key factor supporting the establishment of successful start-ups (as these are more significant than relocation of existing businesses) is the existence of similar businesses in close proximity. This “swarming” of activity around new innovations increases profitability and productivity.¹¹ Research has thus shown that proximity and clustering generate agglomeration benefits that stimulate new business start-ups. Since the necessary agglomeration only develops a critical mass for rapid growth over time many cities are focusing their effort to stimulate a suitable environment to enable more rapid clustering of new economy businesses;

¹⁰ ISOCARP Review, 2005: Making spaces for the Creative Economy

¹¹ Simmie, James (ed), 2001: Innovative Cities.

Creating of
the Fort Hare
Campus a
strategic asset
for the City

- iii) **Attracting knowledge industries:-** The most prolific new economy start-ups emanates from “knowledge factories”; universities and research institutions. Having a successful university is therefore a critical success factor that can be further enhanced by inter-university cooperation leading to the location of research institutions in the city. These institutions’ research and development (R&D) activities form an important stimulant for the innovation driving new firm formation. It follows that the Universities of Fort Hare, Walter Sisulu and Grahamstown are critical partners in ensuring Buffalo City’s success. These institutions can serve as incubators for new economy start-ups and can speed up the creation of the agglomeration thresholds to place this sector onto its own growth path;
- iv) **Attracting and building the right people:-** It is increasingly appreciated that a relatively small “creative class” are the drivers of new business formation. These entrepreneurs create the businesses that drive employment and can transform a city. What comparative advantages can Buffalo City offer this group of critical investment decision makers? A growing body of research indicates the following issues

It is noteworthy that almost all successful cities has been focusing on attracting a knowledge economy industry – reinventing themselves as innovation hubs, High tech, Smart Cities and E-business centers

Buffalo City as
a premium
lifestyly city

Appropriate
development
of strategic
land a critical
success factor

- **High quality living environment:-** Buffalo City has a high quality natural environment offering a stunning range of life style choices. The built environment, however, is showing signs of decay. Through a concerted environmental management effort Buffalo City will be able to maintain its high quality natural environmental attributes. Buffalo City can achieve significant benefits investing into the built environment. We believe that significant investment momentum can be generated through the appropriate development of critical, large, well located land parcels and development precincts. Land parcels hold the potential to reinvigorate the central business areas, create a new waterfront precinct, redevelop the beach front and accommodate large mixed income residential development. Most of these land parcels are in the ownership of SOEs, are underdeveloped and generally in a state of blight. In addition we understand the importance of maintaining quality municipal service delivery, investing into public spaces and enhancing town centers. The added benefit of investing in the built environment is that it generates a return in the form of increased property values and assessment rates income to the municipality;
- **Quality public amenities:-** Research has indicated that the creative class, as indeed all families, are attracted by good quality schools, medical services and other public amenities such as sport and recreation facilities.¹² Ensuring quality education, health, sport and recreation facilities thus serves a magnet to attract people and keeping internal investment. Ensuring high quality public amenities has the benefit that it encourages attraction and retention of almost all types of people; attracting young people as well as enabling the development of a

¹² Landy, Florida and Simmie

Ensuring
quality
municipal
service
delivery a
critical
baseline
investment – a
deal breaker

- retirement industry. Similarly, such facilities in the public domain serve the poor as well as higher income households;
- v) **Social integration:-** Overcoming the economic division permeating most contemporary societies is a critical success factor. Economies thrive in conditions of openness, tolerance and social cohesion. The social pathologies, isolation, concentrated poverty, crime and political instability accompanying divided societies scare off investment. Attracting growth therefore also means dealing with poverty. A key mechanism in achieving social integration is through dynamic mixed income development that thrives on multi-culture and cosmopolitan communities. Dealing with poverty alleviation only in areas where poverty current occurs denies the poor sufficient opportunity; and
 - vi) **Quality municipal services:-** Without safe and adequate water supply, well functioning sewer systems and reliable electricity supply none of the above success factors can materialize. Similarly, without a urban road and public transport systems movement is inhibited and transactional cost increased. It follows that investment into municipal services is a baseline investment supporting economic activity. Municipal services are the most basic of economic infrastructure.

While the above list of positive reinforcing factors (areas in which the city can achieve positive responses through successful intervention) the BCDS also has to address issues that potentially can cause degeneration and negative outcomes. The key amongst negative factors to be combated are:

- o Poor governance: Corruption and inefficient government undermines confidence in government, business and communities. Places suffering from poor governance practices such as endemic corruption, unstable politics and public sector services failure cannot compete and usually suffer from lower investment levels.
- o A healthy population ensures a healthy community: The HIV/Aids pandemic has a negative impact within Buffalo City and the Eastern Cape in general with infection rates estimated to rise above 30% of the population. In the table below the absolute numbers of people living with HIV/Aids within Buffalo City are estimated to be well above 50 000 people, leading to growing concerns of addressing related social issues such as Aids orphans, child headed households and subsistence for people incapable of doing work.

The estimated number of HIV cases in Buffalo City based NM/HSRC survey data			
	Estimated number of persons living with HIV		
	Black	Other	Total
Male	19,934 (7.1%)	1,088 (2.2%)	21,022 (6.4%)
Female	30,074 (9.4%)	1,522 (2.8%)	31,596 (8.5%)
Total	50,008 (8.4%)	2,610 (2.5%)	52,618 (7.5%)

- o Crime and social pathologies: Crime affects everybody. A high incidence of crime and violence acts as a destabilizing factor to society and reduces community wellbeing significantly. Safety and security is thus a key factor that requires attention due to its potential negative impact on the city region.

4. Towards targeted intervention design

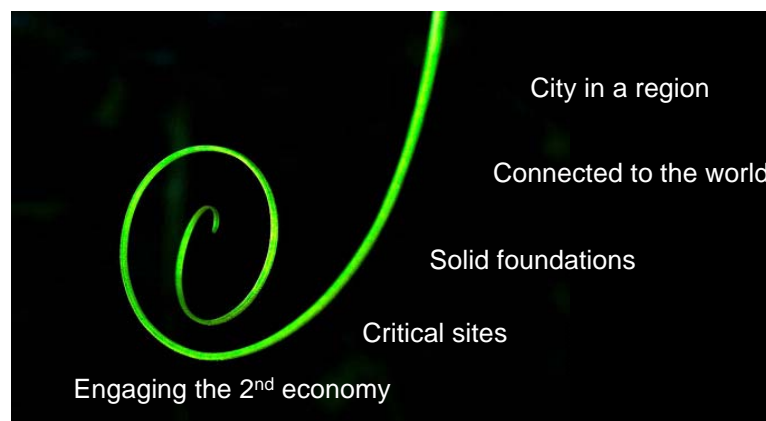
4.1 Selecting key intervention areas

T

hrough the BCDS RPi process the following key intervention areas were filtered out:

The BCDS Themes are about creating sustainable jobs and continuously improving quality of life. The BCDS aims to achieve these through a focus on 5 high leverage intervention areas

- o A **City in a Region** – pursuing projects positioning Buffalo City in its Eastern Cape spatial economic context and the importance of merging rural and urban thinking into a single regional growth logic;
- o A coastal city region **Connected to the World** – recognising the strategic importance of Buffalo City as a port city and the importance of forming part of a sub-continental spatial economy through connectivity by all modes of transport and broadband;
- o A City Region that maintains and invest in **Solid Infrastructure Foundations** to both sustain current levels of municipal services and support economic activity;
- o Packaging and parcelling groups of **critical sites** in key precincts for strategic release to illustrate the application of **creative and lifestyle** city positioning of Buffalo City, as well as to build investors confidence; and
- o **Engaging the Second Economy** and agriculture to overcome the urban-rural divide and grow broad-based participation in the formal economy.



It is important to note that the BCDS themes represent a tool to explain what the strategic logic underpinning the strategic approach. It is not a project/programme pseudonym as specific interventions underpinning this strategic logic still has to be finalised and will continue to emerge over the next decades. The purpose and intent are

to create a “storyline” or logic that can inform project selection and resource priorities over time.

4.2 Shaping BCDS Strategic response

4.2.1 FOCUS AREA 1: *A City in a Region*

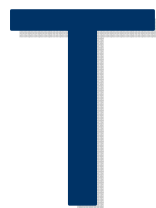
Core Strategic Agenda:

- o Facilitating a key investment package into the East London Port as a precondition retaining current manufacturing agglomeration economies of scale, ensuring the success of the ELIDZ and strengthening the export capacity of future Umzimvubu Catchment and Timer investment initiatives;
- o Facilitating key investments in regional road links;
- o Encourage investment into the East London airport, in particular to encourage airfreight capacity to increase;
- o Ensuring rail link upgrades to Coega will allow ease of future access into the national network.

Key sub-strategies:

BCM needs to position itself in the Border Kei region through the establishment of a common interest:

- o De-emphasizing the rural urban divide as counter productive and emphasizing the mutual reinforcements and interdependencies
- o Linking the CDS with articulated government intentions (Timber Industries Development Initiative, Kei rail, Umzimvubu Catchment etc.) for the region
- o Projection of job creation prospects emanating from key CDS initiatives (port investment multiplier effects)
- o The mayor, the premier and the business community acting in unison

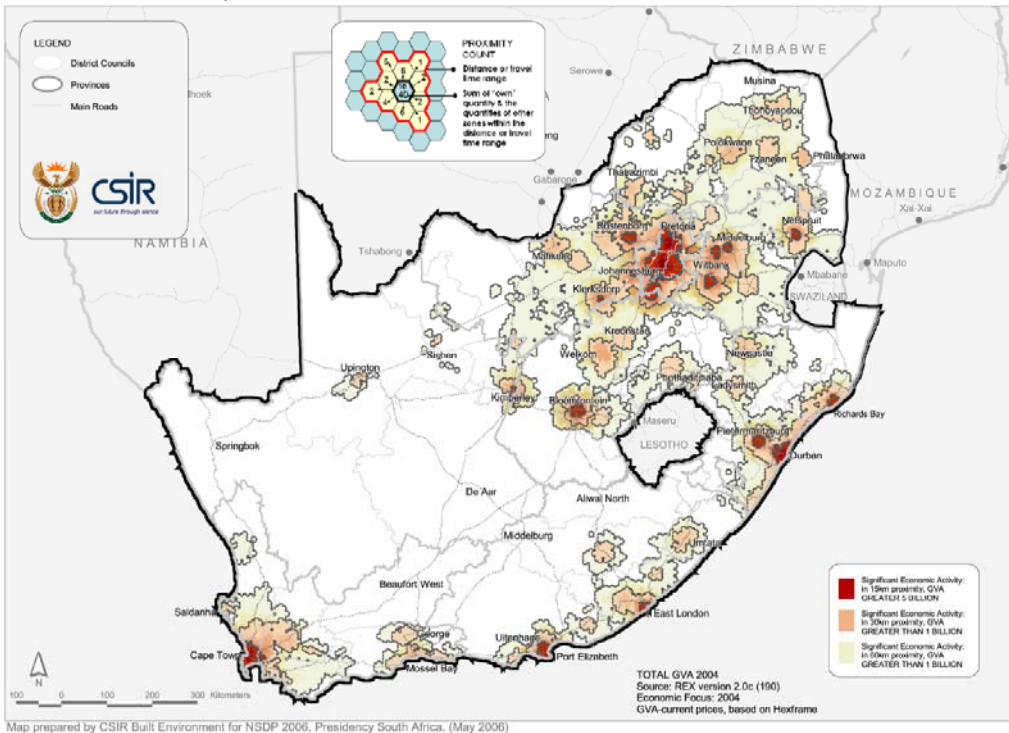


This section amplifies the role of BCM as a major role player in the north eastern part of the Eastern Cape and locates it within a functional region that extends beyond the City's municipal boundaries. The implications of the National Spatial Development Perspective (NDSP) and the Accelerated and Shared Growth Initiative for South Africa (Asgi-SA) on the placement of the City in the national spatial planning context are elaborated on below. As is illustrated below, Buffalo

City enjoys limited support within these spatial frameworks, which highlights the need for the City to position itself within the national spatial agenda through linking with articulated government intentions. This will require the creation of a strong community of interest that will take the process forward.

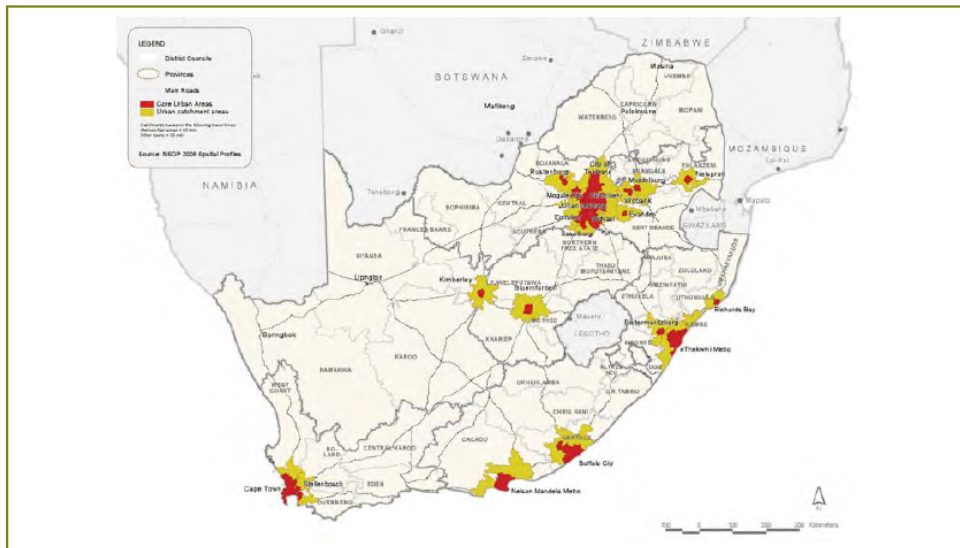
Buffalo City occupies a position of regional primacy within the eastern most densely populated (and poorest) parts of the Eastern Cape. It follows that Buffalo City, given its dominance in the spatial economy of its hinterland, plays a significant role. When it is considered that BCM's economy forms 1.6% of the National GVA the regional importance of this urban economy in a very poor hinterland is underscored. The Economic Concentrations map emanating from the NSDP perhaps provides the best spatial representation of the reach of Buffalo City, clearly illustrating a spatial reach that is much more extensive than the Nelson Mandela Metropolitan Area. It also shows a spatial reach that is much larger than the Amathole DM jurisdiction.

Economic Concentrations, SOUTH AFRICA

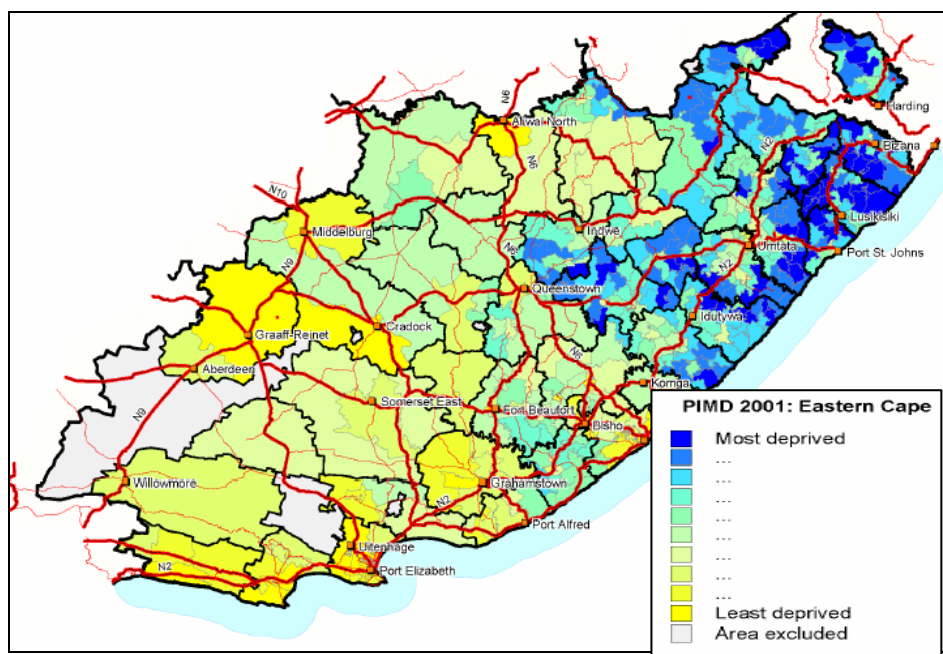


- Thinking "region" rather than "city"

A key lesson from international experience affecting the economic well-being of secondary cities is their link to regional economies. Buffalo City is located in a weak regional economy as is illustrated in the map below. The former Transkei area constituting the North East of the Eastern Cape is amongst the most deprived areas in the country.



Key urban areas and their catchments¹³



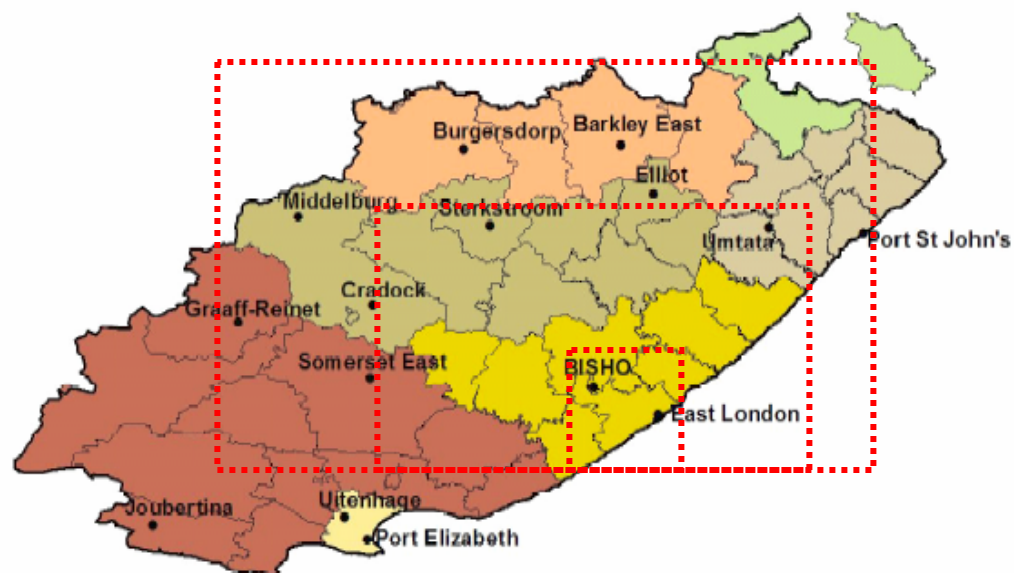
Map of multiple deprivation in the Eastern Cape, 2001

¹³ South African Cities Network (2006) State of the Cities Report 2006. http://www.sacities.net/2006/pdfs/cities_2006.pdf.

Linking the urban core and the peri-urban hinterland is thus of critical importance for both. Rural development is not viable without being able to link it to an economically strong city. Similarly, Buffalo City cannot reach its full potential unless the economic prospects for the region improve.

The BCDS focuses on Buffalo City and its surrounding functional region and emphasises pro-poor development of the area. Although the region remains undefined, it would incorporate more than the Amathole District. The BCDS does not only focus on the urban nodes but also includes the development of the rural areas around the city and aims to impact on development in the entire area covered by the economic and social footprint of Buffalo City. As per illustration, the way that business is organised in the region transcends municipal boundaries, which demonstrates that it is imperative for the CDS to relate to the larger region instead of political boundaries.

The figure above illustrates South African key urban areas and their catchment, showing that Buffalo City's functional footprint extends well beyond its municipal boundaries.



○ **Buffalo City in relation to the national spatial radar**

NSDP

In terms of the National Spatial Development Perspective, Buffalo City Municipality has been classified as a medium importance area which means that no significant investment is concentrated in the region.

The NSDP identifies six Categories of Development Potential according to which the national space economy is conceptualized. The outcomes for BCM in each of the categories are set out in the table below as taken from the NSDP maps and narrative. The data is classified into the three categories of high, medium and low impact.

BCM status in terms of the NSDP 2003¹⁴

Category	Description	BCM status
Innovation and experimentation	Production: Labour-intensive, mass-produced goods (more dependent on labour costs and/or natural resource exploitation)	Medium
Production: High value differentiated goods (strongly dependent on costs)	All forms of production that focus on local and/or global niche markets such as manufacturing, and some specialised agricultural or natural resource-based products	Medium
Production: Labour-intensive mass-produced goods (dependent on labour and/or natural resource exploitation)	Industries in this category, such as iron and steel producers, and agricultural and mining activities, are highly dependent on proximity or good, direct transport linkages to the huge volumes of natural resources that they use in their production processes, as well as the availability of greater numbers of unskilled and semi-skilled labour	Medium
Public services and administration	The processes of production, consumption and circulation need to be organised through business and public management. This category includes social services such as health, welfare and education	High
Retail and services	Retail, catering and personal services are major components of any economy and a large employer of semi-skilled workers in the major industrial economies of the world, such as the United States of America, the United Kingdom (UK) and Europe and Japan. The locational requirements for this category are the presence of enterprises and people who are willing and able to pay for goods and services	Medium
Tourism	Key components of tourism include the need for a tourist-attraction (eco-scenery, cultural, heritage), good transport routes, safety and, in some instances, high-quality restaurants and hotels	Medium

Whereas Buffalo City has been classified as a medium rating city on most of the categories of development potential, Port Elizabeth has been classified in almost all instances with a high impact rating (except for in the "Innovation and Experimentation" category).

¹⁴ Policy Co-ordination and Advisory Services, The Presidency (2003) National Spatial Development Perspective (NSDP). March 2003.

ASGI-SA:

Through Asgi-SA, national government is planning to invest an estimated R372bn in economic growth.

Key for BCDS is the specific mega-projects earmarked for its functional region. The Cabinet approved projects currently linked to Asgi-SA are:

- o Umzimvubu Catchment; and the
- o Timber Industries development initiative.



The Umzimvubu Basin Management and Development Programme constitute the construction of a dam and a hydropower facility and is aimed at “environmental protection and preservation, energy and water supply”. The project will include irrigation schemes covering estimates of 112 000 ha and will address approximately 50 000 ha of degraded agricultural land through forestation projects that will entail “the rapid expansion of a modern agro forestry economy linked to value chain processing, manufacturing and marketing.” In addition a transfer system to the Gariep dam is considered.¹⁵

Spin off effects of this projects include the urban revival of small towns in the catchment area, especially Mthatha. In addition the projects are to assist citizens active in the second economy to enter the first economy¹⁶. It is estimated that the project could generate up to 500 000 employment opportunities¹⁷.

Linked to this project is the Forestry Development Programme that will be connected to ASGI-SA and link to the PGDPs Timber Industries Development Initiative. In addition, the Steinhoff timber investment in Maclear adds to the development of the timber industry in the Province.

Buffalo City includes swaths of rural settlement areas in its jurisdiction. It also constitutes the only significant contributors to Gross Domestic Product (GDP) in the poorest eastern half of the Eastern Cape. As illustrated above, major ASGI-SA initiatives are now located within the functional region of Buffalo City as well as other large scale projects such as the Ugie-Langeni Road, the Wild Coast Meander, Kei Rail, Magwa Tea Plantation, Mkambati Nature Reserve, Xolobeni Mine and Steinhoff Timber, to name a few.

¹⁵ State of the Province Address of the Premier of the Eastern Cape, the Honourable Mrs Nosimo Balindlela, Eastern Cape Legislature, 10 February 2006.

¹⁶ State of the Province Address of the Premier of the Eastern Cape, the Honourable Mrs Nosimo Balindlela, Eastern Cape Legislature, 10 February 2006.

¹⁷ Daily Dispatch (2006) R28bn Umsimbuvu to create 500 000 Jobs, 16 February 2006. Downloaded from <http://www.ecdc.co.za/media/article.asp?pageid=1026>

○ Positioning Buffalo City

While these initiatives are important in that they are set to crowd-in major capital investment, virtually none of them respond to the Buffalo City urban economy directly. The initiatives do not take into account the limitations they face without optimal connectivity in the form of the port, rail, air and road links to potential markets through Buffalo City. They neglect to identify the importance of regional connectivity for their own viability. Similarly, the Eastern Cape Provincial Growth and Development Plan has a rural bias and neglects to realize Buffalo City as the major logistics and transport portal.

Given the lack of emphasis that Buffalo City enjoys in the allocation of projects and focus in the national spatial arena and on provincial level, it is imperative for the City to firstly position itself strategically as a portal through which produce from the hinterland is to be channeled and secondly, lobby for the allocation of funds and focus on secondary coastal cities such as Buffalo City.

Overall government plans for infrastructure spending totals over R320bn over the current MTEF

- ◆ Further allocations are envisaged going forward
- ◆ Such investment levels have not been seen before since 1994

50%	To be spent by the three spheres of govt
5%	To be spent through Public Private Partnerships
3 - 5%	To be spent by development finance institutions
40%	To be spent by State Owned Enterprises.

○ BCM as the gateway to the Eastern Cape Rural areas

In order for the BCM to transcend its regional limitations as defined by the national spatial framework and ASGI-SA, it has to position itself as a portal through which goods and services are imported, exported and rendered to the rural hinterland and the national and international market by linking with articulated government intentions. For example, with the promotion of the timber industry in the rural area, value-add industries should be promoted in Buffalo City as well as the transportation of products through its port, road and rail systems.

○ Lobbying for increased focus on secondary coastal cities in the national spatial environment

In addition to the above it is imperative for the City to position itself within the national spatial agenda through lobbying for increased support by the NSDP and ASGI-SA in the provision of support and funding to secondary cities. The table illustrates that ASGI-SA allocates 40% of the R 372bn to be spent by State Owned Enterprises (SOEs). BCM has to ensure that a part of these funds are spent on strategically important investments in the city in order to facilitate the creation of a gateway between the hinterland and the national/ international arena.

However, the emerging planned SOE investment profile is cause for concern. The message emerging from the inputs received at the RPI can be summarized as follows:

- No SOE is planning to invest any significant amount in Buffalo City's connectivity infrastructure as part of current long term investment planning;
- Most SOE investment that is planned is aimed at relatively limited improvements in current operations and facilities;
- Port investment and relating rail infrastructure are clearly directed at Port Elizabeth in general and Coega in particular;
- Until Coega becomes viable, it is unlikely that any investment will be encouraged that may negatively affect the viability of Coega;
- Buffalo City is not viewed as a direct import locality of the future while Coega is planned to become a transshipment facility from where goods will be railed to Buffalo City, impacting severely on the duration, cost and viability of Buffalo City-based industry;
- As part of facilitating transshipment from Coega limited investment in improving the PE – East London rail line is planned. No particular improvements is anticipated in the East London to Gauteng rail facility, neither are there any long term plans linking coastal areas to Durban and other east coast ports on the sub-continent;
- Perhaps most importantly, SOE investments are mostly aimed at generating returns on investment and as such require short to medium terms investment thresholds to be in place. Current volume movement through the East London Port and the BC region does not meet minimum investment thresholds sufficiently to generate the returns that investment elsewhere in South Africa. Thus, unless investment is made aimed at long term multiplier benefits rather than short-term returns on investment, Buffalo City may find it difficult to compete for SOE investment capital; and
- The SOE default investment position is not out of sync with the National Spatial Development Perspective's earmarking BC as a medium potential investment location.

The sheer volume of funding to be directed through SOEs suggests that unless Buffalo City can benefit from this phase of investment that it may miss an entire investment cycle of a decade or more.

▪ **Creation of a community of interest**

In order for Buffalo City to benefit from ASGI-SA projects and in order to lobby for increased recognition of the importance of the City in terms of the NSDP, a strong community of interest will need to be created locally that will take the process forward.

The key aspects to facilitate progress are:

- Lobbying and positioning public investment agencies;
- Influence investment decision criteria;
- Broaden funding options; and

- Meet viability thresholds by reducing investment risk by particular SOEs through cross financing.

Although at the time of concluding the RPI's the organisation which would take the CDS forward had not yet been defined, it was decided that the formation of a CDS institutional home will be determined through the process. Concern should not be raised about the creation of the institution prematurely as the institutional location of the CDS will develop out of the engagement process.

It is imperative, however, that a BCDS bureau is created in the municipality that initiates CDS related events and who champions the process.

4.2.2 FOCUS AREA 2: *Connecting the City*

Core Strategic Agenda:

- Facilitating a key investment package into the East London Port as a precondition retaining current manufacturing agglomeration economies of scale, ensuring the success of the ELIDZ and strengthening the export capacity of future Umzimvubu Catchment and Timer investment initiatives;
- Facilitating key investments in regional road links;
- Encourage investment into the east London airport, in particular to encourage airfreight capacity to increase;
- Ensuring rail link upgrades to Coega will allow ease of future access into the national network;
- Enabling access to new broadband infrastructure.

Key sub-strategies:

- Spatial-economic focus: Agreeing the appropriate geo-political and economic focus for the city (stop talking about competing with Coega- start talking BCM on the Indian Ocean rim)
- City's relationship to national policy: Place of BCM in the NSDF (coastal corridor argument)-
- Sub- regional focus: The city in the Eastern Cape province as an anchor in the sub-region (eastern sub region in the province: port, road, airport and rail agenda)

A

s described in above, the focus of the BCDS aims to assist the City to transcend its regional limitations in order to position itself as a growing city on the national and international agenda. There is a real danger that critical long term investments in connectivity infrastructure fail to be addressed sufficiently due to the limited scope of large Asgi-SA sponsored development projects in the Eastern Cape, as well as the limited investment mandates by SOEs and other state agencies.

A critical success factor for a city-region is the ability of to have quality connections to a larger national, sub-continental and international spatial economy. Unless raw material and finished goods can be transported efficiently, at relatively price competitive rates, and perhaps more importantly, fast, a region cannot hope to provide competitive locational advantages. As a consequence ensuring investment in the port, roads and rail is of critical importance – in particular the port which provides a “hinge factor” that can potentially either make a great impact for growth or alternatively precipitate decline and disinvestment.

In addition, it is imperative to focus on local mobility and connectivity, especially in the light of the urban form of Buffalo City and the transport challenges that arise.

This second focus area of the BCDS thus concentrates on connectivity and mobility issues at the local, national and international level. Firstly, local mobility issues are addressed. Secondly, locating Buffalo City Municipality on the national agenda with regards to a connectivity programme that focuses on road, rail and air transport is addressed. Thirdly, this section locates BCM on the Indian Ocean Rim as one of the crucial ports on the east coast of Africa. This is unlocked by lobbying for major infrastructure investment into the port in order to make it viable for large scale commercial shipping and through this leverage economic growth for the region.

It is clear from the above graph that the East London Port is projected to run out of capacity within 2-years and requires reinvestment at scale. Due to the competitive advantage the port offers the Buffalo City Region this is viewed as a key focus area for implementation.

- **SOE Mandates**

Transnet and its subsidiaries Spoornet and Portnet are State Owned Enterprises (SOEs) responsible for managing and capitalizing rail and port infrastructure. The SOEs will collectively invest 40% of Asgi-SA efforts and is thus a crucial factor in BCDS thinking. These companies are in state ownership reporting to the Department of Trade and Industry with a commercial mandate and operated for profit. Potential investments have to demonstrate notable returns in order to be considered. It

follows that Portnet, for example, has a defined mandate and fiscal incentive to invest in port operations that cannot show a short term return on investment.

In addition, the national Department of Transport has appointed the South African National Roads Agency Limited (SANRAL) to run the national roads network. Within Buffalo City the smallest commuter rail service in the Country is operated by South African Rail Commuter Corporation (SARCC). ACSA (South African Airports Company) manages airport facilities in a similar manner and broad mandate as an operating agency for profit.

▪ Movement in the city

The most important factor in a quality urban system is the ability to move within the city. Informing this internal movement system are the Spatial Development Frameworks (SDF)¹⁸ and Integrated Transport Plan (ITP). The SDFs inform the settlement pattern that in turn structures the movement system. The current settlement pattern in Buffalo City is problematic as the Buffalo City SDF illustrates.

Five Priority Spatial Development Issues are identified in the BCM SPF:

1. Spatial Fragmentation:

- Fragmented settlement pattern where the area is “broken up between large urban settlements such as Greater East London and King William’s Town, smaller towns and coastal villages... and rural settlements”.
- Development within the towns has been taking place in a fragmented way
- Both trends above are costly in terms of services and maintenance

2. Rapid and unmanaged urbanization

- Rapid growth experienced in informal settlements esp Newlands, Mdantshele, Zwelitsha, Beacon Bay and Gonubie

3. Low density settlement and urban sprawl

- Development in BCM is of low density and settlements consist of large residential sites.
- This increases the need for services being provided to a larger area

4. Uncoordinated spatial dev

- Spatial development is fragmented, uncoordinated and addressed/ managed by several departments
- This gives rise to environmental problems and projects that are not serviced

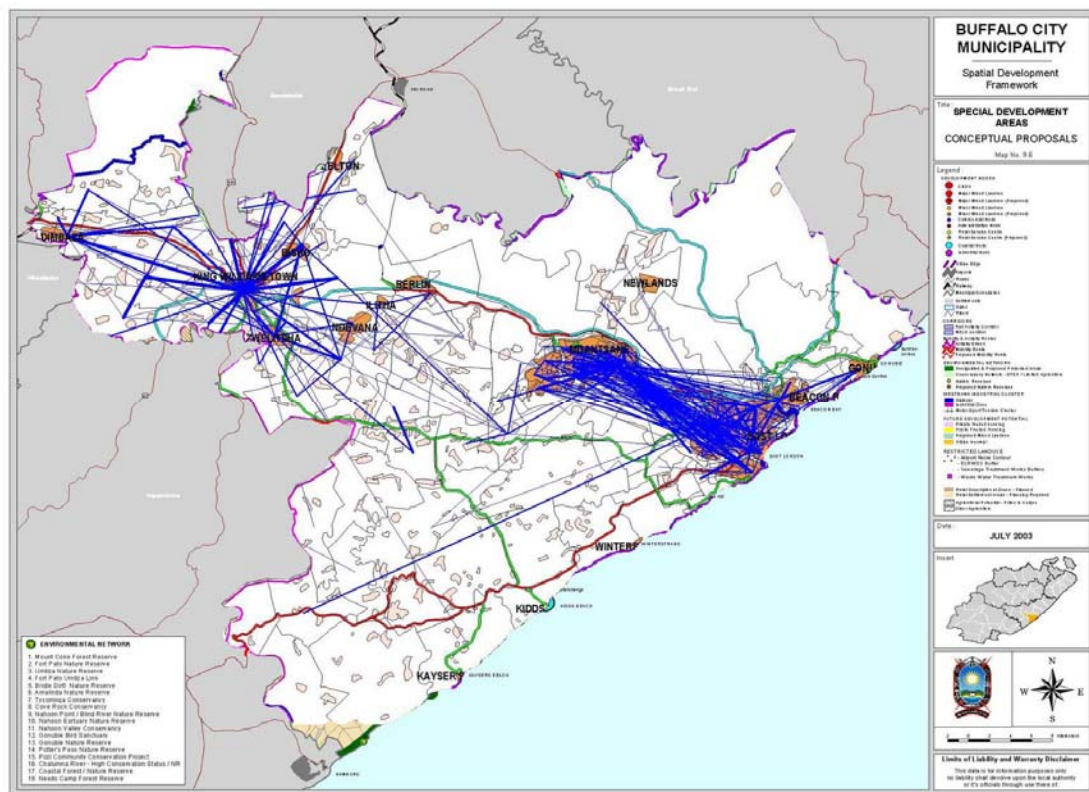
5. Depletion of natural resources and valuable agricultural land

- Fragmented and sprawling built environment entails environmental problems and destruction of agricultural land.¹⁹

¹⁸ Buffalo City Spatial Development Framework; Vincent- Berea Precinct Local Spatial Development Framework; Quenera Local Spatial Development Framework Plan; West Bank Local Spatial Development Framework.

¹⁹ Buffalo City Municipality (2003) Buffalo City Spatial Development Framework.

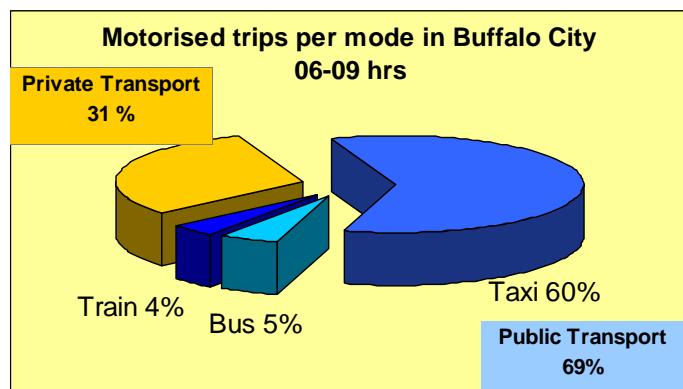
The map below illustrates the frequency of trips which determines that there is a high level of traffic between Mdantsane and East London and proves that Apartheid city logic prevails as RDP houses continue to expand into peripheral locations, incurring expensive and inefficient networked infrastructure and places a large transport cost burden on the poor.



Trip Frequency²⁰

Mobility in BCM is highly dependent on public transport. 60% of the motorised trips are with a taxi. Adding bus and train transport, 69% of motorised trips rely on public transport. Due to the spatial lay-out of the City, transportation has a high cost for the poor and up to 25% of their incomes are spent on transport.²¹

Neither the ITP nor the SDFs has a transformative agenda, but rather seeks to manage urban development within the



²⁰ Source: Presentation: "Towards a New Transport System in Buffalo City". Michael Kridiotis, August 2006.

²¹ Source: Presentation: "Towards a New Transport System in Buffalo City". Michael Kridiotis, August 2006.

current prevailing development drivers.

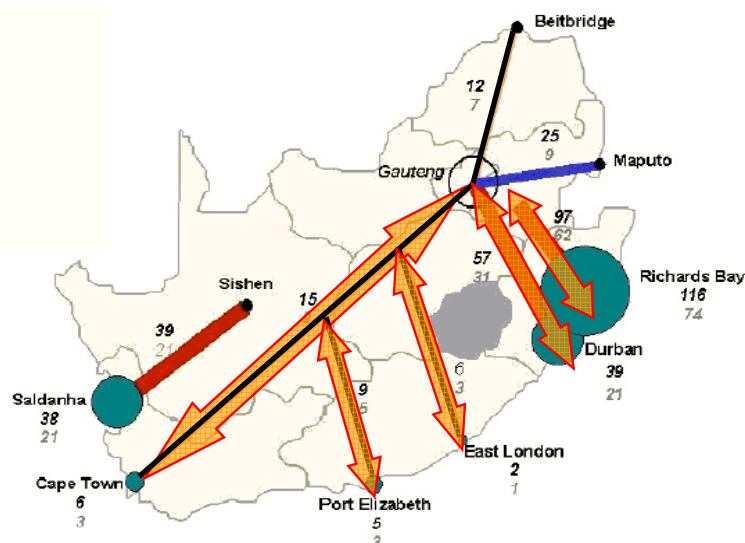
A key intervention regarding the future must include a view on how an urban transformation process can be implemented. Within such an agenda the development of key sites, offering better public transport viability and alternative housing development models must be explored. Undesired development currently results from private developers responding to land availability rather than unlocking well located public land which is for all practical purposes sterilizing large swaths of the city.

- **Positioning BCM on the national agenda- connectivity of road, rail and air.**

South Africa is not unique in that development concentrates along the coast and port cities. Examples of this spatial manifestation of coastal development abound internationally; the most recent example perhaps being the incredible scale and pace of urban development along the Pearl River delta of China.

However, what makes South Africa's spatial development pattern different is the relative lack of infrastructure along the coast between port cities. There are no rail links between East London and Durban with the N2 upgrade a relatively recent initiative. As a consequence infrastructure has become somewhat disconnected from the economic development footprint.

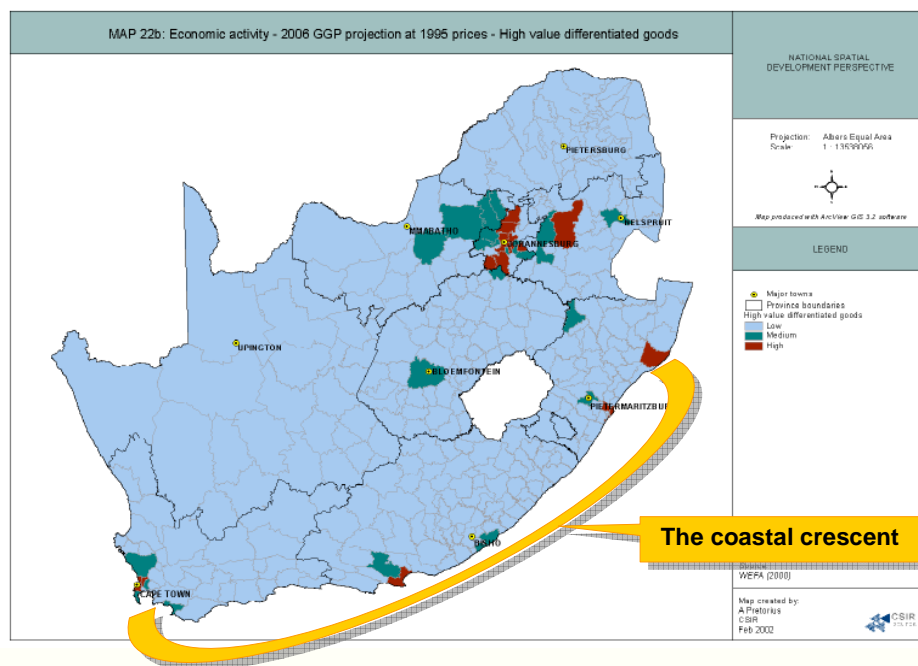
Major Transport routes²²



Current main movement patterns resembles a national "fishbone" as rail and road links branch from the coast into the interior to reach the main Gauteng cluster. The origins of this infrastructure investment pattern stems from early mining development and the coastal location of colonial settlement, but in the case of the Eastern Cape certainly also reflect the Apartheid homeland model where the former homeland areas remains devoid of infrastructure.

²² Policy Co-ordination and Advisory Services, The Presidency (2003) National Spatial Development Perspective (NSDP). March 2003.

When taking into account the areas of highest economic activity in the country, however, a sickle shaped footprint stretching from the Gauteng cities, to Durban and southward around the coast is suggested. The map below illustrates the NSDP 2006 projection of economic activity regarding the production of high value differentiated goods. Concentrations on the east coast, notably along Cape Town, Port Elizabeth, East London, Durban and Richards Bay illustrate that economic activity is taking place along the coastal regions. The development of infrastructure along the “coastal crescent” has, however, been neglected due to the above mentioned Apartheid transport logic.



Economic activity: high value differentiated goods²³

Although some of the recent infrastructure, investment and development initiatives in the Eastern Cape have started to respond in terms of the Coastal Crescent logic by creating infrastructure links between East London and the other coastal cities, initiatives remain limited. Recent initiatives completed and planned include amongst others:

Rail initiatives:

- Kei Rail: The Kei Rail initiative was started in 1998, refurbishment of the line started in 2002 and the project has reached completion in 2006. The Kei Rail initiative is to serve as the anchor for the Kei Development Corridor and aims to stimulate socio-economic development and growth in the Border Kei region. The Kei Development Corridor is underscored through its direct links to the use of community-based labour

²³ Policy Co-ordination and Advisory Services, The Presidency (2003) National Spatial Development Perspective (NSDP). March 2003.

for the provision of critical construction, maintenance and building aspects of the programme through projects in the forestry, agriculture, wool and red meat, minerals exploitation, and tourism sectors and the relationship it will have with the various road, rail and port upgrades such as the East London Industrial Development Zone.

- “Moving back to rail”: The Eastern Cape is a national pilot site for the “implementation of government’s “Moving Back To Rail Strategy”, which seeks to revitalize the under utilized rail infrastructure”²⁴. At the Transport Summit held in East London in April 2006, the MEC for Roads and Transport stated that the province should embrace a strategy of “moving back to rail” in the light of underutilised rail networks, lines and stations falling into disrepair and increased road freight. The “Move Back to Rail” strategy is to “assist in the movement of freight and passengers, so that rail services which were previously curtailed due to decline in use can be restored to viability and contribute to economic development.” The strategy will include extending “commuter rail services between East London and King William's Town, Port Elizabeth/Motherwell to Coega Industrial Development Zones (IDZ) and reopen(ing) the railway line between King William's Town and Alice.”²⁵

Road initiatives:

- Wild Coast N2 toll road: The Wild Coast N2 project aims at constructing a 550km toll road between East London and Durban. The project will connect East London, Umtata, Port St Johns, Lusikisiki, Port Edward, Port Shepstone and Durban. While construction will use 80% of the existing road sections it will also construct 20% new road sections.

²⁴ Speech by Eastern Cape MEC for Roads and Transport Thobile Mhlahlo at the Transwerk Long Service Awards, Good Year Recreation Club, Uitenhage. 3 November 2005. Good Year Recreation Club, Uitenhage.<http://www.info.gov.za/speeches/2005/05111711151003.htm>.

²⁵ Presentation by Hon Thobile Mhlahlo, MEC for Roads and Transport at the Eastern Cape Transport Summit, Regent Hotel, East London, 20 April 2006, Strategic Perspective and Challenges in the Transport Sector. <http://www.info.gov.za/speeches/2006/06042111151001.htm>



Airport initiatives:

The Airport Company South Africa (ACSA) is responsible for the East London Airport. In entering its new 5 year permission cycle, ACSA has the following plans for BCM:

- New air traffic control tower
- Expand terminal building
- Increase parking
- Build more parking bays for aircraft
- Bigger car rental facility and more parking

Investment aimed at accommodating passenger growth and to upgrade the airport, is predicted to entail a growth of 10-12% and will provide sufficient capacity until 2015. Currently East London air traffic is filling only 70% of seats.

Extension of the BCM airport runway is not planned in this funding cycle as cargo numbers are very small for East London. For example, BCM transports only 350 tons in and out in a month whereas Port Elizabeth transports 970 tons a month.

With regard to providing East London with international airport status, government limits each province's international airport license to one a province and in the Eastern Cape, this has been taken up by Port Elizabeth already.

Regional investment:

²⁶ N2 Wild Coast Toll Road Project. Draft Environmental Impact Assessment Report. Feedback Sessions

- In May 2006 Old Mutual and the Development Bank of Southern Africa committed to putting forward R 500 million over the next five years for the development primarily of the Wild Coast area through their initiative called Hluma Development Local Investment.²⁷ The purpose is to attract investment projects into the yet unexplored and marginal areas.
Areas that will be focussed on include:
 - o "Mthatha: commercial, services, retail, value add manufacturing
 - o Port St Johns: tourism facilities, accommodation, and retail
 - o Coffee Bay: tourism facilities and accommodation
 - o Kei Mouth: tourism facilities, and high order residential."²⁸
- Chintsa Golf Estate
The Bisho government and the Great Kei Municipality have approved the development of the R2bn Chintsa River Golf Estate development. The golf estate is to be located on 700 ha agricultural land and will include a hotel, an office park and retail centre and 650 residential units.²⁹

²⁷ Gunnion, S. (2006) "Old Mutual, development bank team up to revive poorest areas". 24 May 2006. <http://www.businessday.co.za/articles/article.aspx?ID=BD4A204793>

²⁸ Coppola, A. (2006) "A new approach". FA News, 23 May 2006. <http://www.fanews.co.za/>

²⁹ Wilson, N. (2006) Go ahead for R2bn Chintsa golf estate. Business Day, 05 July 2006. <http://www.businessday.co.za/articles/economy.aspx?ID=BD4A226963>

- **Proposed investments**

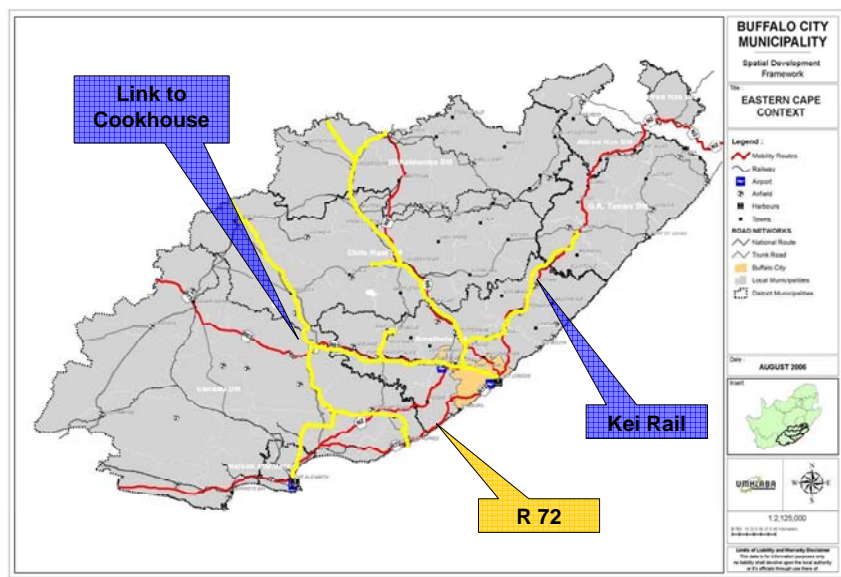
The RPI's resulted in several proposals to increase connectivity of the area and the promotion of the Coastal Crescent logic:

Route 72:

The R72 was identified in the RPI's as a road in need of major refurbishment in order to facilitate access to Port Elizabeth and to encourage economic growth along the coast.

Rail link to Cookhouse:

Due to the difficult terrain, the poor conditions of the rail line, the difficulties in terms of rail links between East London and Gauteng, and the fact that SOEs are currently not considering major infrastructure investment in East London rail line (see section below) the suggestion was made in the RPI's to explore upgrading existing rail lines to Cookhouse and linking up with the rail line between Port Elizabeth and Gauteng.



- **Positioning BCM on the Indian Ocean rim- connectivity of port**

The spatial economic realities of Buffalo City and the Eastern Cape have been important reference points in current local economic perspectives. The dominant mode of thinking has been to ascertain what can be done in Buffalo City to improve its current local economic advantage in relation with its immediate competitor, Port Elizabeth, and projecting from existing analysis into the future. Very little attention has, however, been given to working back from an anticipated future and seeing the Buffalo City region in relation to the national, sub-continental and Indian Ocean Rim spatial economies. Focusing mainly on local economic advantages within the regional context may be misplaced in view of global and sub-continental economic trends

Strategies to strengthen weak sectors such as agriculture and manufacturing may ignore the structural weaknesses of these sectors in the international context. For example, trade negotiations have an impact on changes in the motor manufacturing industry and foreign farming subsidies undermine the viability of local agricultural production.

In contrast, the BCDS aims to enable a shift towards the World and Buffalo City's position within it. A critical question flowing from an outwardly focused strategic approach is how the city and region is actually connected to the world,

**Indian Ocean rim...
Sub-Saharan Africa...
Southern Africa...
South Africa...
Eastern Cape...
Buffalo City Region...
Buffalo City...**



sub-Saharan Africa, SADC and the Indian Ocean Rim. A cursory investigation into these linkages and communication infrastructure suggests severe capacity gaps that undermine the Buffalo City area as a significant investment location.

The East London Port is the one strategic infrastructural asset that sets Buffalo City apart from non-coastal secondary cities. In a fuel scarce world of the future, the economic efficiency of moving more goods through bulk means like containerization will improve.

The Buffalo City port has an existing container terminal of 93 000 teu which is nearing its capacity, a bulk loading facility for grain, and facilities for general cargo and petroleum. Breakbulk cargo constitutes approximately 460,000 tons.

According to the ECDC, feasibility studies have been completed to expand the container terminal up to 856 000 teu at a cost of R2.4 billion, based on demand. A R10 million investment to deepen the draught of the harbour to ease access for larger vessels was announced in May 2002. The port holds the only dedicated car export terminal in South Africa, with 2 800 bays and a throughput capacity of 50,000 units a year. Expansion of the terminal is under discussion. The terminal can be increased to eight storeys, effectively increasing the number of parking bays to 7000 and throughput capacity to 180,000 vehicles a year.

The East London port has several advantages: it contains a grain store, container terminal facilities and demonstrates a fast turn around time of ships compared to congestion experienced in Durban. Approx 40% of EL production is coming in via other ports and moving out via other ports. In order for the port to create a competitive advantage on the Indian Ocean rim, it has to be able to move large quantities of goods in and out of the city.

Currently, however, the East London Port is relatively constrained by its turning circle and draft, limiting its role as a key export link to the world and the Indian Ocean rim. Current port limitations include the following:

- Vessel limitation

- No gantry cranes
- Limited stacking and operations
- Rail connectivity
- Changes to fleet

In order to ensure the economic viability and sustainability of the port, key infrastructure investment is needed to ensure real growth in the shipping industry. A local interest group, consisting of key stakeholders, has launched its own research and motivation into investment into the port and findings differ considerably from Transnet results.

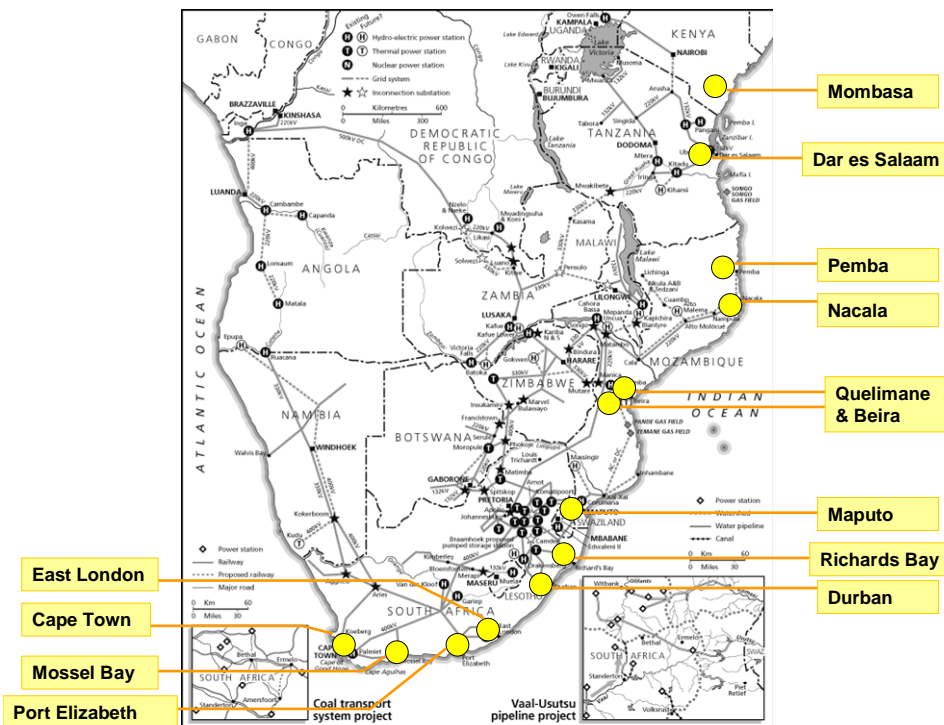
As discussed above, SOEs focus on the generation of return on investment on their projects and neglect to take the multiplier effect into account. Investing in the Buffalo City port will have a dual effect: firstly, over the shorter term it will prevent the disinvestment of Daimler Chrysler from the port area. For example, with each year that passes in which the port is not upgraded, the possibility of Daimler Chrysler not getting a renewal of its international contract increases. Secondly, it will encourage new companies to settle in the IDZ and the City and will accelerate economic growth and job creation.

The Task Team result illustrate that a capital injection of R 3.2 bn is needed in order to upgrade the port with the necessary infrastructure. The result would be avoiding a R7 bn loss of investment by the automotive industry and the loss of 16 000. Additional motivators are social responsibility, national and regional growth objectives, R 5.4 bn Foreign Earnings (DCSA), R 6 bn Direct Foreign investment, R 15 bn indirect and potential investment and the creation of 58 000 new jobs.³⁰

With regard to the African East Coast and its relation to the Indian Ocean Rim, the BCM port forms part of the 13 large commercial ports on the coast line. Minister Radebe identified the ports depicted in the map below as "hubs for traffic emanating from, and destined for, Europe, Asia, the Americas and the east and west coast of Africa"³¹

³⁰ This is half the jobs that need to be created to meet presidential job creation targets.

³¹ Department of Transport (2005) Statement of the Minister of Transport for the Republic of South Africa, Jeff Radebe, MP delivered at the International Maritime Organisation Assembly held on 21 November 2005 to 2nd December 2005



The RPI's repeatedly emphasized the crucial importance of ensuring appropriate investment in the East London Port as a key factor that can either contribute 58 000 jobs or lose perhaps as many.

Upgrading the port will provide the crucial short term economic boost that BCM needs to prevent it from experiencing rapid economic decline. Investing into the port and thus in the secondary economic sector will allow for the transition period needed to convert to tertiary economic sector activities.

Strangely, as mentioned above, neither the national spatial development perspective nor the Asgi-SA spatial investment logic takes any long term view of this inefficient infrastructure and movement system. In addition, in the face of constraints in connectivity, no parastatal is currently planning to invest significantly beyond maintenance in any physical connectivity. No investment actually translates into disinvestment as most anchor industrial businesses are dependent on agglomeration benefits in order to remain internationally competitive.

Port, road and rail limitations that impact on freight movement constraints significantly influence the future viability of manufacturing industry in the Buffalo City region.

4.2.3 FOCUS AREA 3: *Building on a solid infrastructure foundation*

Core Strategic Agenda:

- Ensure recapitalization of municipal infrastructure

Key sub-strategies:

- Water and sanitation problems need to be addressed
- Dealing with electricity backlogs
- Intra-city connectivity, investment in road networks

Buffalo City is experiencing a massive demand for municipal infrastructure flowing from increased household formation. In the light of capacity constraints having been reached on bulk service supply and infrastructure asset stripping starting to demonstrate negative effects, BCM is facing real infrastructure provision challenges.

Failure to address infrastructure investment at the local level will result in failure of the city. BCM's municipal infrastructure replacement cost currently estimated around R14bn. Where as infrastructure expenditure in the City should be approximately R 500m/ annum, the City's total capital budget amounts to R 340 million.

Providing for effective and efficient infrastructure and leveraging off the current infrastructure foundation is crucial for the city to gear up for the future and build on the geo-physical connectivity of the city.

This section addresses some of the infrastructure constraints in terms of water, sanitation, roads and electricity and explores means to address asset stripping and infrastructure backlogs.

▪ **Backlog driven infrastructure investment**

The RPI revealed that the municipality's infrastructure investment is backlog driven and focused on infrastructure extension rather than retention. Municipal infrastructure expenditure is emphasizing capital expansion of infrastructure based on household growth rather than population growth, economic growth or employment growth requirements. One of the reasons for this is that MIG allocations, which determine the future of infrastructure investment, are determined from outside the municipality. Currently, only 10% of the MIG allocation is used to address infrastructure recapitalization, remedial investment and maintenance, but there is a movement to increase this percentage.

In addition political agendas focus on backlog eradication and the provision of new infrastructure, often on the periphery of the urban edge thus resulting in asset stripping

and neglect of asset operations and maintenance. As the result, the infrastructure base is expanded despite the fact that current infrastructure assets not being maintained.

- **Water and sanitation:**

Existing bulk water and sanitation infrastructure requires significant upgrading. The state of bulk sanitation infrastructure raises specific concern with various environmental threats.

Some of the facts pertaining to water provision are:

- "The raw water supply to the City will need to be augmented in the next 5 to 10 years to meet the growth needs of BCM.
- Approximately 21% of the population requires access to a formal water service.
- 83% of the water backlog is within the informal settlements.
- Approximately 39% of the population requires access to a formal sanitation service.
- 65% of the sanitation backlog is within the informal settlements
- Much of the existing water service infrastructure is in need of maintenance or is at capacity.
- The existing infrastructure needs to be extended to support the proposed development needs of BCM.
- The poverty levels are generally such that large portions of the population will probably not be able to afford even basic services.
- Available funding amounts to about 30% of BCM's current capital needs"³²

The current backlog with regard to basic water service supply is

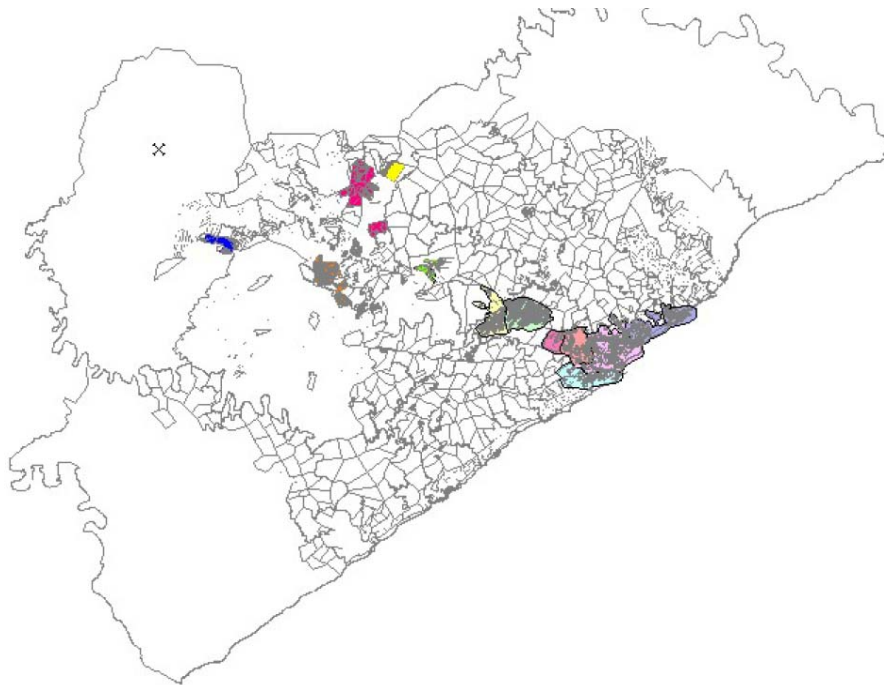
- 7673 Rural Households which requires an R 26.3m in capital investment.
- 38 605 Informal Urban Households (shacks) that require R 193m in capital investment³³

The municipality is currently underway with a process to upgrade BCM water systems. However, one of the main flaws is high levels of water losses which are currently at 30%.

In the map below, the coloured areas reflect the only places in the City where water borne sanitation is provided in the municipality.

³² Buffalo City Municipality (2006) "Status of Water & Sanitation" presentation by Ronald Gillmer
Department: Water, Wastewater and Scientific Services.

³³ Buffalo City Municipality (2006) "Status of Water & Sanitation" presentation by Ronald Gillmer
Department: Water, Wastewater and Scientific Services.



Funds needed for water and sanitation infrastructure refurbishment is
Water: R200 million
Sewerage: R600 million.

- **Roads, storm water, bridges and railway sidings**

Similar to the water and sanitation infrastructure, the road network is in a bad and deteriorating state. According to the municipality, deferred maintenance is currently estimated at R350 million.

Allocated operating budgets for surfaced and graveled roads are insufficient and result in approximately 107 cents/m² for surfaced roads and approximately 54 cents/m² for gravelled roads.

In addition, capital requirements are approximately R 25 million in order to maintain a road in its current condition. However, in Buffalo City, the annual capital allocation is R0. MIG allocations are used for the provision of basic roads to poor communities.³⁴

With regard to storm water, although the system is aged, it is in a "reasonable state of repair and operation". Bridges and flyovers, however, have "not received any significant maintenance in many years" which calls for urgent inspection and maintenance.³⁵

³⁴ Buffalo City Municipality (2006) "Healthy Infrastructure Foundation. 14 September 2006" presented by Leon Schultz, General Manager: Construction, Roads and Projects.

³⁵ Buffalo City Municipality (2006) "Healthy Infrastructure Foundation. 14 September 2006" presented by Leon Schultz, General Manager: Construction, Roads and Projects.

Lack of maintenance to roads and bridges will directly impact on business and industry. Thus it is imperative that these are properly funded for. A RSC replacement fund, the implementation of toll roads or a fuel levy could provide mechanisms to fund roads. With regard to public transport, the urban lay-out of the City is unviable for the implementation of non-road based public transport systems and would have to be highly subsidized. Public transport systems therefore have to remain road based (through bus and taxi systems).

• Electricity

Electricity in Buffalo City is supplied by the municipality and Eskom where the municipality focuses on supplying to the central urban areas.

The table below illustrates the challenges faced by the Electricity department.

Area	Comments
East London City Centre	<ul style="list-style-type: none"> • Limited capacity available for commercial growth • Significant infrastructure investment required • Existing infrastructure old, overloaded and deteriorated • Estimated R 100m over 5 years
Berea/ Vincent/ Nahoon	<ul style="list-style-type: none"> • Capacity of 20 MVA needed • Including infrastructure (R 30 m needed) • Developers and City to find development
Esplanade	<ul style="list-style-type: none"> • Limited Capacity and network extension required • Court Crescent, Marin Glen, Seaview Terrace • Estimated R 5-8 m needed to support the developments
Quinera & Beacon Bay	<ul style="list-style-type: none"> • Significant amount of development potential • Need upgrade in electricity supply 40 MVA (R 30 m) • Bulk infrastructure needed (estimated R 250m) • Large, medium, small commercial and Residential
KWT City Centre	<ul style="list-style-type: none"> • Limited Capacity available- small commercial only • Infrastructure required for medium to large
Mdantsane	<ul style="list-style-type: none"> • Limited Capacity and infrastructure available • Capacity constraint for all MURP developments • Infrastructure upgrade required

Source: Presentation "Buffalo City Municipality, Electricity Infrastructure Focus". Directorate of Engineering Services, Mrs. Sy Gourrah

The electricity department is currently looking at ring-fencing their unit that will result in an asset maintenance programme.

Emergency infrastructure work has been costed at R 180 million whereas expansionary expenditure will amount to approximately R 500 million

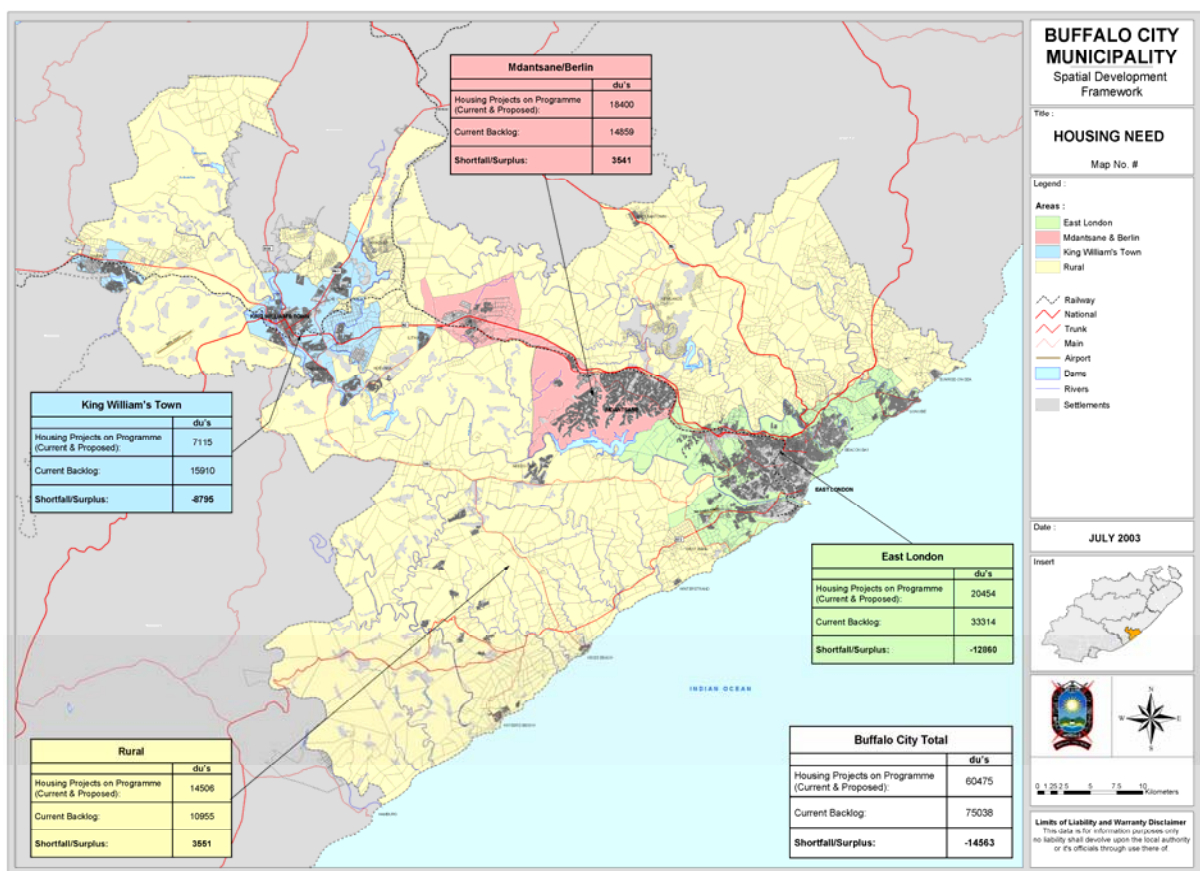
• Solid waste

R 400 million is required for fleet and landfill sites.

• Housing

BCM has a very diverse housing environment, with high differentiations in density levels. Densities range from “184 dwelling units per hectare in Duncan Village to 12 dwelling units per hectare in Mdantsane, 4 dwellings per hectare in Gonubie and less than 1 dwelling per hectare in rural villages”.³⁶

In 2000 it was estimated that the housing backlog amounted to 75 000 units. The different areas of need are depicted in the map below. However, many families within this backlog reside on land parcels in informal settlements which are difficult to access, service and develop.



Buffalo City Municipality Housing Needs³⁷

The fragmented and low density sprawling settlement pattern is inefficient and costly to service from a municipal point of view and connectivity is limited. With the current housing backlog of 75 000 and an anticipated growth in demand for housing over the next 20 years of 55 000 units, the total backlog in 20 years will be 130 000 houses. Given the current density policy of low –density, “one house and one plot” settlement form of approximately 25 units a hectare, indicates that approximately 5200 ha would be

³⁶ Buffalo City Municipality (2006) BCM Housing. Presented at RPI, 14 Sept 2006.

³⁷ Buffalo City Municipality (2006) BCM Housing. Presented at RPI, 14 Sept 2006.

needed to accommodate the housing backlog over the next 20 years. This is approximately the same size as Mdantsane.

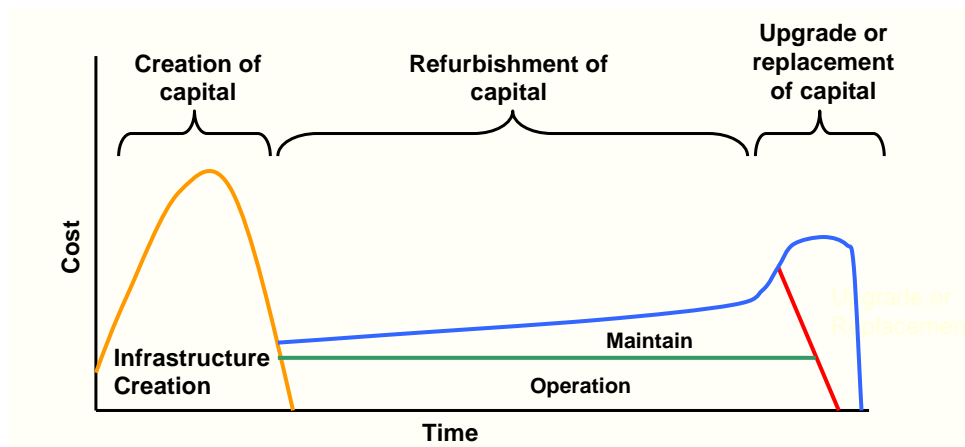
Addressing housing through low density settlement patterns is not an option for BCM given its backlog in supporting infrastructure (water, sanitation, roads and storm water). Although High density housing tends to be an unpopular choice of accommodation, it is seen as an important strategy in compacting the city and preventing urban sprawl.³⁸

In addition, housing provision in BCM has been demand driven and not engineering supply driven. Houses are provided where they are needed thus encouraging urban expansion.

• Way forward

Given the relatively negative projection of the state of municipal infrastructure and housing in the municipality it is evident that drastic interventions are required to prevent further decline of the infrastructure base and asset stripping.

The capital infrastructure investment life-cycle is depicted in the graph below.



There are typically three generic phases in capital investment:

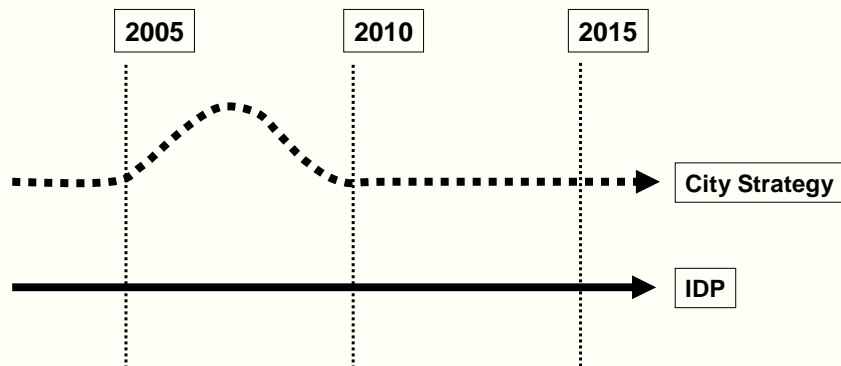
- Creation of capital which is the initial capital creation;
- Refurbishment of capital which includes the maintenance and operations of the asset over time. Whereas the operations effort remains stable, the maintenance effort of the asset increases over time until a stage is reached in the assets life cycle where it must either be;
- Replaced, upgraded or is decommissioned. Replacing or upgrading the asset requires an additional financial investment to refurbish the asset.

Judging from the inputs provided above, the majority of the City's infrastructure is nearing the last stage of either incurring additional financial input to upgrade and refurbish the asset or leaving it to decline beyond retrieval.

³⁸ Buffalo City Municipality (2006) BCM Housing. Presented at RPI, 14 Sept 2006.

The amount of money that needs to be raised for housing and other infrastructure implementation completely outstrips the municipality's revenue service. The aim of the BCDS therefore is to create an investment bulge that will create sufficient impetus to propel the implementation of the strategy forward.

Creating a public investment "bulge"

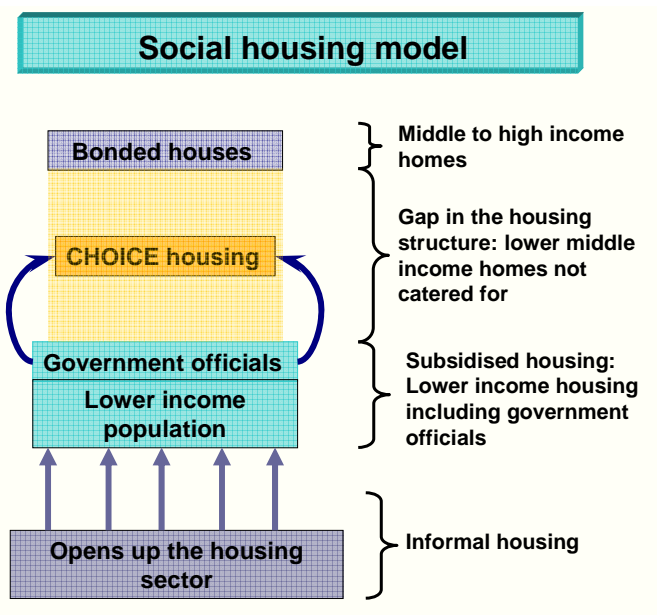


Traditional funding arrangements consist of grants, borrowing and own municipal funds.

Alternative options for generating funds are through partnerships, project finance and gearing. An example would be leveraging funding off land assets that are currently not being tapped into, for example starting to tax land that has been enjoying tax breaks, initiating voluntary swaps etc.

An alternative to RDP housing is the provision of social housing as the model below illustrates.

The provision of social housing can make a large impact on the housing backlog in local municipalities. South African society contains a band of salaried people- notably lower level



government employees- who are occupying RDP housing.

Instead of building new RDP houses, social housing should be provided into which these lower income groups and government officials could move thereby freeing up RDP housing for people living in informal settlements.

Such housing projects could potentially be located on strategic vacant sites close to the CBD (such as the Sleeper Site) which would support the city's urban compacting strategy and would provide residential options to government staff closer to their place of work.

A social survey conducted in Duncan Village concluded that 40% of the people living there may not be able to qualify for a house, which means that they would have to rent accommodation. However, the majority do not have the financial means to rent. Partnerships should thus be created with individual home owners where the City should support the homeowner to create a "granny flat" in his/her back yard to accommodate Duncan village residents. Not only does this allow Duncan Village residents to exit the informal settlement but also provides homeowners with a choice to generate an additional income off their properties.

- **Conclusion**

This section illustrates that it is imperative to upgrade, refurbish and conduct general operations and maintenance on municipal infrastructure in the City in order to prevent decline to such an extent that it will start affecting business investment decisions.

Sound infrastructure provision has to provide the foundation for future development in the city and thus needs to be addressed as a matter of urgency.

4.2.4 FOCUS AREA 4: Critical sites:- *Packaging critical sites*

Strategic Agenda:

- To package and release public land for appropriate development
- To consolidate development of public land through a single development entity/agency

Key sub-strategies:

- Sleeper site, Quigney, IDZ, West Bank, Quenera area (future for middle income and housing which will be the future rates base for the city).



Unlocking crucial parcels of land in the city and making these the location of distribution, growth, capital and knowledge intensive investments is imperative for the successful realization of the BCDS. The municipality currently contains several strategic sites that are either locked into low land use practices or are located on prime land and are not utilized appropriately.

Such key sites are :

- The sleeper site;
- West Bank;
- Various land areas on the beach front;
- Nahoon Mouth; and
- Spoornet sheds.

The Buffalo City Development Agency (BCDA) is tasked with the development of the beachfront, the upgrade of the CBD and the ensuring of sustainable development. It also promotes several supporting programmes such as the urban development zone tax incentives, the location of the Fort Hare University Campus in BCM and Propnet land transfers and supports the City Development Strategy process. Cooperation between the BCDA and the CDS is imperative to realize joint initiatives and ensuring optimal land use on identified sites.

This focus area focuses on the release or activation of critical sites in the municipality. Sections below briefly outline critical site.

- **Setting the scene**

Additional factors counting favoring the development of the identified key sites:

UDZ:

The Urban Renewal Zone in Buffalo City is aimed at encouraging refurbishment and investment of commercial and residential properties in inner cities through a tax incentive. One aim of the incentive is to promote investment in affordable inner city rental housing stock, encourage mixed use developments and integrate commercial and residential property developments.³⁹

Quigney, bordering on the beach front, has been identified as the UDZ in Buffalo City and has been experiencing considerable growth in property prices over the last five years. The Quigney area forms part of the BCDA initiative and will experience considerable growth from the Fort Hare initiative and the planned developments on the beach front.

IDZ:

Buffalo City Municipality contains an Industrial Development Zone (IDZ) that is linked to the East London port. The IDZ concept is aimed at attracting new investment in export industries and supporting these industries "with world-class infrastructure, services and logistics networks"⁴⁰.

The Buffalo City IDZ was the first to be operational in South Africa and consists of 1500 ha of industrial land available adjacent to the port, N2 and airport.

Fort Hare:

The University of Fort Hare is planning on expanding its campus to the Buffalo City CBD and creating a "full-scale city campus" in the city. The initiative, undertaken in partnership with BCM and Amathole District Municipality, will be "strategically positioned as a link between the city and the port, aiding the future development and sustainability of the city centre and the beachfront". The commerce faculty and nursing sciences will be moved to the City and its location in the CBD aims at rejuvenating the designated area and enhancing the city through the establishment of a prominently positioned, wide-spectrum university campus"⁴¹

³⁹ South Africa Info (2004) "Tax break for inner city upgrades." 18 October 2004.

http://www.southafrica.info/doing_business/economy/development/urban/taxbreak-innecities.htm

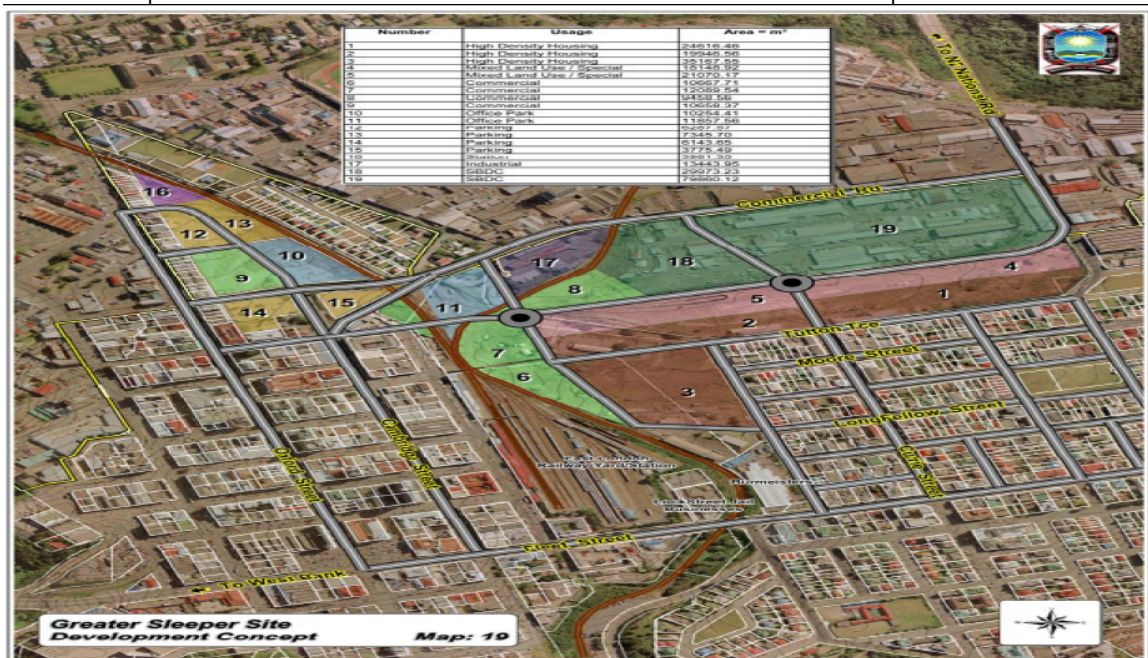
⁴⁰ Buffalo City Municipality. East London Industrial Development Zone. <http://www.buffalocity.gov.za/business/idz.stm>

⁴¹ Doke, L. (2006) "Campus will help city retain skills". Sunday Times, 29 August 2006.
<http://www.sundaytimes.co.za/articles/article-specialreport.aspx?ID=ST6A205001>.

○ Sleeper Site

Until recently the mostly abandoned site in the CBD was owned by Propnet and has now been released for development purposes.

The map below illustrates the extent and the land use for the sleeper site.



Predicted land use contains amongst others

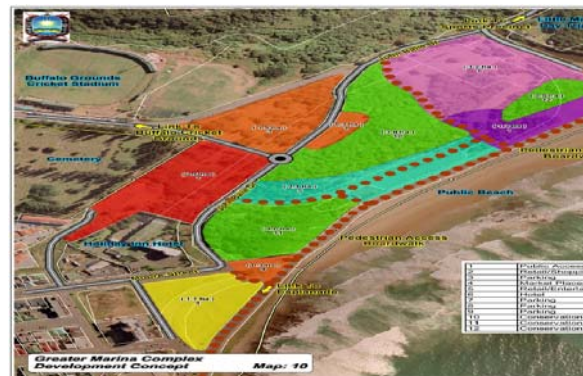
- High density housing to the size of 79 730.6 square meters.
- Mixed land use to the size of 39 219.1 square meters.
- Commercial land use of the size of 42 874.2 square meters.
- Office parks to the size of 22 111.97 square meters.
- Parking to the size of 23 522.41 square meters
- Industrial use to the size of 13 443.95 square meters
- SBDC (????) to the size of 109 833.35 square meters

The District offices are to locate their new premises on the sleeper site and there is a possibility of the SARS regional office and/or the post office relocating to the site as well. The area is alive with potential housing and commercial spin off activities from the University of Fort Hare relocation.

o Beach front and Nahoon



Map 1: BCDA pilot projects



Map 1: Marina

The BCDA has been tasked with the development of the beachfront area, the harbour area and Nahoon Mouth.

With regard to the beach front three vacant land parcels close to hero's acre has been identified for residential development purposes. In addition, calls for proposals have been set out to developers for the development of the old caravan/ camping site or Marina Glen.



Nahoon Mouth



Signal hill projects

Nahoon mouth sees the development of a residential area, beach access and resort accommodation and the removal of the sewerage plant on the site.

⁴² Buffalo City Development Agency (2006) "Development Now- Presentation to the City Development Strategy 2006" presented by Gaster Sharpley.

⁴³ Buffalo City Development Agency (2006) "Development Now- Presentation to the City Development Strategy 2006" presented by Gaster Sharpley.

⁴⁴ Buffalo City Development Agency (2006) "Development Now- Presentation to the City Development Strategy 2006" presented by Gaster Sharpley.

⁴⁵ Buffalo City Development Agency (2006) "Development Now- Presentation to the City Development Strategy 2006" presented by Gaster Sharpley.

Signal Hill forms part of the Quigney UDZ. Plans for the area by the BCDA include the development of commercial entertainment areas following the Water Front Model with adjacent hotel development. The site, which boasts magnificent views over the harbour and the beachfront also has the potential for a yacht club. Currently, the area is used for containerization, which would have to be moved to the west bank.

The projects set out above all (except Nahoon Mouth) culminate in an overall strategy to revive the inner city of Buffalo City. The project will influence the whole UDZ where Quigney and the Sleeper site are used as key sites to unlock the potential of growth and development in the city, which is assisted by the location of the Fort Hare campus in the area.

Caution was raised in the RPI sessions not to neglect that Bisho, King Williams Town, Mdantsane and Dimbaza also have inner cities that need revitalization. However, a City of this size cannot carry as many nodes as it has which means that one needs to start with looking at reviving the BCM centre in order to establish a strong enough core to allow multiplier effects to spill over into the adjacent areas.



BCDA project scope for the UDZ⁴⁶

⁴⁶ Buffalo City Development Agency (2006) "Development Now- Presentation to the City Development Strategy 2006" presented by Gaster Sharpley.

- o **Race Track**

A further stretch of underutilized land, part of the West Bank of the Buffalo River underutilized and is located on a prime stretch of coast south of Buffalo City is the race track.



The race course⁴⁷

RPI sessions suggested the development of industrial areas around the race track. Allegedly there is high demand for the site from private investors, notably the second and third tier motorist industry who want to use the site for motorvehicle testing purposes.

The site is also a heritage site and could have some interest in terms of tourism.

⁴⁷ Buffalo City Development Agency (2006) "Development Now- Presentation to the City Development Strategy 2006" presented by Gaster Sharpley.

o Other sites

BCM currently contains several large and underutilized sites that belong to SOEs who are not paying municipal rates and taxes. As mentioned above, the investment logic of SOEs is based purely on generating investment returns at making a profit. In the light of this business logic it is inconceivable how SOEs should be exempt of paying rates and taxes. BCM could generate high levels of fixed income through demanding that rates and taxes are paid by SOEs.

Since the land is underutilized in any event, the municipality might even be able to entice Propnet to sell the land and release it for development purposes.

o Conclusion

The emphasis in this focus area is on how the development of these sites fit into the larger development agenda. Unlocking these sites is crucial to propel the City on its developmental path. One of the mandates of the BCDS thus is to assist in the negotiation to either unlock the land or at least generate income from it.

4.2.5 FOCUS AREA 5: *Integrating the second economy*

Strategic Agenda

- o To create a logic for formal sector job creation that can meet the Millennium Development Goal target of halving unemployment by 2014

Key sub-strategies

- Bridging the gap between the second and the first economy
- Promotion of the development of the tertiary economic sector through supporting T Sports events, life-style city, SMME development etc



Given high unemployment levels it follows that significant informal economic activity provides a subsistence livelihood to many households. Engaging the 2nd economy to overcome the urban-rural divide and grow broad-based participation in the formal economy. From our observation the key areas to target in Buffalo City achieving transition into the formal economy is agriculture (addressing rural poverty) and informal trade and services (addressing urban poverty).

Three pillars of government's anti-poverty drive (Pres. Mbeki, 2003)

- 1 Strengthen the first economy
- 2 Meet the challenges of the second economy
- 3 Provide and refine the social security net

While agriculture involves the growing of crops and livestock, the nature of the urban informal economy is more complex and far less well understood. Activities ranging from hawking, selling cell phone time, spaza shops, shebeens, backyard shack renting, taxi operating, windscreen repairs, exhaust repairs all forms part of a rich mosaic of informal activities. Whilst often associated with poor quality jobs offering little security and low incomes, these informal activities provide vital livelihoods to a large proportion of people. However, little is yet known on how this informal economy functions in Buffalo City, what it consist of and vitally, what is required to support its growth and formalisation over time.

Current strategies (with uncertain success rates) tend to focus upon:

- o Foundational support: consisting of basic adult education, skills development, life skills and economic literacy training;
- o Passive support: consisting of investing in industrial hives, providing tractors and creating craft markets. In addition emphasis is placed on affirmative procurement policies assisting entrepreneurs through state expenditure;
- o Active support: where public organisations actively engage in the form of business venture establishment as funder, owner and often (part) operator. Providing development capital, land and often skills public organisations provides direct business stimulation through the launching of projects ranging from community based market gardens, cooperatives to investing in formal business ventures with economic impact;

- o Tertiary support: involving economic policy development, place marketing and institutional structures such as Tourism bodies and the Buffalo City Development Agency.

The Eastern Cape and Buffalo City is well served by a range of public entities focusing on economic development functioning within a policy framework informed by several strategies and plans. However, it is quite clear that the scale of job creation flowing from all these activities do not impact at a sufficient scale to roll back unemployment to the 2014 Millennial Development targets. Developing a more sophisticated range of interventions into the 2nd economy is thus an important thrust flowing from the BCDS.

Due to the inability of the formal economy to generate jobs, the informal economy plays a crucial role in providing avenues for economic survival to a rapidly growing portion of the working population. This sector has seen a rate of growth at more than double that of government employment (the best performer) between 1996 and 2004. However, the informal economy does not provide quality jobs and is a weak means of improving the quality of life of those trapped in it. The current national strategy is to find ways and means to allow people to move from informality into the main stream economy. Current trends in Buffalo City suggest a danger of trapping people in the 2nd economy as the formal economy fails to provide sufficient opportunity.

This focus area focuses on creating the platform for Buffalo City to:

- a) gear up for the assistance of residents to transgress from the second into the first economy through providing the enabling environment.
- b) make the successful and sustainable transition from the primary and secondary economic sectors as its current economic base to the tertiary economic sector which will ensure its future growth and development in the service industry.

Creating the platform for transition

- o **Buffalo City as a lifestyle choice**

Future growth sectors in the world are highly dependent on the availability of skilled entrepreneurs and are less influenced by the locational factors that ruled in the past. Knowledge-based businesses can theoretically locate anywhere as the movement of information electronically allows far greater flexibility in location.

As many cities across the world now realize, the key investment decisions are often driven by lifestyle choices of a relatively small group of individuals that create employment and grow the businesses that drive local economies. Quality lifestyle considerations, such as the physical environment, good schools, medical facilities, sport amenities and culture often play a key role in attracting investment. Investment promotion and place marketing therefore often emphasise factors attractive to the so-called "creative class" due to this group's disproportional ability to influence growth.

Buffalo City clearly has a great lifestyle offer through its access to unspoilt beaches, a hinterland steeped in Xhosa culture, quality urban amenities and its fantastic climate. Lifestyle promotion offers significant multipliers to the economy and has a natural

resonance with a region that traditionally supplied the national leader corps through its exiles.

The BCDS aims at assisting the City in becoming

- a Lifestyle Destination in the international and Southern African context;
- a place of choice not only for people who were born in the region but also for South Africans from other parts of the country
- a place of identity with a quality living environment and quality public spaces through the promotion of the development of the Water Front, Beach Front, Quigney , Coastal residential areas etc.

Due to its mild climate, the city's relatively small size and relaxed life-style, there is a great opportunity to position Buffalo City as an African retirement centre of choice.

o Investing in citizens

However, promoting Buffalo City as a lifestyle destination does not only include attracting retirees and tourists but also aims to retain younger generations. The largest proportion of out-migrants from the Eastern Cape falls into the category of 15-29 year olds. Currently, younger generations leave the City after school to seek further education and economic opportunity. The BCDS aims, through the promotion of skills development and knowledge capital, at retaining and attracting

- o the creative classes,
- o the entrepreneurial classes,
- o the enabling classes, and
- o the "Class of 2010" (to counter out migration of young, educated and economically active citizens).

The location of the Fort Hare Campus in Buffalo City will contribute to retaining young, dynamic, intellectual and economically active population through

- selling quality of life and life style benefits;
- promoting skills development linked to employment opportunities and providing skills that are relevant to the growth areas on which the CDS focuses (i.e. the tertiary economic sector)
- promoting the image of an University city through the location of a fully fledged and rebranded tertiary institution in the CBD

Over and above the expansion of the Fort Hare Campus into the city, the establishment of a Sports Academy and a School of Maritime Studies was proposed at the RPI's.

o Buffalo City as a sports mecca

Linked to the above, the promotion of the City as an education centre and the promotion of Youth related activities will also ensure promoting Buffalo City as a sports hub. The RPI sessions revealed high levels of support to create Buffalo City as a sporting destination on a national level.

In addition to the above-mentioned projects, the BCDA is also planning the development of a sports precinct by linking major sporting facilities such as the Golf Club, various sports fields and the establishment of a cricket facility as is illustrated in the map below.

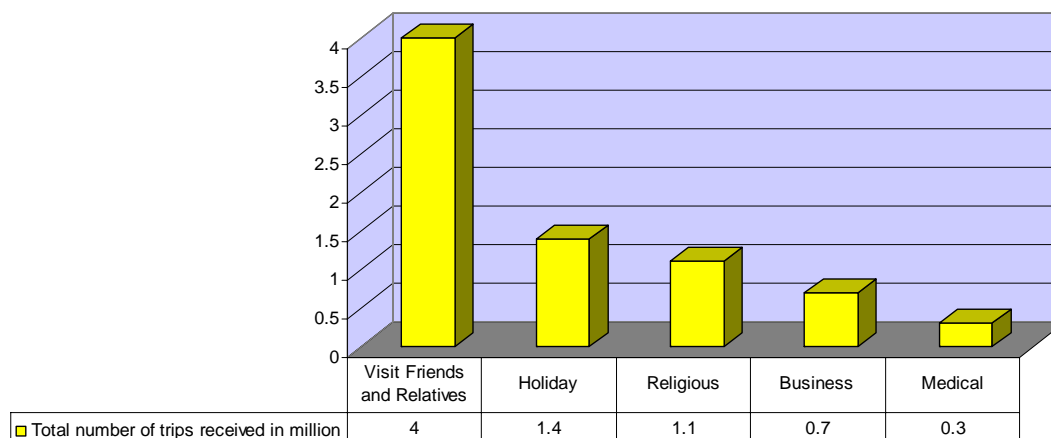
Map 1: Sports and recreation precinct⁴⁸

- Buffalo City as a tourism destination

Tourism is a highly under-exploited resource in Buffalo City. The graph below illustrates tourism related figures for the province. The majority of tourists to the Eastern Cape visit friends and relatives (VFR), while 1.4 million trips were made for holiday purposes, 1.1 million trips for religious purposes and only 300 000 trips for medical tourism.

⁴⁸ Buffalo City Development Agency (2006) "Development Now- Presentation to the City Development Strategy 2006" presented by Gaster Sharpley.

Total number of trips received in million



Total number of trips received in million: Eastern Cape⁴⁹

Although the data is applicable for the whole of the Eastern Cape it provides an indication of where the focus areas are in tourism. The tables below indicate the number of domestic and foreign tourists to Buffalo City compared to other major cities.

Domestic Tourists				
	Buffalo City	Cape Town	Durban	Port Elizabeth
Number	734 000	1.9 million	2.7 million	972 000
Main origin	Eastern Cape Western Cape KwaZulu- Natal Free State	Western Cape Gauteng Eastern Cape	Gauteng KwaZulu- Natal Western Cape	Eastern Cape Gauteng Western Cape
Length of Stay	5 days	6.8 days	6.3 days	6.8 days
Purpose	VFR Holiday	VFR Holiday	VFR Holiday	VFR Holiday
Spend per day	R 70	R 88	R 85	R 85

Domestic Tourists to Buffalo City⁵⁰

The tables illustrate that Buffalo City attracts less domestic and foreign tourists than PE and tourists spend less in Buffalo city than elsewhere. Similarly, domestic and foreign tourists spend the least number of days in Buffalo City.

Foreign Tourists				
	Buffalo City	Cape Town	Durban	Port Elizabeth
Number	105 000	1.3 million	736 000	390 000
Main origin	UK Germany	UK Germany	UK Germany	UK Germany
Length of Stay	1.5 days	7.6/ 6.6 days	4.5 days	3.9 days
Purpose	VFR Holiday	Holiday	VFR Holiday	VFR Holiday
Spend per day	R 750	R 931	R 890	R 810

Foreign Tourists to Buffalo City⁵¹

⁴⁹ Buffalo City Municipality (2006) Eastern Cape overview: Tourism. Presented at RPI session.

⁵⁰ Buffalo City Municipality (2004) Tourism Master Plan Executive Summary, September 2004.

⁵¹ Buffalo City Municipality (2004) Tourism Master Plan Executive Summary, September 2004.

Current tourism products sold in Buffalo City are

- “Sun, sea and sand holidays
- Adventure holidays, including hiking trails and surfing
- Nature based holidays
- Events
- Sports
- Conferences”⁵²

Focusing on tourism as an economic generator entails that Buffalo City has to (1) increase the number of holiday makers to the region as they are the most valuable to the domestic market and (2) aim at extending the length of stay of tourists- especially holiday makers.

Currently, Buffalo City is used as a stop-over destination for tourists on their way into the rural areas or along the coast. The BCM Tourism Master Plan identifies ways to achieve increased tourism numbers for the region through 31 tourism development concepts.

<ul style="list-style-type: none"> “Adventure Buffalo City Adventure Festival Amathole Environment Park Bird Watching Route Branded Hotel Church and Mission History Route City Development/ City beautification/ Artists Zone Formalised Car Guards “From Frontiers to Education” Route Kidd & Keyser Beach Seaside Resort Marina Glen Multi-purpose venue Marine History Route Military History Route Nahoon Beach Backpackers Nahoon Seaside Resort People Project Trust in Mdantsane 	<ul style="list-style-type: none"> Performance Groups Pre-History Route German Settler History Route Golf Tours and Packages Gonubie/ Sunrise on Sea Seaside Resort Grand Prix Circuit Development Helicopter Launch pad at Marina Glen Hiking Trails Jazz Festival Sport Centre of Excellence Sport Festival Steve Biko House Upgrade (part of the Struggle Route) Struggle Route Umtiza & Bridle Drift Dam Overnight Lodge Xhosa History Route”⁵³
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These initiatives have to, however, be packaged into larger, overarching strategies to attract tourists to stay for longer and spend more. RPI’s suggested that one such a package should locate Buffalo City as the end of the Garden Route (by promoting the R 72 as an extension of the Garden Route) and as the gateway to the Wild Coast. This approach combines coastal attractions with unique environmental factors to establish the region as a primary tourism attraction area. Linkages should be created to the rural hinterland and should focus on expanding eco-tourism and adventure tourism attractions and accommodation in the rural areas as well as mixed leisure and coastal tourism linked to coastal resorts, community based game, adventure racing, youth based team building etc.

⁵² Buffalo City Municipality (2004) Tourism Master Plan Executive Summary, September 2004.

⁵³ Buffalo City Municipality (2004) Tourism Master Plan Executive Summary, September 2004.

o Integrating the second economy

Limited research and information on the extent of the second economy limits creating an intervention for it. It remains clear, however, that without a healthy first economy there can be no second economy.

Although there is a general trend towards formalisation of second economy profits through channeling cash back into the first economy (e.g. taxi owners channeling their profit into property), people caught in the second economy rarely formalize their business to enter the first economy.

The above mentioned growth strategies, especially in the tourism sector, will provide the platform for many second economy businesses to service this sector and to formalise their business. However, additional interventions emerging from the RPI's include:

- Agriculture and value added agro-processing including
 - o Forestry products and beneficiation either at the source or in IDZ.
 - o Maize growing and beneficiation.
 - o Planting of bio fuels (soya, sugar beet, canola etc) and transformation into bio-fuel
 - o Organic and Healthy foods industry (Indian Ocean Rim and Sub Saharan Africa)
 - o Exploration of hemp industry.
 - o Traditional Healing and Herbal remedies
 - o Marine industry- boat building
 - o Furniture manufacturing
 - o Health and wellness tourism
 - o Redeye Round Herring exploitation- This species is under-utilised as a fishing resource and should be explored.

o Conclusions

The initiatives set out in the BCDS, ranging from infrastructure investment, improving local transport, the promotion of the secondary and the tertiary economic sectors all contribute to alleviating the second economy and aim at creating sustainable economic development. Although several explicit initiatives can be undertaken to help the informal economy to emerge, the impact of the CDS will be implicit but of high impact over the longer term.

5. Conclusion

This document answers a critical question: What will Buffalo City offer a child born today in Mdantsane or in rural Matatiele in 20 years time? It sets out a strategic approach on how we can assure that such a child will have access to a dignified quality of life, be equipped with the right skills and have access to quality employment. The BCDS answers this question with a degree of honesty that suggests the BC city-region cannot only do one magical thing – but has to succeed in a range of important initiatives. In addition the BCDS creates a tension with the existing policies in plans impacting on the region, highlighting the short-term nature of current programmes' and their inability to manage a city-region's transition into a new world economy.

In this Consolidation Report of the Buffalo City Development Strategy a broad framework is provided on how the City-region can be positioned to manage a complex transition it is facing in the next decades. The BCDS argues a fairly radical departure from many existing strategic frameworks in the Eastern Cape. Yet it also aligns the strategic framework for the city-region with key national policies and brings the localization of these frameworks in touch with contemporary academic and international best practices.

The BCDS is consciously not a "visionary" strategy. It veers away from empty statements in favor of outlining a powerful multi-dimensional series of interventions that sets up the city-region for an entirely different future. The BCDS is thus a developmental pathway to which multiple stakeholders should respond as part of an ongoing social dialogue on the future of the City. While clear on priorities, the BCDS does not aim to identify specific projects, rather emphasizing transformative initiatives that can illustrate the movement of Buffalo City from an industrial to post-industrial society providing a high quality tertiary economy within a life style city of choice.

This Draft BCDS Consolidation reports captures the core aspects of a strategic approach for the sustainable development of the city. It is intended to serve only as an introductory overview and does not as yet represent an agreed strategy or approach for representation. As such it remains full of potential gaps – which we hope will be filled in time through further stakeholder engagement.

Within all its current limitations this document is circulated for comment and feedback to be further refined in the future.

It is up to provincial and district level Growth and Development Strategies to inform the specific initiatives that should be prioritised for state-led investment through the Asgi-SA initiative. This CDS is an important strategic statement on public investment from the

second largest economy in the Province to which the ECGDS and well as the Amathole GDS processes have to respond.

The following events and products must still be undertaken as part of the next steps:

- o An ongoing process of bi-lateral discussions to build and formalise a development coalition in realising its CDS ambitions.
- o An effective media and campaign strategy to get a debate going in the press around BCM 20 years into the future, to create a vibe around the issue as a lead up to the BCM CDS conference.
- o A DVD that captures the BCM story visually: of a child growing up in the municipality and becoming a successful citizen of tomorrow, the challenges and the potentials and the hope.
- o A high profile CDS Conference. This conference is being planned to engage key decision makers and decision informers on the City's plans towards building a multi-layered development accord for the Buffalo City region.
- o Developing and implementing lead projects pertaining to change the BCDS from a framework to a tangible future.

Once a CDS concept has been developed a process of information sharing, popularising and marketing the plans and projects will commence through the municipal Integrated Development Planning (IDP) process. In this manner key CDS initiatives will define the term of office plan of the Mayor and shape the IDP and medium-term public investment programmes at all three spheres of government.

Annexure A: Developing the BCDS

In this section the process stages, progress, and status of the BCDS is outlined.

A.1 Process Outline

The development and implementation of the CDS process at Buffalo City can be summarised into four phases:

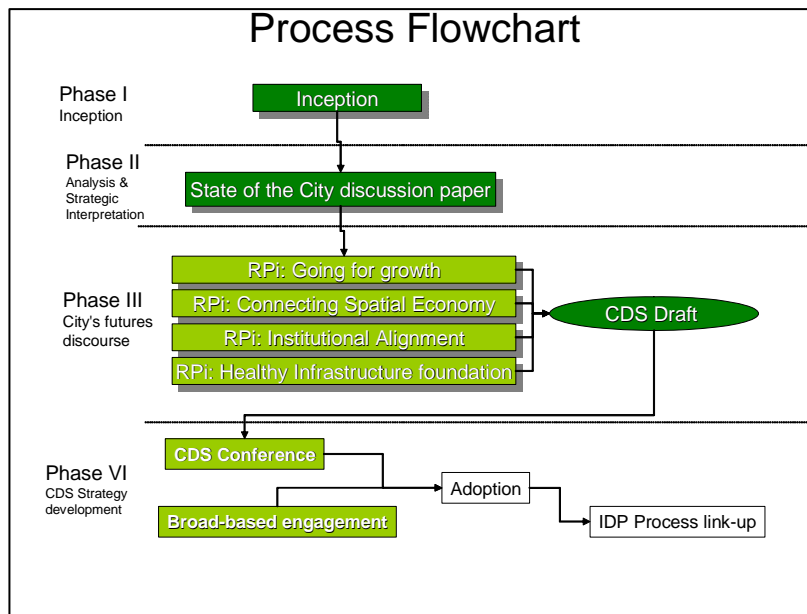
Phase I – Inception (Completed): this phase included finalising the contractual obligations with service providers, setting up necessary project structures, agreeing on the broad process plan and assigning responsibilities for agreed activities, tasks and deliverables;

Phase II – Analysis and Strategic Interpretation (Completed): this phase included assessment of the current situation, in particular an assessment of the international, national and district trends, opportunities and constraints influencing the role of the city as an engine of development;

Phase III – City's Futures Discourse (Completed): an inclusive and participatory stage in which appropriate institutional structures were used to engage interested and affected parties, brainstorming of strategic concepts and alternatives through a series of RPI sessions to generate ideas and explore options for the long term future;

Phase IV – CDS Strategy Development (Current Focus): this phase consolidates the outcomes of the previous phases and involves a structured stakeholder engagement process to deepen buy-in and strengthening the key CDS thrusts.

The following diagram captures the different phases described above:



An intended outcome of the above process is that the municipality deepens its City Strategy and begins engaging with other major role-players regarding this strategy with a view to developing appropriate city partnerships. The municipality should also finalise restructuring plans for the prioritised options that emerge from the CDS process; build a public investment framework; and produce a final CDS popular document.

A.2 The purpose of this BCDS Consolidation Report

This Consolidation Report:

- o Provides a consultative reference point of work done to date by capturing the content of work done during **Phases I, II and III** in CDS development;
- o The Consolidation Report also serves as a sounding board and information piece for an external reference group and for a series of bi-lateral meetings leading up to the BCDS Conference schedule for 17 November 2006; and
- o Lays the foundation for further refinement of ideas and sounding board for proposals leading into formal adoption by Council and other stakeholders.

A.3 Document Status

This document is purely a consultative working draft and does not carry any official mandate for Buffalo City Municipality or any other entity.

The purpose is to integrate various input streams such as review of BCM policies, economic drivers, analysis of city data, the strategic intent of various intergovernmental agencies with regards to investment in BCM, the status of the municipality's assets, service delivery backlogs and a discourse on the City's possible futures.

It is anticipated that the draft report will continue to inform a process of critical review comprising of various stakeholders. It will be further revised after the high profile CDS conference scheduled after the reference panel meeting. The views of the reference panel as well as the conference participants will be incorporated in the final CDS document. The final CDS document will contain the final City Development Strategy for Buffalo City that will be adopted by Council before implementation.

A.4 How does the BCDS complement other plans?

A City Strategy has a different focus from the IDP. Where the IDP is focused at providing a statutory framework to comprehensively guide the municipal budget and activities over a 5-year period; a CS is focused on a selective set of initiatives that, over 20-30 years, serve to provide a coherent framework of action for all role players,

municipal, private investors and the community. A CS thus complements the IDP and forms an important direction giving element of the IDP.

CS	IDP
<ul style="list-style-type: none"> ○ Not a masterplan – but a framework for action ○ Selective focus on strategic leverage areas ○ Longer time horizon ○ Non-exclusive to government action ○ Mobilisation ○ City focus ○ Leadership imperative 	<ul style="list-style-type: none"> ○ Comprehensive plan ○ Embracing focus on public sector action ○ Short to medium (3-5 year) term ○ Exclusive to public action ○ Planning ○ Municipal focus ○ Legal imperative

Annexure B: Overview of technical work to date

In this section a descriptive overview of the technical work underpinning the BCDS Consolidation work is set out.

Review and Research

During this phase of the project the constituent member firms of the service provider consortium were required to conduct contextual research in their area of expertise. Research involved review of key BCM policy and strategy documentation as well as city data analysis. Experts were required to produce relevant reports that would feed as input documents into the production of a consolidated discussion document.

State of the City Discussion Paper

A high-level consolidation of the stream of input documents has been prepared. This process required strategic interpretation of the review of BCM policies and documents against the current status of the municipality on various fronts including the economy, the service delivery levels, the infrastructure, the institutions as well as the environment. This process culminated in the State of the City Discussion Paper. The purpose of this document was to lay a conceptual and factual foundation for stakeholder participation in a futures discourse for Buffalo City. The first draft of this paper was amended to incorporate the inputs and insights from the Core Team and a final State of the City Report was shared to provide key information and share broad ideas for a futures discourse on Buffalo City.

Key assessment findings: A regional capital experiencing stress

The current economic performance trends emerging from Buffalo City suggest that serious intervention is necessary so as to lay the foundation for growth. Analysis of the economy informed the following key realizations:

i) A region offering too little opportunity for its people

Buffalo City and the Amathole district within which it is located experience low population growth mainly due to out migration. People only leave a place if they feel that there is better opportunity elsewhere, suggesting Buffalo City and its functional region does not offer sufficient opportunity and prospects to satisfy the aspirations of its people.

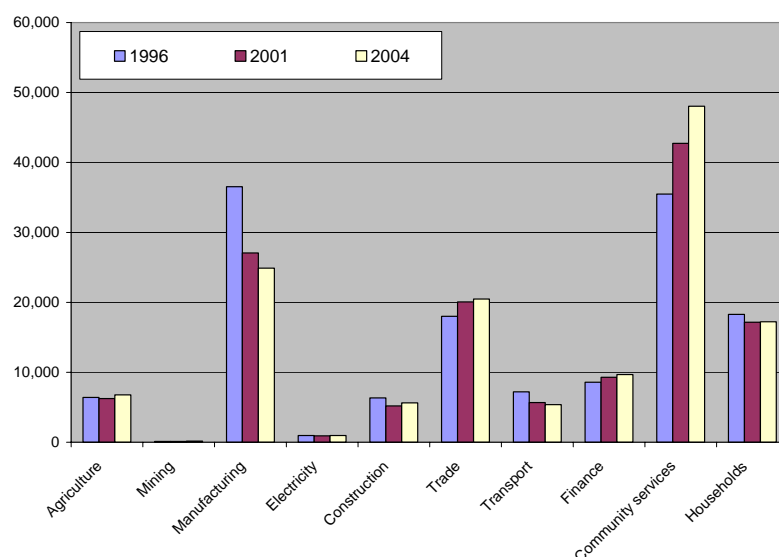
Population by Group				Composition			5 year growth rates	
	BCM	Other	Amatole	BCM	Other	Amatole	BCM	Amatole
African	598,303	941,046	1,539,349	85%	98%	92%	1.2%	0.4%
Coloured	40,004	12,174	52,178	6%	1%	3%	0.8%	0.6%
Indian	4,375	405	4,780	1%	0%	0%	-1.4%	-1.7%
White	59,208	8,739	67,947	8%	1%	4%	-3.4%	-3.2%
Total	701,890	962,364	1,664,254	100%	100%	100%	0.6%	0.1%

A very low population growth rate

An even lower growth rate

ii) *An economy struggling to cope*

One of the causes of slow population growth stems from a regional economy that grows comparatively sluggishly. Even more concerning is the relative performance of different economic sectors. In the graph below it can be seen how government related services has shown the best performance – suggesting a growing state dependency in the regional economy. One key interpretation of the obvious lack of dynamic performance in the non-government sector is that the regional economy has reached a ceiling in relation to its infrastructural base. In other words, current port capacity, rail and road links are utilized to a point that it does not offer comparative advantages to new investment. New economic initiatives in the functional region, such as the Umzimvubu River Scheme, Kei Rail Initiative and IDZ, collectively do not overcome the capacity constraints of regional connectivity and thus are unable to overcome a key obstacle to growth.



iii) *Regional livelihoods under pressure*

The acid test for a regional economy is its ability to provide sufficient and sustainable employment. With unemployment between 55% and 60% the Buffalo City region clearly do not generate sufficient work opportunity. After a real decline in the number of jobs between 1996 and 2001 there has been a "recovery", but this recovery in the number of jobs stems mainly from the government sector, an unsustainable future growth option. BCM has become a city where most people worked in the manufacturing sector in the past and are now increasingly becoming a place dependent on government sector employment growth.

	1996	2001	2004	Annual Change 01-04	Rate 96- 04
* Public sector	36,441	43,657	48,997	1,921	3.8%
* Private sector	101,409	90,811	90,191	-205	-1.5%
Formal employment	137,850	134,468	139,188	1,610	0.1%
Informal (residual)	29,035	59,239	62,247	1,036	10.0%
Employed	166,885	193,707	201,435		2.4%

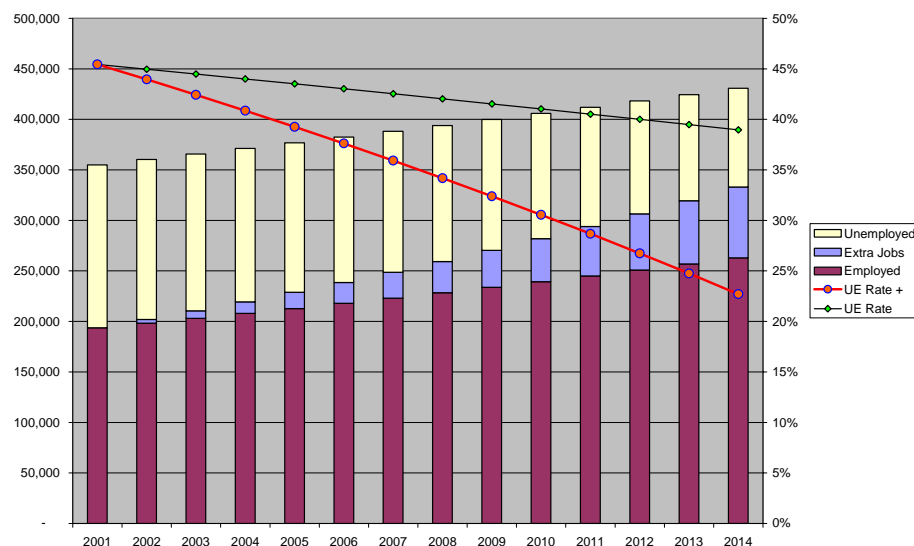
iv) *Locking people into the 2nd economy*

Due to the inability of the economy to generate jobs the informal economy plays a crucial role in providing economic survival to a rapidly growing portion of the working population. This sector has seen a rate of growth at more than double that of government employment (the best performer) between 1996 and 2004. However, the informal economy does not provide quality jobs and is a weak means of improving the quality of life of those trapped in it. The current national strategy is to find ways and means to allow people to move from informality into the mean stream economy. Current trends in Buffalo City suggest a danger of

trapping people in the 2nd economy as the formal economy fails to provide sufficient opportunity.

v) *Inadequate responses to the economic challenge*

Institutions of government are not unaware of the economic challenges faced by the region. A number of bodies are pursuing a range of strategies to facilitate growth and create employment. However, the current effort put into economic growth remains inadequate when compared with the Millennium Development target of halving unemployment by the year 2014. This observation does not mean that current LED and SMME strategies are wrong, it simply means that current efforts are insufficient to meet an annual employment target of 5400 additional jobs to halve employment by 2014.



Rapid Planning Initiatives (RPI's)

During July to September 2006 Buffalo City engaged a range of key organisations that can influence the development of the city over the next decades in a serious effort to establish a coherent City Development Strategy (CDS) and to lay the foundation for its collaborative implementation.

Four work sessions, called RPI's (Rapid Planning initiatives) were planned on key aspects of the CDS that requires close engagement with intergovernmental partners, development institutions, financing entities and private sector bodies. These sessions were:

- Going for Growth RPI** focused on setting an ambitious economic development agenda for BCM, linking into NSDP and PGDF and conducting updated economic analysis of the regional economy. The first RPI underscored the challenges that BCM

faces as an aspiring metro in a region under economic stress. It discussed ways of unlocking the agriculture sector and engaging the second economy.

- b) **Connecting the urban regional economy into the national spatial economy RPi** intended to inform a transport and communication infrastructure investment agenda aimed at putting Buffalo City on the national telecommunications, rail, road and air transport radar. It highlighted the immense role that connectivity, to the world, to other coastal cities in South Africa and within the province plays if BCM is to sustain its current economic base and build on a service economy in the future that uplifts not just the municipality, but its entire region.
- c) **Institutional alignment RPi** focused on establishing or strengthening the right mix of development entities/structures to enable CDS implementation. The RPi brought to light the number of institutional bodies that are in place to address different aspects of the local, regional and provincial planning and development processes. The large number of structures pointed to possible internally competing and limited mandates (fragmentation) and the high level of integration required for a CDS to be implemented effectively.
- d) **Healthy infrastructure foundation RPi** addressed the state of municipal infrastructure investment required to underpin the CDS. Unless BCM can reach those households not yet receiving adequate services it will not be socially sustainable, while not maintaining the existing infrastructure platform will seriously undermine economic growth potential. The RPi underscored a sustainable plan for municipal services infrastructure creation and maintenance based on a public investment strategy, spatial development review and city economy/tax base parameters.

Each RPi session was scheduled to cover two days of intensive multi-lateral discussions between key entities where inputs were made and plans, positions, strategies and interventions were shared. The dates for the RPi sessions were as follows:

City Futures Theme	Dates
Going for Growth	2-3 August 2006
Connecting the urban regional economy national spatial economy	16-17 August 2006
Institutional alignment	30-31 August 2006
Healthy infrastructure foundation	13-14 September 2006

It should be noted that the above city futures themes do not represent the full scope of matters that could be part of the CDS. These themes specifically address the agenda requiring close collaboration from Buffalo City's stakeholders. In addition to the RPi sessions the City will develop additional and complimentary strategies, ideas and interventions.

Key RPi outcomes

The RPi sessions provided a forum for the first time for stakeholders from different departments, spheres of government, State owned Enterprises, Development agencies, Councillors, as well as the Business Community with common interest around the long term strategic growth path for the City and its region to come together and discuss their views, their concerns and their aspirations.

The RPI's revealed the intentions that SoEs such as National Ports Authority, SANRAL and ACSA have for the municipality. Insight into the long term infrastructure expansion plans of the SoEs is crucial since it allows BCM and its constituents to understand how it is viewed by these bodies and to question the logic behind their preferences. In short, the RPI's enabled the municipality to engage with representatives of public enterprises around its options for growth.

The RPI's also revealed that the National Urban Agenda comprising of the National Spatial Development Perspective and Asgi-SA do not speak directly to the future place of secondary cities like Buffalo City in the national economy. These policies and the PGDP provide signposts but not roadmaps that BCM can use to plot its journey to a better life for all. This roadmap, called the CDS is what the municipality can produce.

What emerged from the RPI's?

Each RPi formed the basis for the next work session. Thus the process built up a layered analysis that was detailed and comprehensive. Presentations by representatives and department officials at the RPI's provided an authoritative background to the work sessions, which formed the basis for active and animated engagements in break away groups. From this process emerged a common understanding of the challenges faced by the municipality and some very unique solutions to these challenges. The proceedings at each RPi were captured by the ODA team and available as session notes. A more popular, narrative version of each RPi's outcome was presented in the form of CDS bulletins.

Thus the RPi sessions achieved the following:

- A common understanding of the growth limitations faced by the city
- A community of interest around the growth potentials of BCM
- A sense of shared ownership of the actual CDS outcome
- An acknowledgement of lobbying efforts that will be required to place BCM on a sustainable growth trajectory through public-led infrastructure
- A basis for putting together the CDS Implementation Framework

Annexure C: Comparative experience

What are the major international trends currently impacting on smaller cities such as Buffalo City and secondly, what strategic responses are emanating from the international experience on which can be drawn? In this section we explore comparative experience to assess if the BCDS is realistic.

C.1 General contextual trends

a) Universal Urbanisation

The last decades of the 20th Century were dominated by a profound international urbanisation process. People in every part of the world moved to urban centres at an increasing rate. For the first time in human history more people live in towns and cities than in rural areas. It is estimated that more people live in urban areas now than the entire world population in 1960.⁵⁴ South Africa has seen a sustained reduction in rural population and livelihoods for many decades. It is estimated that there are now only 851 000 farming jobs in South Africa, down from 11.5 million in 1910⁵⁵. This has signalled a decisive shift in a key economic driver. Where jobs are to be found – they are in the urban areas.

b) Shift in the pace of growth to smaller cities

Internationally a significant portion of the urbanising populations have concentrated on mega-cities with populations between 8 million people and those beginning to approach 30 million people (Sao Paulo). However, despite the concentration of large populations in highly visible major urban conurbations 3 out of every 4 new people living in cities in the future will be in small cities⁵⁶; cities similar and smaller in size to Buffalo City. A further key trend in the future of urbanisation is that much of future urban growth will be in developing economies; such as South Africa. It must be noted however that growth rates in Buffalo City are slow. Buffalo City does not compare with international bench marks to be considered a fast growing city in a rapidly urbanising region.

c) Fuzzy division between rural and urban

The dividing line between rural and urban is beginning to blur. A major trend of relevance to Buffalo City is the phenomena of *in situ* urbanisation, whereby rural settlements are beginning to function like suburbs of the larger urban concentrations in their vicinity. Experience with economic functioning of similar settlements in southern China and Indonesia suggests a blending of rural and urban functionality in peri-urban settlements with declining primary (agricultural) and increasing secondary (service) economic activity. As rural settlements begin to function as suburbs the demand for public services, in particular transport connectivity, in support of such *in situ* urbanisation can be expected to increase. The *in situ* urbanisation evident in peri-urban settlements

⁵⁴ Mike Davis, 2004: Planet of Slums: Urban involution and the informal proletariat. *New Left Review*, March/April 2004.

⁵⁵ Grulke, Wolfgang and Gus Silber, 2001: *Lessons in radical innovation: South Africans leading the World*. @One Communications.

⁵⁶ Davis, Mike, 2006: *Planet of Slums*. Verso.

around Buffalo City shows characteristics of high infrastructure costs, ongoing transport subsidisation and, in fact, a perpetuation of the Apartheid urban structure. While the development reality of rural and urban remains obviously different, it has to be acknowledged that the solution of many rural problems lies in unlocking the potential of urban economies.

d) **Urbanisation of poverty**

A trend that emerges in tandem with the changing functioning of peri-urban settlements is the urbanisation of poverty. Historically the process of urbanisation has been associated with a growth in economic opportunity because of a link between urbanisation and industrialisation. But this is no longer the case. Today, urbanisation often comes without income growth. This is for two reasons, both associated with globalisation. First, there are strong economic forces that have moved industrial production (and jobs) away from many developing regions. Secondly, there are fewer jobs in the cities for less-skilled workers. The rise of the service economy and creative sector⁵⁷ leads to urbanisation without income growth for people who cannot satisfy the demand for a highly skilled labour force. Buffalo City also faces the challenge of accommodating an increasing number of poor people in its functional region who demand municipal services and economic opportunity. In many cities, in particular African cities, the pressure of urbanising poverty and urban unemployment has resulted in massive growth of shantytown slums and collapse of municipal infrastructure that in turn inhibit the potential for economic resurgence.⁵⁸

e) **Unequal manifestation of growth**

Another key trend relevant to Buffalo City is the realisation that growth and opportunity is very unequally spread in the national spatial economy.⁵⁹ Inequality and deepening social division also manifest themselves within the city itself.⁶⁰ Linked to this trend of deepening inequality and reduced access to opportunity is the growing realisation that entire cities can become isolated and economically irrelevant if they fall outside the geographical areas benefiting from growth. The degree of economic concentration in South African urban areas is significant; the South African Cities Network⁶¹ indicates that 21 functional urban areas (including Buffalo City), covering 2% of the national surface area, generate nearly 70% of the Gross Value Added (GVA). In the 1990's the area between Tshwane and Johannesburg generated 24% of Gross Geographic Product growth; on 0.2% of the national footprint.⁶² There is a very real risk that the economies of agglomeration driving the trend of spatial concentration may result in many cities, towns and rural regions that used to be thriving centres of commerce becoming economically marginalised and dependent on state handouts for survival.

⁵⁷ Florida, Richard, 2002: *The rise of the creative class*. Basic Books.

⁵⁸ UN-Habitat, June 2006: *State of the World's Cities 2006/07*.

⁵⁹ Taylor, P.J., 2004: *World City Network: A global urban analysis*. Routledge

⁶⁰ See Castells, Harvey for background to this trend.

⁶¹ South African Cities Network, 2006: *State of the Cities Report 2006*.

⁶² Notes from SA Cities Network

f) **Small city perspective**

A cursory look at the map of economic concentrations from the National Spatial Development Perspective (see page 29, above) illustrates the uneven distribution of economic activity. Current projections do not suggest major changes in this pattern of economic activity, which reinforces the tendency towards concentrated growth in the major urban regions. This is a trend that is surfaces in research on the economic fate of smaller cities internationally.⁶³ The key challenge for smaller cities would be in finding ways to improve their relative position in the spatial economy through targeted interventions. The manifestation of national urban policy in South Africa impacts heavily on smaller/secondary cities:

- o Tax revenue discrimination:- Buffalo City, as with other small cities are not categorised as Category A metropolitan municipalities and have to share jurisdiction with district municipalities. Up to June 2006 they also had to share tax revenue in the form of RSC-levies. This constituted a redistributive burden that metropolitan municipalities have not had to carry;
- o The national NSDP categorises smaller cities, with few exceptions, as areas of "medium economic potential". While this assessment is true on the comparative scale of economic activity, it unfortunately becomes negatively reinforced through public investment focussing on areas of "high potential"; and
- o International economic trends favour economic agglomeration at a scale beyond smaller city economies. "New" economic activity requires the efficiency of proximity perhaps even more than manufacturing. This reinforces patterns of urban concentration in primary urban centres at the expense of smaller cities.

g) **Cities in a Region**

Cities located in larger regions with high levels of economic activity tend to do better than isolated urban localities. Often, when referring to a city, people talk about an administrative entity and not an economically defined functional area. Until 2000, local government entities in South Africa had very little in common with the functional areas of the urban concentrations they governed. A key international phenomenon is the focus placed on functional regions as the key drivers and locations of economic activity⁶⁴. Urban regions often extend well beyond the border of the municipality and have an environmental and economic footprint that encompasses a much larger area. Many analytical and intervention approaches are beginning to focus on functional regions and place less emphasis on the city itself.

⁶³ Bell, David and Jayne, Mark, ed., 2006: *Small Cities: Urban Experience beyond the metropolis*. Routledge
Robinson, Jennifer, 2006: *Ordinary Cities: Between Modernity and Development*. Routledge.

Katz, Bruce, May 2006: *Revitalising weak market cities in the U.S.* Brookings Institute.

⁶⁴ Omae, Kenichi, 2005: *The next global stage: Challenges and opportunities in our borderless world*. Wharton School Publishing

C.2 Emerging patterns of intervention

There is no magic formula for urban success. The economic innovations and cultural conditions that allowed particular cities to bloom in the past were specific to time and circumstance. Copying other cities' success stories is not a sure way of ensuring that the same effect will be achieved. Even success, when it happens, does not seem to last. History is full of remarkably short-lived and surprisingly rare examples of cities that have risen to capture a "golden age"⁶⁵, only to lose their dominance, sometimes to succumb to decay and even to disappear. However, coastal cities do seem to have an edge in clawing their way into the national and global economy through conscious strategic interventions.

There seem to be two aspects that mark emergent successful cities. Firstly there is the quality of the strategic thinking underpinning action. A successful city needs a coherent strategy that captures its intent and drives its implementation over decades. Secondly, successful cities seem to have some things in common – visionary individuals, creative organisations and a political culture underpinned by clarity of purpose. This second set of aspects, identified by Charles Landry⁶⁶, is less easy to define and benchmark. Landry noted that leadership was widespread, permeating public, private and civic organisations. Cities followed a determined but not a deterministic path. Success also depends on courage; courageous public-led initiatives complemented by bold private investments, and a range of interconnected projects undertaken both for the public good and for profit. The courage required demands a shared sense of confidence in the future; a confidence that can be built and influenced by the local democratic state as a key actor on the stage of development.

Successful cities, according to current evidence, offer competitive advantages in the following important arenas:

- o ***Successful cities address the needs of the poor*** – a city that works for the poor works for all. Deliberately dealing with poverty in an urbanised setting holds obvious advantages for the poor in getting access to services and opportunities and to the state as custodian of public service provision. The socio-political consequences of not addressing the needs of the urban poor are perhaps even a greater motivation for action. Yet, the ability of cities to address the conditions of poverty depends on urbanisation being combined with economic growth. Achieving sustained economic growth is therefore a precondition for sustained improvements in the lives of people. Buffalo City faces a strategic choice on how to deal with the needs of the poor – there is a tension between investment in subsidised basic services and productive investments in the urban

Winning advantages for Cities:

- Addressing the needs of the poor
- Providing high quality living experiences
- Being well connected
- Providing agglomeration benefits for growing the economy

⁶⁵ Hall, Peter, 1998: *Cities in Civilization*. Weidenfeld & Nicolson.

⁶⁶ Landry, C. 2000: *The Creative City: A Toolkit for Urban Innovators*. Earthscan, London.

economy. The following three bullet points reflect on the competitive advantages of cities in relation to growing the urban economy.

- o ***Successful cities provide high quality living experiences*** in which people want to settle and invest. A city that works for the poor cannot be a city with a poor living environment. A high quality environment is a reflection of the range of economic opportunities, cultural experiences, sense of safety and a quality physical environment. The availability of a range of effective and efficiently provided public services, transport and amenities are important factors in creating a high quality living experience. A key intervention most commonly utilised in smaller city strategies is to position for lifestyle investment and the creative class, both being dependent on good living experiences and urban quality;
- o ***Successful cities are well-connected.*** Connectivity relates to availability of quality communications infrastructure, mass transit systems and excellent regional and international transport connections. Connectivity is a prerequisite in establishing a foothold in trade and financial flows within a region and global context. Public investments in transport and communications infrastructure are a key factors influencing competitiveness. A key strategic consideration in focussing on connectivity relates to the challenge faced by small cities to remain relevant in the national spatial economy; and
- o ***Successful cities provide agglomeration benefits.*** Increasing size generates advantages since it stimulates a growing range of economic activity. Competitive agglomeration benefits are influenced by disposable income, the cost of public services, transport, labour and other input costs, as well as the appropriateness of the labour skills to economic requirements. Where cities are unable to maintain a critical mass of economic activity they can experience a quick loss of business and jobs. While agglomeration benefits are important to ensure growth the converse is also true; inability to maintain agglomeration benefits can result in rapid decline.

A city cannot qualify as an urban success story if high quality living experiences, efficient transport and economies of scale yield benefits only to a select minority of the total population. Like most other places, reality in BCM is defined by a duality between poverty and prosperity within a spatial economy reflecting high levels of inequality. Creating an urban success story in the Eastern Cape involves a delicate balancing act. On the one hand, the municipality has to deal with the gross municipal service and transport inefficiencies that affect a large, poor population in peripherally located settlements. On the other hand, public authorities have to protect the dynamism and vibrancy of economic activity along the East London – King William's Town corridor. The predominant focus in the strategy to make BCM a successful and sustainable city must address this duality.

A key premise of CDS interventions is that well targeted investment can change the prospects of a city within a decade or two. This applies in particular to public led investment in productive infrastructure. Such change is however not automatic or assured and requires consistent and dedicated public action.

Building on empirical research, the characteristics of *weak* cities are typically a combination of:

- o Cities located in economically weak regions;
- o Cities that have not made the economic transition from an old (industrial) economy to a new service-based entrepreneurial/creative economy;

- o Cities that become disconnected/isolated from key movement patterns of goods and people;
- o Cities that are unable to sustain sufficient critical mass in key economic sectors to maintain sufficient agglomeration benefits suffer economic decline;
- o Cities without capable research/training institutions and well-maintained civic and economic infrastructure fail to attract investment;
- o Cities experiencing a combination of low or negative population growth, concentrated poverty and segregation suffer a decline in safety that tends to result in low quality of life and weak investment potential;
- o Cities with low levels of human capital, high costs of doing business and poor amenities; and
- o Poorly governed cities with weak institutional capability.

The above characteristics of urban crisis suggest pathways for preventive action. Thus, cities that initiate a strategic package of intervention that would improve on the above matters should do well. It should not come as a surprise that many urban interventions share aspects that attack the above characteristics. Common tactical responses employed by cities thus often include:

- o Waterfronts;
- o Convention centres;
- o Industrial development zones;
- o Iconic architecture and civic buildings;
- o Creating quality air and rapid rail links;
- o Place marketing;
- o Promoting competitive economic clusters;
- o Promoting low entry level sectors such as tourism;
- o Hosting major events (2010 Soccer World Cup) and annual festivals;
- o Ensuring positive marketing by addressing safety and security issues – zero tolerance policing;
- o Incentivising new economy firm location such as aircraft manufacturing, nano-technology, silicon chip; bio-technology, information technology and call centres;
- o Providing quality urban environment and amenities focussed at attracting the “creative class” through “smart growth” –type frameworks;
- o Emphasising culture and a society of tolerance and openness; and
- o Revitalising urban centres.

Obviously the richness and complexity of the factors defining urban success cannot be reduced in a simplistic manner to a checklist of success factors. The above list is not complete and some elements may not even be appropriate for a South African city.

Yet, the current trend favouring locational advantages of secondary city such as Buffalo City does offer additional lessons and suggestions:

- o A robust poverty reduction programme and social support net;
- o Providing community-based incentives to encourage people and businesses to relocate out of major urban centres due to the lower cost of living and varied lifestyle choices that BCM can offer;
- o Ensuring excellent transport links to big commercial hubs;
- o Good IT infrastructure and a skilled workforce continuously replenished and served by universities and colleges;

- o Creating quality urban environments where people can have culture without chaos and ease without boredom;
- o Active promotion and place marketing by local, provincial or national government; and
- o Fostering a critical mass of middle class inhabitants.

PATTERNS FOR GROWTH	
Las Vegas, USA	Spin-off industries from top quality ITC needed in gambling Recent growth in manufacturing (plastics and metal products) Favourable state tax-regime (Nevada), relocation of businesses from California Thriving neighbouring state (California) Pensioners seeking retirement condos Moderate year-round climate
Barcelona, Catalonia	Positioning re EU subsidies Public led investment into key infrastructure Olympics Planning framework
Fukuoka, Japan	Closest Japanese city to China: largest consumer market for manufactured products Private sector investment from manufacturing giants Sony, Toshiba and Canon Aggressive marketing by City Mayor since 1998 High capacity city port: Hakata Well developed highway network, less busy than North Island's Growth in tourists from Asia <i>SA lacks proximity to markets, however BCM has port in EL</i>
Birmingham, UK	UK Rust belt city – creating a new image Inner city revitalisation
Manchester	City image revitalisation – inner city living initiative Central city revitalisation Olympic bid
Munich, Germany	Soft lifestyle factors: surrounded by sunny Bavaria Presence of BMW Presence of electronics giant Siemens since 1950s Attractive to entrepreneurs: boasts 180,000 IT and bioscience companies, Europe's concentration of start-ups Plentiful jobs <i>BCM: long presence of Daimler Chrysler, related auto industries</i>
London, UK	Centre of the world's finance sector in a booming global service economy Top European destination for foreign investors Relaxed attitude to immigration, pool of cheap labour UK's main rail and air link to the rest of the world New development planned in the heart of the city
Toulouse, France	Aerospace capital of Europe, each job in Airbus leads to 2 more in related companies Exponential growth in global demand for airbuses: from 2 to 35/ month Efforts at diversifying, e.g cancer research <i>Vulnerability of mono sector economies</i>
Nanchang, China	China's smaller cities can grow faster than the big cities Foreign direct investment: Ford bought a stake in Jiangling Motors Growth too fast at times: overtaxed electricity infrastructure
Dalian, China	Being first – FDI strategy led by Mayor Establishing a finance sector Linked to infrastructure investment and climate setting
Shenzhen, China	One of the world's most prolific cities by growth, managing average growth of 28% between 1980-2004 based on designation as special economic zone Cheap labour (a declining advantage) New long term strategy focussing on incentivising high technology firm location
Moscow, Russia	Growth based on oil and gas fields in Siberia, not industry or technology Booming capital of a shrinking nation Major boost from migration from surrounding provinces and former Soviet States

Ghaziabad, India	Sky-rocketing land prices in nearby capital New Delhi Strategic location to become suburb for Delhi commuters Small-scale industry as well as larger plants Excellent highway connections to Delhi and Noida Hosting 2010 Commonwealth games
Goyang, South Korea	Park-like, relaxed atmosphere 30 minutes by rail from Seoul Dormitory town aspiring to grow industry and jobs, not just apartments
Bogota, Columbia	Investment into public space – public led investment into public transport Image change
Florianopolis, Brazil	Thriving tourism thanks to multitude of island beaches Ban on heavy industry has kept the island clean Attractive to private high-technology companies Network of public and private universities Heavy investment in schools and roads <i>An alternative to usual pattern of growth: no reliance on heavy industry</i>
Dublin	Creative use of EU subsidies Repositioning the city for technology intensive growth Creative city strategies