

Buffalo City Development Strategy

Managing a city in transition

Consolidation Report

Draft 4.1: May 2007

Acknowledgements

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

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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
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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Buffalo City Development Strategy: Executive Summary

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 tool through which Buffalo City is preparing to meet the needs of its people over the next decades is the Buffalo City Development Strategy (BCDS). 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. In essence the BCDS is a framework to help all stakeholders pull in the same direction.

Analysis suggests that current trends cannot 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. The way in which Buffalo City and its regional hinterland is developing clearly fails to meet the needs of the next generation. 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.

Buffalo City plays a strategically important role in its functional region. While the City is perhaps not a world city, it nevertheless plays a pivotal developmental role in one of the poorest regions of South Africa. For the people in the Buffalo City- region plays many roles, i.e.:

- o Buffalo City is a much loved home – a place providing a high quality of life and livelihoods;
- o 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 Buffalo City is 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.

Meeting the needs of future generations require an appreciation of Buffalo City as a place undergoing a profound economic and social transition. Like many cities over the world Buffalo City is experiencing an economic transition to a post-industrial stage. This means that Buffalo City has to prepare itself to a face a future where manufacturing/industrial activities are likely to play a proportionally lesser role in the local economy. In the place of current economic base a new services economy will emerge that will require new skills, different infrastructure and importantly, need to attract the right investment and investors 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 this 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.

Building the BCDS is underpinned by important policy approaches:

- o *Impacting on poverty through growth:* 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 *Better urban development leads to less rural poverty:* 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;
- o *Developing the urban core:* Buffalo City's economy is anchored in East London, but has invested significant resources in the past decade in the creation of

infrastructure in Mdantsane to facilitate the transition from marginalised township to integrated suburban centre. Bisho is in effect a decentralised office precinct housing the Provincial Legislature, but requires additional investment in order to diversify its viability as decentralised node. One way to improve Bisho is through exploring linkages with King William's Town. As a long standing regional services centre King William's Town provides an important service support to surrounding rural areas – thus allowing the exploration of projects that would strengthen its regional services role. Each node within the urban core thus have differentiated strengths and weaknesses that can be explored in such a manner that the combined impact optimise the functioning and economic performance of the city as a whole;

- o *Growth through crowding in public investment:* 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;
- o *Investing in transformative/catalytic infrastructure creates shared growth:* 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; especially in infrastructure directly supporting economic activity. Public investment also stimulated private investor confidence and unleash economic energy;
- o *Complimenting competitive economic development strategies by investing into managing an economic transition:* 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;
- o *Building alliances of shared interests:* 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 action agenda to ensure effective implementation – creating an alliance of shared interest around a joint agenda for action; and
- o *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 ways to influence institutional behaviour,

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)

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.

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. Buffalo City has had no foundational infrastructure investment in decades. No economic growth is possible unless the key infrastructure on which growth is dependent is already in place. 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.

Economic activity is not constrained by administrative boundaries. Urban economies have strong linkages with 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 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 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.

Building on the existing Spatial Development Framework a more nuanced development

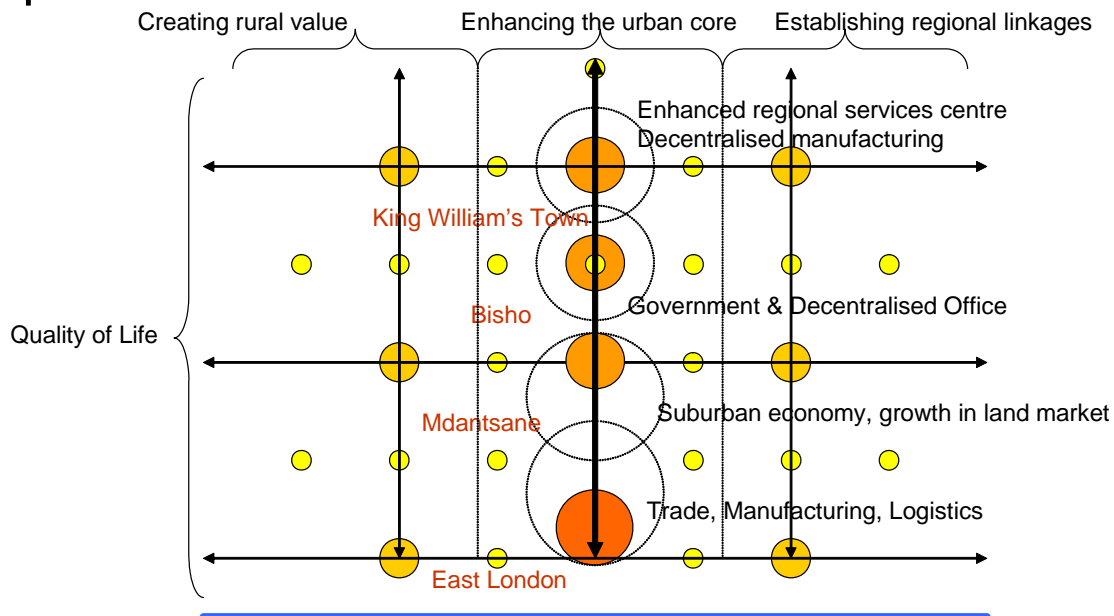
paradigm is required for the urban core consisting out of East London, Mdantsane, Bisho and King William's Town. The CDS proposes targeted public investment through which the whole urban core can be developed in a mutually reinforcing manner by:

- o Investing in public spaces and streetscape design to dramatically improve the retail environment of high street shopping in King William's Town. Through relatively little public investment the historical character and service offering to a rural hinterland can be dramatically and visibly improved, signaling confidence to investors and communities. In addition Dimbasa, Berlin, Fort Jackson and other decentralized industrial locations offers value for decentralized manufacturing;
- o Promoting Bisho as a decentralized office node that is more than a centre of government administration and the seat of the Provincial Legislature. By casting Bisho as an administrative centre for government, the growth of this node becomes limited to the ability of the state to grow its apparatus. To overcome its in-built growth limitation Bisho could be marketed/positioned as a decentralized office node serving the whole of Buffalo City. While still anchored in government office accommodation Bisho could

broaden its scope to serve a wider tenant mix. One way to practically broaden Bisho's tenant mix is to explore public land release between Bisho and King William's Town. Through innovative transactional packaging the developing community can be encourage to invest in this area at a much larger scale than what can be achieved purely through the state.

- o Mdantsane's basic services and residential infrastructure improvements should show signs of unlocking local services and retail opportunities. Mdantsane should, in the future, become more like a suburb than a township. While a subtle change, Mdantsane can be expected to increasingly function as an integrated part of the urban system. The establishment of a vibrant land market will release wealth to residents and serve to raise expendable income, in turn supporting a strengthening retail and local area services base. As Soweto has illustrated, townships can make a successful transition from marginalization to integration given the right state investment focus.
- o East London contains the core economic infrastructure of the region and as such will continue to perform at the limitations or opportunities offered by key economic infrastructure. By being a coastal node East London plays a multifaceted role in the BCDS by anchoring trade, services and manufacturing sectors. In addition a future lifestyle city is likely to depend on the coastal nodes and the high amenity value offered in East London. East London is the key that will unlock the urban core of BC and surrounding hinterland.

Spatial model of BCDS



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).

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 through 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:

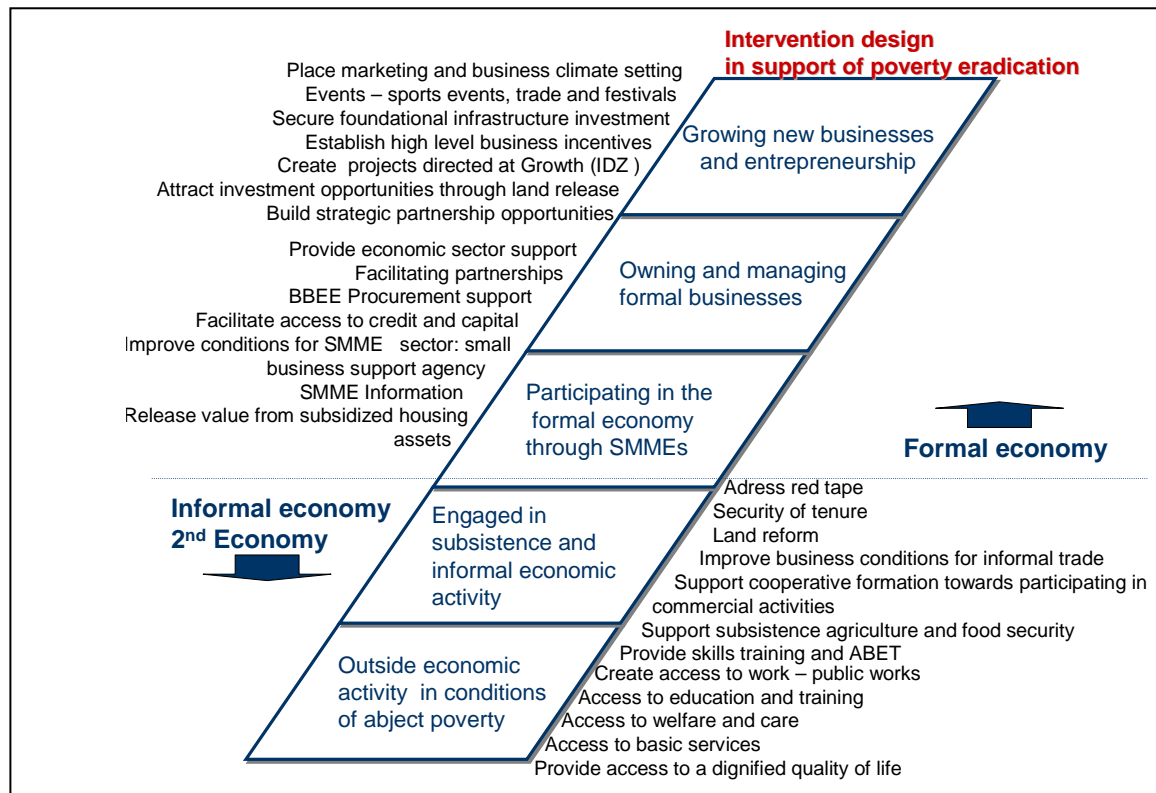
- o That the current social development agenda is inextricably linked to welfare provision and extension. It is recognized that, despite gaps and weaknesses in this welfare package, the city is in a very weak position to add significantly to welfare roll out beyond what is currently within the realm of government programmes. In effect the BCDS takes a conscious position not to emphasize this important aspect, simply because it has little to offer in terms of its fiscal and functional mandate; 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. Importantly, the economies of nodes such as Bisho and King William's Town are crucial elements of a successful urban economic response as important service centres;
- 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.

Addressing the condition of poverty is not easy and does not respond to single dimension interventions. Poverty requires a concerted, multidimensional and coherent effort that should be guided by an over-arching strategic approach. In the BCDS our approach is to create a systemic pathway out of poverty by targeting strategic interventions that creates preconditions for economic mobility. Our approach thus aims to establish a ladder people can climb to a better life.

The graphic below illustrates our approach to economic mobility:



A ladder of economic mobility: Intervention design towards eradicating poverty and creating prosperity
 Source: ODA

Success in all aspects of the ladder of economic activity is required to grow an economy and provide the space for poor people to access a higher standard of living. It is only by growing new businesses and facilitating the growth of existing businesses that the SMME sector flourishes. Without a robust SMME sector there is little change for people in the informal economy to access real economic opportunity due to the high entrance barriers in terms of skills and capital that exists. For economically active people to make the transition from poverty to property thus requires the entire economic ladder to function well.

The BCDS approach to poverty alleviation and eradication is thus to find ways of supporting economic activity in the informal or 2nd economy through growing value in the 1st or formal economy. A successful formal economy allows scope for redistributive support into the 2nd economy, thus enabling systematic improvement of conditions for people trapped in poverty. The strategic intent is to secure and reward upward mobility on the ladder of economic activity. However, experience has shown that it is notoriously difficult for people to make the transition from the informal into the formal economy and is unlikely to succeed without targeted support and intervention.

Our thesis is that growing value in the formal economy is a precondition for alleviating poverty through creating access to economic activity. Addressing poverty thus requires

a framework through which to grow the Buffalo City regional economy. To this end the BCDS proposes a managed economic transition for shared growth and prosperity

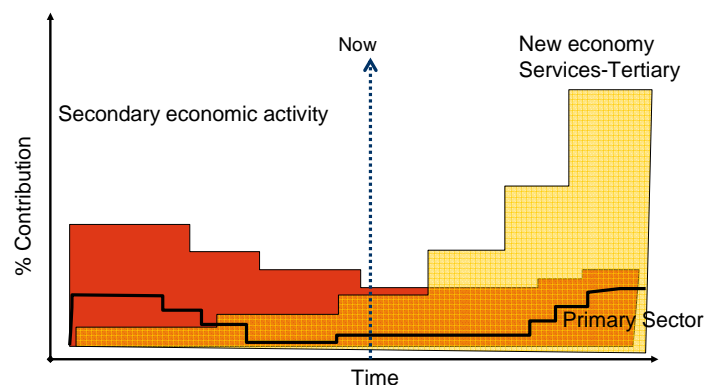
Defining strategic intent

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 20-30 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:

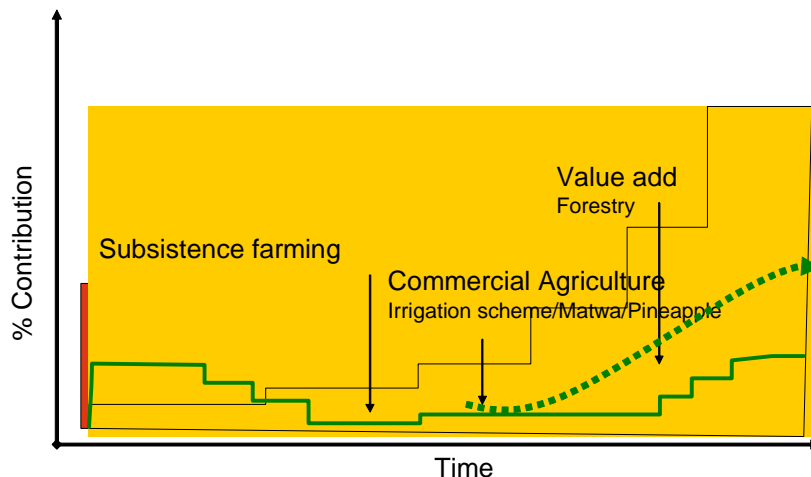
- a) Lead to an inevitable decline in primary sector activity such as agriculture and forestry. Interventions in this sector is thus to manage decline and

- prepare this economic sector for fundamental reform leading into a shift from subsistence 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).

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 viability and economic growth potential of these practices are questionable. Addressing the primary economic sector thus includes consolidating subsistence farming into commercial farming into the future through, for example, evolving successful farming cooperatives, 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 the abundant land that is available 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



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.

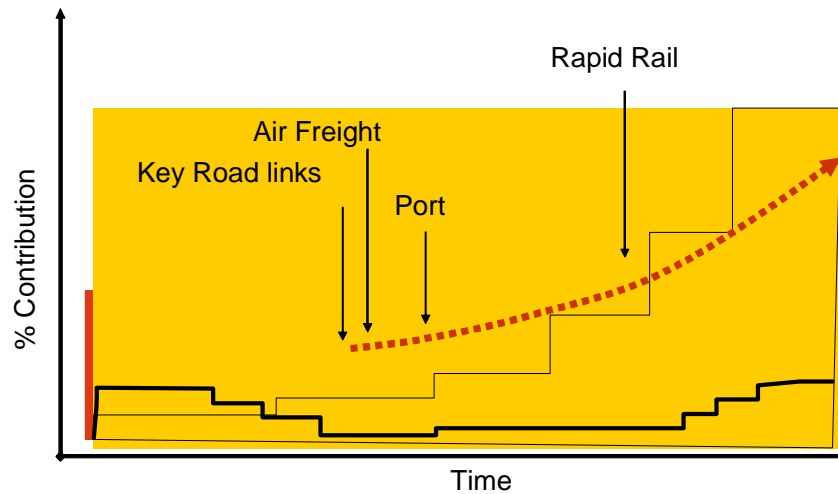
Manufacturing holds an important place as a key stabilizing aspect of the BCDS to buy time, so to speak, for a robust service sector to emerge.

A key identified weakness of Asgi-SA is its dependency on capital accumulation and a particular weakness in the last decade to grow an export orientated manufacturing sector. 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 is the lack of Asgi-SA related investment either through key SOEs or through Provincial infrastructure projects with major impact.¹

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.

¹ AsgiSA Summary

Stabilizing and growing the secondary economic sector



Gearing up the services sector to provide the future growth imputes

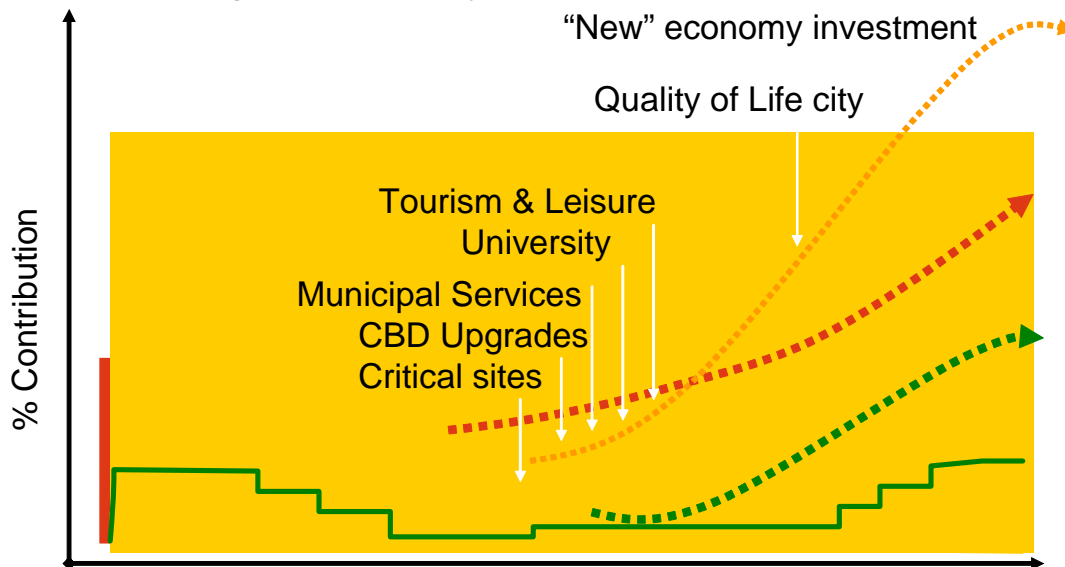
Real change in the economy is brought about through the tertiary economy that

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 in 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.

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.



Conclusion and the way forward

This document sheds light on what the future may offer a child born today in Mdantsane or in rural Matatiele in 20 years time. Such a child should have a dignified quality of life, have access to economic opportunity, equipped with the skills to participate in a vibrant economy and have access to quality public services.

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 BCDS suggest 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.

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 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 quality tertiary economy within high quality of life attributes for all.

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 Amatole 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 A process whereby institutional actions are aligned with the BCDS strategic thrusts;
- 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.

