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Provincial and Local Government
REPUBLIC OF SOUTH AFRICA



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Expanding economic opportunity in the Presidential poverty nodes

This introductory booklet describes the Nodal Economic Profiling Project that produced profiles of the Presidential poverty nodes in South Africa.

It places these in the context of the Department of Provincial and Local Government's Programme of Action and the Business Trust's Community Investment Programme.

The booklet also describes the methodology used to produce the profiles and presents guidelines on how to use the information on the accompanying CD.

Contents of the CD

The CD that accompanies this booklet presents economic profiles of South Africa's Presidential poverty nodes. The information is intended primarily for planners, administrators, policy makers, and public and private investors.

The CD contains the following information:

Introduction

- An electronic (PDF) version of this booklet.
- A voiced tutorial explaining how to use some of the more complex data slides.
- A list of acronyms used in the economic profiles.

Profiles of the rural and urban nodes

- A data set of some 120 slides, in PowerPoint form, for each poverty node.
- A presentation (voice-over) by the lead researcher for each of the economic profiles. This provides additional information and guides the user through the information.
- A one-page summary for each economic profile.
- A narrative overview for each economic profile. These overviews are approximately 20 pages long.

Nodal investment atlas

- A document summarising investment opportunities for each poverty node.

Summary of findings

- Comparative data on the economic profiles that summarises the findings from the economic profiles.

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Expanding economic opportunity in the Presidential poverty nodes

Since 2001, considerable progress has been made in the Presidential poverty nodes with respect to service delivery, safety and security, and institutional development. However, more must be done to build productive and sustainable economies in the nodes. The economic profiles serve as an information resource for understanding the economic character for each node, and are intended to facilitate more targeted investment.

Lindiwe Msengana-Ndlela, Director-General: Department of Provincial and Local Government

In the light of progress made over the last decade, South Africa's central challenge now is to ensure that the poorest communities are not left behind as the country develops. These economic profiles of South Africa's urban and rural poverty nodes were designed to improve the information available to decision-makers in the public and private sectors as they face that challenge.

Brian Whittaker, Chief Executive: Business Trust



Selling African fabric at a tourist market. Tourism has the potential to empower communities in many of the Presidential poverty nodes, as South Africa's tourism sector is one of the fastest growing in the world.

Contents

Introduction

Background to the Presidential poverty nodes	5
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The Nodal Economic Profiling Project

Process followed	9
Principles applied	9
Methodology used	10
Differentiated approach to urban and rural nodes applied	11

How to use the CD

Introduction	13
Profiles of the rural and urban nodes	13
Nodal investment atlas	15
Summary of findings	15



Workers spread gravel to construct a landscaped pathway and recreational area. Improved infrastructure and services to communities are essential for the economic development of the Presidential poverty nodes.

Background

Background to the Presidential poverty nodes

The Presidential poverty nodes are described by the Department of Provincial and Local Government as the “spatial manifestation of the second economy”. These areas are “characterised by underdevelopment, contributing little to the GDP, absorbing the largest percentage of the country’s population, incorporating the poorest of the rural and urban poor, structurally disconnected from both the First World and the global economy, and incapable of self generated growth” (Department of Provincial and Local Government Programme of Action 2005).

In 2001 government indicated that direct action was required to overcome these conditions. The Urban Renewal and Integrated Sustainable Rural Development Programmes were launched to address underdevelopment in the Presidential poverty nodes (see www.dplg.gov.za for more information on these programmes). The intention was for government to intervene in the Presidential poverty nodes through a process of intergovernmental cooperation that would be fostered by an integrated approach to policy and planning.

Following a review of these programmes in 2005, the Department of Provincial and Local Government established a Programme of Action “for building productive and sustainable nodal economies”, to accelerate the development of the areas defined as Presidential poverty nodes. It concluded that the essential economic development problem in the nodes is that, notwithstanding considerable effort, the urban and rural development programmes are not generating sufficient economic activity to underpin sustained development. The review suggested that the economic development problem is made up of six components. In summary

these are:

- **Insufficient and unreliable economic data.** Without good intelligence on economic challenges and opportunities, the Presidential poverty nodes are unable to trigger the required economic responses.
- **A project-specific approach to development.** While important in focusing resources, a project-specific approach limits strategic focus and fails to capitalise on nodal-wide competitive advantages.
- **Deficiencies of economic inputs into nodal plans and their implementation.** Insufficient economic input into Provincial Growth and Development Strategies, integrated development plans and nodal business plans increases “the probability of designing over-ambitious and un-implementable plans”.
- **The lack of a flexible, user-friendly and market-friendly national funding facility.** Notwithstanding the value of the municipal infrastructure grant and the revised equitable share allocation for nodal development, there is no direct mechanism for stimulating private sector resource flows into the Presidential poverty nodes.
- **Limited economic productive capability in the nodes** frustrates the creation of internal demand for economic goods and services. This relates to education and training, capital for business development, economic and social infrastructure, marketing information and appropriate technologies. It was suggested that human resources providing hands-on support for economic development is far more important than deploying more planning interventions as a response to unemployment.
- **Absence of a specified role for provincial government** as well as other governance structures of nodal development.

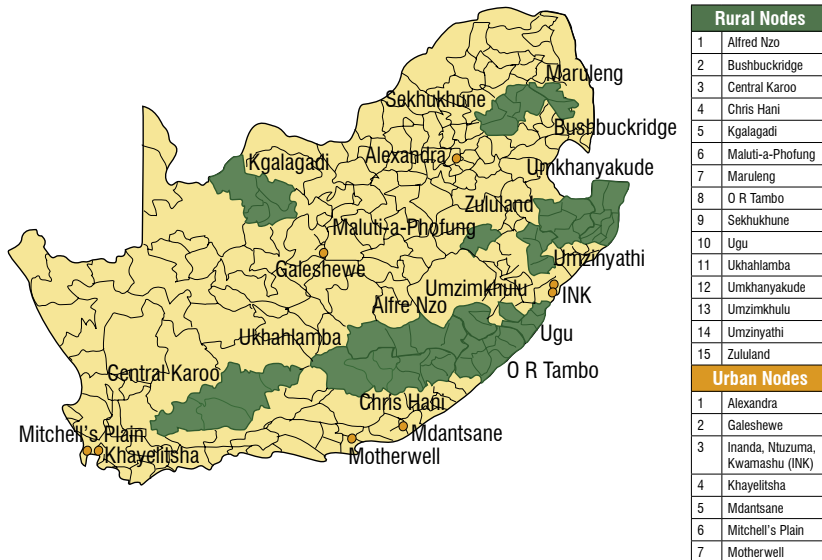
The Business Trust was asked to support the implementation of the Programme of Action as part of its Community Investment Programme (see www.btrust.org.za for more information on the Community Investment Programme). It agreed to do that by:

- improving the availability of economic data on the nodes; and
- piloting an approach to nodal development that would encourage the expansion of markets and development enterprises as a means of accelerating local economic development.

A partnership, agreed in a Memorandum of Understanding between the Business Trust and the Department of Provincial and Local Government, oversees the Nodal Economic Profiling Project.

Presidential poverty nodes

In 2001, the State President Mr. Thabo Mbeki announced an initiative to address underdevelopment in the most severely impoverished areas (Presidential poverty nodes) in South Africa. It is estimated that these nodes (rural and urban) are home to around 10 million people.





A woman directs traffic around road construction on a main highway in the Eastern Cape. Well-developed and well-maintained roads ensure that the Presidential poverty nodes are not cut off from surrounding areas and that business can flow in and out of the node.

The Nodal Economic Profiling Project

Process followed

The Nodal Economic Profiling Project was developed through a process that included:

- A scoping exercise carried out in the context of the Business Trust's Community Investment Programme.
- The submission of requests for proposals to agencies with the capacity to carry out a project of this nature.
- The assembly of a project management committee consisting of representatives from the Department of Provincial and Local Government, the Business Trust, the Presidency and the Independent Development Trust, with the responsibility for reviewing the proposals received and overseeing the implementation of the project.
- The approval of the programme by the Board of the Business Trust.
- The contracting of the Monitor Group as the preferred bidder to undertake the profiling exercise.

Principles applied

The profiling process was designed to improve economic information and identify economic opportunity in the Presidential poverty nodes. It was informed by the following principles:

- **Adopt a market-focused approach.** When assessing opportunities for economic growth, data is required to indicate potential demand – local, national or international. Is there a market that can be served in the long run? If so, a sustainable vision for the future can be created, using the assessment of local capabilities and assets.

- **Work within the constraints of reality.** Local environmental conditions must be taken into account prior to embarking on ambitious projects. This requires a sober assessment of the potential of a region before deciding on the high-level choices available to a particular locality.
- **Fix the basics.** In most cases there are a number of basic conditions that urgently need to be addressed before embarking on ambitious development investments. These include road infrastructure, electricity supply, institutional capacity etc. These conditions may have constrained investment in the past and must be dealt with if investment is to flow to the area in future.
- **Recognise the importance of good process.** The key players in the public and private sectors must work together if sustained growth is to be achieved. Unless sufficient time is spent getting the different players to agree on a common agenda for growth, the result will be a lack of sustainability and failure further down the line.

Methodology used

Teams of local and international experts with the appropriate mix of skills and background in policy, development and training were assembled to undertake the profiling of the nodes. The partners in the project valued the mix of people generating a dynamic product that is reliable, thorough and nuanced.

These research teams were supported by field workers from the Independent Development Trust and by CIDA City Campus students (some of whom lived in the nodes) who were able to use their local knowledge and assist with data collection and communication. The teams were primarily staffed and managed by consultants from the Monitor Group.

The compilation of the socio-economic profiles drew on secondary data that was combined with primary data obtained through interviews conducted in each node in 2006 and 2007.

The process followed by each research team is summarised below:

- **desk research** through which base documents were surveyed, including the Integrated Development Plan and review reports, the Provincial Growth and Development Strategy, the National Spatial Development Perspective report and the analyses of census and other official data;
- **interviews** with social and economic development experts on the issues facing the nodes;
- **visits to the nodes** (lasting up to 10 days) during which the team interviewed managers of the Integrated Sustainable Rural Development Programme (**isrdp**)

or Urban Renewal Programme (**urp**). In total, 400 interviews were held with a wide range of stakeholders at various levels in the node – government officials in various spheres of government, private sector players, members of the local business community, organisations of various types and the media;

- **analysis of the data collected by desk research, interviews and visits;**
- **development of profiles in sets of data slides for each node;** and
- **a review of draft profiles.** Draft reports were reviewed by key stakeholders who provided feedback, and were then signed off by the municipal manager.

Differentiated approach to urban and rural nodes applied

Rural and urban nodes were approached differently. Rural nodes cover large areas that fall within the jurisdiction of district councils while urban nodes are concentrated in urban townships that fall within urban metropolitan or city areas. Because of these differences, the profiles for the urban and rural nodes were developed within different analytical frameworks.

In the case of the **rural** nodes, the attention of the research team was drawn to the key economic sectors when they looked at an area's prospects and constraints.

A 'value chain' approach was adopted to isolate economic development challenges and responses. Since most of the rural nodes comprise an entire district municipality, the value chain analysis allowed a rigorous engagement with critical municipal issues. Economic inputs, production processes and target markets were all important analytical units of the value chain analysis¹.

In the case of the **urban** nodes, a themed approach was followed. These were used to engage with key economic development challenges and responses in the urban nodes. The themes focused on:

- improving the quality of residential life;
- fostering of commercial activity; and
- linking the urban node to the rest of the city or metropolitan area of which it is part.

¹ In-depth material on both the value chain approaches and urban themes is found in each rural and urban nodal economic profile respectively.



Construction workers at work on a housing complex. The erection of housing, shopping centres, schools and industrial buildings in Presidential poverty nodes promotes local business within the node.

How to use the CD

The CD contains a menu with four items:

- Introduction,
- Profiles of the rural and urban nodes,
- Investment atlas, and
- Summary of findings.

An explanation of how to use each section is discussed below.

Introduction

In the introductory section, the user is provided with an electronic (PDF) version of this booklet (in case the hard copy is lost or the user wishes to use an electronic version), a tutorial explaining how to read some of the more complex data slides, and a list of acronyms to help the user understand the terms used in the economic profiles.

Profiles of the rural and urban nodes

The data for each node are represented in a variety of different ways in the slides. In many cases tables, bar graphs and pie charts are used. There are also more complex representations which are explained in the tutorial on the CD.

The content of the rural and urban nodal economic profiles is as follows:

Rural nodes

- A **node overview** provides key data/statistics on the geography, demographics, education, etc. of the node. The information is largely fact-based with some interpretation, including a development scorecard.
- **Node economy** looks at levels and trends in GDP to identify key economic sectors for further investigation (mostly agriculture and tourism).

- For each identified sector there is a **value chain analysis** containing (i) a description of inputs, production and outputs as well as key markets; (ii) an identification of barriers to growth; and (iii) illustrations and suggestions on how to remove/address barriers to growth, pointing to actions for both public and private sector.
- **Investment opportunities** is a section that provides information about selected investment opportunities for each node.
- **Summary charts** contain information that (i) names key characteristics of the node; (ii) identifies the generic lever(s) of growth in both the short and long term; (iii) reviews current activities in view of whether one needs to do 'more of the same' or more fundamentally 'change direction'; and (iv) highlights key next steps and parties to be involved in order to achieve growth.

Urban nodes

- Each **node overview** is very similar to the rural node overviews, but contains less geographic information (climate, soil, etc.), because this is not as applicable in an urban environment.
- **Node economy or 'themes'** looked at external vs internal economic structures of each urban node, seeking similar information as for the rural nodes. However, following the **realisation that the urban nodes** are largely residential in nature with very few productive activities, it was decided to identify three themes to investigate in each urban node: residential life, commercial activities (largely retail), and linkages to the metro. For each theme, the profile describes the status quo, barriers to growth and how to best proceed.
- **Summary charts** contain information that (i) names key characteristics of the poverty node; (ii) identifies the generic lever(s) of growth in both the short and long term; (iii) reviews current activities in view of whether one needs to do 'more of the same' or more fundamentally 'change direction'; and (iv) highlights key next steps and parties to be involved in order to achieve growth.

In addition to the economic profiles, the user is provided with the data slides and a presentation of the slides by the lead researcher involved in studying that node. The voice of the lead researcher guides the user through the economic profiles, highlighting important information and explaining concepts.

One-page summaries and narrative summaries for each economic profile provide high-level overviews of the more detailed information contained in the data slides of the economic profiles.

Nodal investment atlas

The nodal investment atlas lists potential opportunities in terms of the following variables:

- description of an investment opportunity
- economic rationale
- employment considerations
- enabling conditions
- sectoral location
- level of action required: public and private sector
- scale of the opportunity: number of potential jobs and funding requirements
- state of readiness: business plan in place, funding/financing in place, and operational capacity available.

The identified investment opportunities are not exhaustive. They provide a good indication of the type of immediate needs and easy-to-access economic opportunities in each area. Other more lucrative or unique opportunities may be available, but would have to be identified through more intensive engagement.

The range of investment opportunities is unlikely to change radically over the next few years. The profiles demonstrate to investors the types of investment opportunities available in the nodes, and show where financial resources or expertise are needed at present. The investment opportunities were not evaluated in detail, since investors are expected to conduct their own feasibility studies according to their respective motivation and intention. Nevertheless, these opportunities caught the attention of a group of economically trained people in the context of growth, and have been filtered and identified as interesting options for investment.

Summary of findings

The summary of findings is provided to further highlight, explain, compare and summarise the findings of the Nodal Economic Profiling Project.

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