

**PLANNING AFRICA 2006 CONFERENCE: MAKING THE CONNECTIONS**

**GUIDELINES FOR THE DEVELOPMENT OF CENTRAL BUSINESS DISTRICTS IN  
TOWNSHIPS IN SOUTH AFRICA**

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## **Executive Summary**

South Africa's transformation from a politically violent Apartheid State to a fully-fledged democracy based on market orientated economic policy, is universally regarded as a miracle. This has, however, not been accompanied by meaningful economic empowerment, as the black majority still remains poor, unemployed and marginalised. The ultimate challenge remains the need to make significant inroads into redressing inequalities and ensuring that this results in material difference at a local community level.

The country's historic CBDs and industrial areas were declared as 'white areas' during the Apartheid era, resulting in blacks, coloureds and Indians being forcefully relocated to dormitory townships with no significant social and economic infrastructure. There was also a deliberate strategy by the Apartheid regime to ensure that all significant (public and private) investment occurred in those CBDs and industrial areas. The reality of contemporary South African cities is that for the majority of residents, townships will remain their homes, as land close to historic CBDs is limited and comes at a high premium.

The post-Apartheid state has recognised the need to restructure the dormitory townships in South Africa as part of its broader socio-economic strategy. In this context, local CBD's offer a range of benefits, which include the ability to concentrate public and private resources and efforts within a defined geographical area; maximising advantages derived from opportunities of scale and increasing the potential for economic and business development. It is argued that, given the low levels of investment and levels of poverty in townships, it is better to direct limited public and private resources to identified CBDs in townships. This approach is, however, only viable in metropolitan areas and secondary towns where, in the context of urbanisation, townships have a sufficiently large population to sustain the development of a number of secondary CBDs linked to the primary/historic CBD.

The public sector, through policy and investment in infrastructure, has a significant impact on creating the context and parameters for private sector investment. The challenge is to ensure that investments in poorer areas create the confidence for the private sector to respond, particularly through partnership opportunities.

This study establishes a set of guidelines for developing strategies aimed at developing CBDs in townships. The 'institutional thickness' of a given location can have a decisive impact on the economic development potential of an area. This is, however, not only dependent on the mere presence of institutions, but also dependent on the institutionalising process.

Partnership development in areas of significant inequality (e.g townships) is not only required to attract private sector investments, but also to ensure that those partnerships generate value for the beneficiary communities. The institutional and resource capacity, legitimacy and accountability of CBOs in these areas, are also critical factor to ensure success in this regard.

Partnerships can also fail dismally, in cases where either the municipality, beneficiary community or private sector role player are not politically committed or do not provide the necessary technical and administrative support. The success of establishing CBD's in townships depends to a large degree on the effectiveness and nature of political support for partnership which are a product of the extent to which role players (public institutions, CBOs, NGOs and the private sector) interact and support each other in a supportive manner. Further, given the importance of this strategy, participation and commitment of all spheres of government (national, provincial and local authorities) are required to achieve this shift in paradigm.

Spatial and strategic planning are useful tools to ensure that developments are co-ordinated and that they do not compete destructively, especially in areas where investment in infrastructure is desperately required. It is necessary to ensure that there is agreement on the focus areas (e.g town centres targeted for priority investment are specified) and that these are aligned with the necessary political will and support for the required infrastructure support programmes.

Although private sector investment is desperately required in township CBDs, this should be managed in such a way that it does not result in income leaking from these areas. The privatisation of public spaces and resultant marginalisation of local entrepreneurs should also be guarded against.

Economic policies that should be pursued include providing economic and business infrastructure as a key component of an overall strategy to transform townships into sustainable urban areas. Correspondingly, business development policy recommendations include dramatically increasing levels of entrepreneurship, increasing and decentralising business support services, providing meaningful mentoring and support and facilitating the availability of multiple service providers.

The challenge exists to develop marginalised areas in South Africa, particularly townships, to increase economic growth and to reduce unemployment and social inequality. The ultimate goal is to substantially improve the quality of life of the poor in South Africa, even more so because they are in the majority.

This is shortened version of a dissertation submitted to Glasgow University in partial fulfilment of a MSc in Local Economic Development. The full version is available from the author at [cecil@mcaplan.co.za](mailto:cecil@mcaplan.co.za).

## List of Abbreviations

BENE	Business Education Network
BSC	Business Support Centre
CBD	Central Business District
CBO	Community Based Organisation
CDC	Community Development Corporation
CID	City Improvement District
CTP	Cape Town Partnership
DBSA	Development Bank of Southern Africa
dplg	Department of Provincial and Local Government
DTI	Department of Trade and Industry
GEM	Global Enterprise Monitor
ILO	International Labour Organisation
JDA	Johannesburg Development Agency
KBD	Khayelitsha Business District
KCT	Khayelitsha Community Trust
KDevco	Khayelitsha Development Company
LED	Local Economic Development
LSC	Local Service Centre
MSDF	Metropolitan Spatial Development Framework
NGO	Non Government Organisation
PEDI	Philippi East Development Initiative
RMB	Rand Merchant Bank
RSA	Republic of South Africa
SMME	Small, Medium and Micro Enterprise
UDZ	Urban Development Zone

# 1. Introduction

There is worldwide recognition that problems of marginalisation and social exclusion continue to exist and worsen, even in first world economies that have achieved phenomenal growth over the last few decades. Few can challenge the view that "...the rich are getting richer and the poor are getting poorer". This is more evident in developing countries where, in spite of meaningful GDP growth, significant sections of the population remain unemployed and marginalised to the informal sector (the so-called second economy).

## 1.1 Background and Problem Statement

South Africa can be regarded as a relevant case study where there is an urgent need to bridge the gap between the rich and the poor. Although post apartheid South Africa has experienced GDP growth of between 3-4 % per annum over the last decade, the black majority still remains poor, unemployed and marginalised. According to an official government statistical agency, Statistics South Africa, in real terms the average African household income declined 19% from 1995-2000, while the white household income increased by 15%. Further, average black household earnings have decreased from a quarter of the average white household in 1995, to one sixth of the average white household in 2000 (Bond, 2003, p.11).

The National Department of Provincial and Local Government (dplg, 2004, p. ii) has also concluded that "...the macro economic stability and growth have, however, not been sufficient to address the high levels of unemployment and under-utilisation of local resources". A number of developing countries (including South Africa) have pursued the 'Washington Consensus'<sup>1</sup> adhering to 'neo-liberal' (free market) policies and this has "...nearly invariably contributed to rising poverty and inequality, in both macroeconomic and micro developmental spheres" (Bond, 2003, p.2).

Growth in most developed countries, such as the US and the UK, over the last few decades has been characterised by immense urbanisation<sup>2</sup>, with the majority of the poor located in the downtown areas<sup>3</sup>. These areas were adversely affected during the 1960's and 70's with the flight of capital (and the wealthy) to the edge of the cities and distant suburban areas. In response, the 1980's onwards were characterised by significant efforts by the public sector to renew and revitalise downtown areas in major cities in developed countries. A primary feature of this strategy has been the use of special institutional vehicles, designed and mandated to focus on a demarcated spatial area (e.g downtown). Key success factors from many case studies include the degree to which potential role players and institutions are present and capacitated as well as the degree to which partnerships between key public and private sector players are formed.

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<sup>1</sup> Dictated by organisations such as the International Monetary Fund and World Bank

<sup>2</sup> For example according to Nechyba (2004) 79 % of all Americans lived in urban areas by 2000.

<sup>3</sup> Downtowns are also known as central business districts (CBDs); town centres and urban nodes.

The inequalities and spatially distorted development patterns are evident in developing countries (such as South Africa, Brazil and Colombia) where a significant portion of the poor (the majority in the case of South Africa) are entrapped in large dormitory suburbs at the periphery of town and cities. The townships (as they are called in South Africa) and favellas (as referred to in Brazil) are characterised by deprivation and poverty, a lack of significant public sector investment and their failure to attract noteworthy external private sector capital. The South African National Department of Local and Provincial Government echoes this conclusion; “ Within the cities the majority of people were moved away from the centre into townships that had limited economic opportunity, facilities, amenities and character “(dplg, 2004, pii).

Initiatives by the South African Government as well as a number of larger local authorities have focussed on a wide range of (economic, social and spatial development) policies and strategies aimed at generating economic and social development in townships. These include spatial development and regeneration strategies such as urban renewal as well the identification of preferred cities and towns to accommodate additional urban growth (President’s Office, 2005).

The ultimate challenge for the South African society and its democratically elected government is to make significant inroads into redressing inequalities and ensuring that this results in material difference at a local community level. This view is shared by Harrison et al (1997, p.43) who believe that; ‘A central goal of the new urban development strategy is the physical, social and economic integration of cities and towns through, inter alia, the rebuilding of townships and the termination of their dormitory status’. Decision-makers also do not have the luxury of time to make an impact and therefore need to explore the degree to which experiences elsewhere can be shared and implemented in marginalised areas.

## 1.2 Historical Role of CBD’s in City Restructuring

Historically, settlements in most western countries were established where settlers landed, where fresh water was available or at the intersection of major movement routes. These settlements developed into towns and cities and took the form of the “monocentric city model’ (Nechyba, 2004), with the historic core assuming a role as the downtown or central business district (CBD).

Over the last few decades cities worldwide have undergone phenomenal change, in terms of their physical growth and expansion. According to Nechyba (2004, p.181) “...the advent of the automobile and accompanying lower transportation costs became the primary catalyst of sprawling cities through much of the twentieth century”. The introduction of rail and road based public transport facilitated the location of commerce and retail activities along activity routes and at a number of nodal points (secondary CBDs in essence) at rail and bus stations. These secondary CBDs have emulated the traditional CBDs by also accommodating public facilities and amenities, but mostly retail and commercial activities.

More recently, the rapid increase in car ownership in cities as well as suburbanisation have resulted in a multitude of urban centres/ CBDs emerging. Nechyba (2004, p.184) notes that; ‘...As residential sprawling and suburbanization solidifies over the course of the twentieth century, the last few decades also witnessed a growing trend toward “edge cities,” with multiple employment centres located throughout many metropolitan areas’. Some of these, notably the retail mall, have developed without the public facilities component. The tendency for commerce and retail to be physically concentrated has, remained in shopping malls.

Traditionally a CBD can be defined as a concentration of mixed land use activities including significant higher order health, education, social welfare, administrative, retail, office, service industry as well as other associated urban activities such as residential, sport and recreation. CBDs facilitate linkages and connectivity between firms and ensure the sustainability of high value services such as legal, banking, medical and other critical services. More importantly CBDs provide opportunities for urban residents to access a wide range of employment, shopping, residential, public service, recreational, cultural and other opportunities in close proximity and with relatively low transaction costs. They also provide a fertile environment for Small, Medium and Micro Enterprises (SMMEs) to be established and thrive, adding to the important role of CBDs as places of employment and of economic activity and wealth creation.

Shore (1995) identifies a number of reasons for strong downtowns and how their decreasing role negatively affects poor people (in the context of the USA). The location of the best jobs, education and services in the suburbs and away from transit lines reduce accessibility to the poor, due to expensive transport costs. The loss of higher-income residents results in the “poor left to help the poor (Shore, 1995, p. 496)”. Where poor families are captive consumers, they have no choice but to pay higher prices and accept lower quality goods than middle income households who are more mobile and can shop around. Strong downtowns increase the viability of public transport and thereby support less car usage, traffic congestion and thus less usage of fossil fuel air pollution. Other benefits of supporting a well-established CBD include maximising the use of existing infrastructure and buildings and conservation of land through higher densities. Furthermore, in spite of significant advances in electronic communication, face-to-face interaction remains critical in many service related business sectors and downtowns offer more efficient locations in this regard as compared to suburban locations with spread and scattered offices. Arts and cultural activities along with educational and health facilities are also more efficiently utilised in higher density environments. This also applies to entrepreneurial opportunities and activities and downtowns help foster a sense of community. Shore (1995, p. 500) recommends the following in order to return America’s economic and social mainstream back to a focus on City centres:

- i). Regulate and develop on vacant land;
- ii). Organise consortia of public and private investors, employers and service providers who agree to move together into old cities through reinforcing networks; and

iii). Intensify and systematize efforts to bring long-term poor households into the above-ground economy.

### 1.3 Role and Importance of CBD's in Restructuring South African Townships

In South Africa historic CBDs were declared as 'white areas' during the Apartheid era, and blacks, coloureds and Indians were forcefully relocated to dormitory townships. Although the town layout of these townships provided for CBDs, these were never developed as such for lack of public and private investment, all these in the context of overwhelming poverty of residents. It was also a deliberate strategy of the Apartheid regime to ensure that all significant (public and private) investment occurred in the declared white CBDs and industrial areas. South African historic CBDs remained functional, as sufficient private and public investment continued during the 1980's and early 1990's. The international trend of developing shopping centres and residential suburbs for the middle income and the wealthy outside CBDs also impacted on South African town centres, resulting in their gradual decline. Since then there has been significant efforts to revive South African CBDs.

The reality of contemporary South African cities is that for the majority of residents, townships will remain their home, as land close to historic CBDs is limited and comes at a high premium. In response, the government has initiated programmes with the objective to establishing CBDs within large townships, in a context where retail, office and higher order public facility developments are absent and remain insignificant in these areas.

The development of CBDs have the potential to be effective mechanisms to restructure the dormitory townships in South Africa. In most cases, CBDs are the only viable places for the public sector to invest in order to initiate private sector response. This approach is, however, only viable in metropolitan areas and secondary towns where townships have a sufficiently large population to sustain the development of a number of secondary CBDs linked to the primary/historic CBD. In the context of South African urbanisation, these townships are also the primary attractors of new migrants.

It obvious that the development of CBDs will require a concerted effort by the public sector and this needs to be in partnership with the private and community based role players to ensure sustainable partnerships.

Spatial development and regeneration development frameworks prepared for townships generally include not only mechanisms such as the development of CBDs, but also strategies such as activity streets, activity corridors and metropolitan wide open space systems.

### 1.4 Study Focus and Objectives

The focus of this study is on the identification of lessons and the formulation of guidelines for the

development of CBDs within townships in the RSA. CBD's offers a range of benefits and these include the ability to concentrate public and private resources and efforts within a defined geographical area; maximising advantages derived from opportunities of scale and increasing the potential for economic and business development. It is argued that, given the low levels of investment and levels of poverty in townships, it is better to direct limited public and private resources to identified CBDs in townships.

The specific study objectives and study outline are as follows:

- Briefly review the **national Local Economic Development (LED) policy environment** and identify the **key township economic and businesses development challenges**.
- Consider various **partnership models** and evaluate **case studies** where failure or some degree of success has been achieved with the development and regeneration of impoverished areas in CBDs.
- Identify **lessons and guidelines** for developing CBDs in townships, including factors such as type and nature of partnerships, the relevance of spatial planning and the required changes to the economic and business environment.

A key point of departure for the study is the assumption that the existence of effective partnerships involving a range of relevant role players, is a prerequisite to establish a viable CBD in townships. These should be coupled with an enabling environment for local businesses to thrive.

The research methodology included literature review; consideration of case studies; interviews with key persons involved with CBD developments as well as inductive and deductive reasoning in order to derive at recommendations and conclusions.

The literature review included publications, books and material sourced from the internet. The review also included unpublished economic development reports prepared for municipalities, provincial governments as well as national government departments.

The case studies focussed on current initiatives aimed at developing and revitalising CBD's in townships. The desktop reviews of the case studies were supplemented by interviews with key personal involved in developing CBDs in various locations in the RSA.

Recommendations and conclusions were derived after consideration of research material; interviewee responses and lessons from case studies.

## **2. National Led Policy Environment and Current Township Economic and Business Development Challenges**

There are a number of interrelated factors that currently impact on economic, business and spatial development in South African townships and the implications of these for CBD development are briefly discussed below. Existing policy and strategy responses to these challenges as well as relevant literature views are also considered.

Townships in South African cities are generally poverty traps for millions of its citizens. These areas are characterised by high rates of unemployment, low-incomes and low skill levels as well as high-levels of income leakage. Townships are generally far from formal and established employment, service and retail markets, have poor transportation facilities, undeveloped utilities and limited business infrastructure. The local businesses entrepreneurs are categorised as being predominantly informal and survivalist (Harrison et al, 1997). According to the Department of Trade and Industry (1995), the Small Medium and Micro Enterprises (SMME) sector in South Africa absorbs approximately 3.7 million people, out of a potentially economically active population of 15 million. Of those active in the SMME sector a staggering 95 % are involved in businesses categorised as survivalist (DTI, 1995).

Townships are perceived to be high-risk areas for private sector investors and are therefore redlined by financial institutions. This highlights the fact that significant local economic and business development are not occurring at levels that deal meaningfully with the enormity of the challenges facing impoverished urban areas in South Africa. Economic and business development are defined here as retail, commercial, industrial, manufacturing and office related activities resulting in medium-and long-term job opportunities. This is in contrast to activities relating to, for example, housing construction, where direct economic benefits are generally of a short-term nature. It is recognised that for any strategy aimed at development of CBDs in township to be effective, the broader economic, spatial and business development challenges need to be addressed.

### **2.1 Township Economic and Spatial Development Challenges**

There are a number of economic and spatial development factors impacting on the ability of businesses to generate wealth and job creation opportunities in townships.

Virtually all of the Apartheid created townships were conceived as dormitory suburbs, with the intention for residents to work and shop in the 'white-owned' CBDs and associated secondary urban centres. In most instances, distances between these areas are in excess of 20 -30 km with poor or non-existent public transport systems. A number of the larger dormitory areas have populations in excess of 350 000 people, resulting in significant income leakage out of these areas. On the positive side, in most cases past plans have set aside

generous land portions for retail and commercial developments, generally as part of a planned CBD and secondary urban centres within these townships.

Commercial, retail and manufacturing business infrastructure in poor urban areas in the RSA are either absent, inadequate and generally of poor quality, with a slow (and even static in some areas) rate of new economic investment. There is a serious lack of support infrastructure, such as utility services (e.g. water and electricity provision, sewerage and storm water removal) as well as business premises that are affordable and appropriately located. According to Bond (2003, p.9) ‘...the anticipated burgeoning of Small and Micro Enterprises (SMEs) may be hampered at the outset if access to infrastructure services such as water and electricity is not ensured’. This presents a double challenge for entrepreneurs from townships that are not only required to access seed and start-up finance, but also to secure funding to build business premises and infrastructure.

The marginal increase in economic wealth in certain of the larger townships in South Africa, such as Soweto, Khayelitsha and Mitchell’s Plain has prompted some retail developers to consider retail developments in these areas. For example, according to Market Decisions, a retail research company, “...Soweto<sup>4</sup> could sustain an additional 100 000 m<sup>2</sup> of shopping centre space’ (Financial Mail, August 2004, pg 52). Already in Soweto (population estimated at 1.5 million), 95 000 m<sup>2</sup> of retail development are in the pipeline through two shopping centres with a further 40 000 m<sup>2</sup> through a third planned retail mall. In spite of these positive movements, Market Decisions estimate that only 60 of the estimated 1000 shopping centres throughout South Africa are in townships (op. cit, pg 52). The same research company estimates that 90% of clothing and furniture spending by residents happens outside Soweto.

## 2.2 Township Business Development Challenges

Townships in South Africa are characterised by a number of business development challenges which include low levels of entrepreneurship, centralised and ineffective business support programmes, non-existent mentoring and support, inaccessible financial assistance and a restrictive regulatory environment, amongst other factors (Madell and Adam, 2002).

## 2.4 Lack of Economic Development Vehicles and Partnerships.

This list of economic and business development challenges is by no means exhaustive and there is no clarity on the degree of importance and relevance of addressing these issues, particularly in the context of South African townships. Notably absent in these environments, however, (in comparison with the more established CBD’s), is the lack of sufficient and adequate **local economic development (LED) institutional**

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<sup>4</sup> A large ‘black’ township outside Johannesburg.

**delivery vehicles and partnerships** to initiate and drive investment in economic infrastructure and to provide support and guidance to business start-ups.

In spite of various attempts at initiating and implementing business development programmes as a component of LED in impoverished areas the following is still evident at a local level:

- Community based organisations have limited capacity to engage in economic development initiatives.
- Although most local authorities do recognise their constitutional responsibility to initiate and co-ordinate local economic development, they do not regard actual implementation as their primary responsibility.
- In those few areas where local economic and business development agencies have been established, they have insufficient or no capacity to provide support and advice to emerging businesses.
- The private sector is unwilling to take a leading role in investing in poor communities, due to the perceived safety and security risks as well as perceptions of limited returns on investment.

This study will highlight the importance of public-private partnerships as a critical precondition for successful development and redevelopment of CBDs in townships. The most successful CBD initiatives are based on partnerships with clear drivers and champions; coupled with the inclusion of support organisations. Generally, broad based partnerships include the municipality, community-based organisations (CBOs); the private sector, non-government organizations (NGO's) as well as provincial and central government departments.

### 3.0 Partnership Models and Evaluation of CBD Case Studies

This chapter explores various possible models to organise partnerships for CBD development. The scope of CBD development requires that partnerships must be able to manage the process and inter-dependent relationships over long periods of time. Key questions include the nature of partnerships as well as the role and responsibilities of various role players involved in the development process.

#### 3.1 Possible Models to Organise Partnerships

There are a number of ways to organise partnerships with the objective to manage economic development programmes and projects. Weaver (undated) notes that local economic development programmes in Texas, USA are organised in a variety of ways. He argues that ‘... those which represent genuine partnerships between public and private interest in the community are generally considered the most promising’ (undated, pg 101). He identifies the advantages and disadvantages of the following models:

- In the *public-assisted private model* a private organisation (usually the chamber of commerce or one of its divisions) has primary responsibility for the programme with the municipality providing financial support. The municipality normally has a passive role by providing approvals and authorisations. The advantage of this approach is that the expertise and experience of the private sector is being utilised, while the disadvantage is that the programmes may not specifically target community problems
- The *public propriety model* was specifically designed to manage urban renewal programmes with an emphasis on ‘...clearance and redevelopment of blighted areas and improvement of development-supporting infrastructure’ (op. cit, undated, pg.102). This approach was based on the premise that the private sector will respond automatically to sites that have been prepared suitably for development. These programmes have largely failed as they lack private sector involvement and have therefore been discredited
- The *private-political model* is based on private sector planning and financing of programmes, but ‘...once the programme is developed, the organisation becomes a political pressure group which attempts to gain local government adoption and financing of at least part of the programme’ (Weaver, undated, p.103)
- The *public-initiated partnership model* has been more relevant in cities where the private sector has not been active in economic development and attempts are made to entice the private sector to participate. This is achieved through either establishing a private sector policy body within the municipality or through the initiation of a new public/private local organisation, such as a Local Development Corporation. Sometimes emphasis is placed on making it appear to be independent of local government, while in fact it still retains primary control. This approach has, however, limited chance to succeed unless the involvement of the private sector is secured down the line

Weaver (2003) argues that the criteria to be considered when choosing the appropriate model for local economic development should include the degree of control the local authority wishes to have over the organisation and its activities; the amount of public funds it is willing to invest as well as the appropriateness of the organisational structure.

The success or failures of developing CBDs are directly related to the institutional arrangements and partnerships driving and managing the associated process. In addition to the important role of public entities such as municipalities and other spheres of government, there are also a plethora of other entities involved.

Recent legislation prevents municipalities from establishing or participating in the establishment of corporate entities (including trusts or not for profit companies), unless the corporate entity is solely under the control of the municipality (Local Government Systems Amendment Act, 2003, Section 86B (2) and Section 31 (1)]. This, however, does not exclude municipalities from forming partnerships with entities order to undertake investments such as infrastructure in CBD's.

The relevance of some of these models are discussed and assessed for a number of township CBDs studied below. The objective of this exercise is to identify lessons and guidelines to be taken into consideration when developing CBDs in townships.

### 3.2 Township CBD Case Studies

In South Africa, although the development and upgrade of townships in general and CBDs in particular has political support from high office, in reality little progress has been made on the ground. For example, efforts with regard the urban renewal strategies have tended to focus on preparing business and spatial development plans. Consequently, limited information and evidence exists regarding progress on developing CBDs in townships. Further, although some parallels exist with overseas CBD development programmes, the legacy of Apartheid places SA townships in a unique category, in terms of their features as well as their geographic location in cities. Therefore only a restricted number of the case studies were considered.

Four selected township CBD case studies in the RSA were considered, including Mitchell's Plain CBD, Khayelitsha CBD, Philippi CBD (all in Cape Town) as well as Mdantsane CBD (in East London). Other case studies that would also be relevant (but not considered in this study) include Alexandra (Johannesburg) and Sol Plaatje (Kimberley). The case research methodology for the case studies included a review of available reports and documentation as well as interviews with key individuals involved (see Appendix 1 for details).

Although lessons from CBDs abroad<sup>5</sup> are also relevant, the uniqueness of township CBDs requires consideration of specific aspects and not the case studies in their entirety. These are incorporated in Section 4, where lessons and guidelines for township CBD developments are proposed.

The three Cape Town case study township CBD's are located within the area of jurisdiction of the City of Cape Town. Khayelitsha, Philippi and Mitchell's Plain are all situated within the Metro-South East, home to more than a 1 million persons and consisting of at least 6 large townships. Two metropolitan wide spatial development frameworks and numerous economic development studies have been completed for this area. A key feature of these plans have been the proposal for 'activity corridors and urban nodes'<sup>6</sup>, the latter of which are Khayelitsha, Philippi East and Mitchell's Plain that were identified as areas where efforts should be focussed and concentrated in specific and identified CBDs. However, a wide range of factors (including institutional amalgamation of nine former local authorities and ongoing restructuring) have resulted in limited progress being realised in terms of retail and commercial development in these townships, (except Mitchell's Plain to some extent).

The President declared five major townships in South Africa as urban renewal nodes in February 2002, which included all of the case studies, except Philippi. Urban Renewal Nodes are perceived as special focus areas for development and requiring the various national departments as well as provincial and local governments to prioritise funding allocation to these nodes. The areas declared include, however, entire neighbourhoods, and not only the CBD's. The City of Cape Town has subsequently attempted to convince national government to also declare Philippi as an urban renewal node. As this type of request has been received countrywide, national government has decided not to declare any further Urban Renewal Nodes at this stage.

The City of Cape Town was established as a single metropolitan authority in 2000 through the amalgamation of 6 previously separated municipalities. The Philippi node's role was identified by the Cape Town Council as a new CBD (town centre) and this is less than 5 km from the planned Khayelitsha CBD, at that stage located in an adjoining municipality, City of Tygerberg. In addition business and office development was also approved by the City in the adjacent Cape Town International Airport. Mitchell's Plain CBD is also less 5 km from Philippi, and the former is more successful and completely market driven. This has resulted in competition between these CBDs in terms the development and promotion of each of these CBDs. Philippi being the least developed, was most severely affected by this 'competition' for attention and resources.

Each case study was considered in terms of a brief *description of the characteristics of the area*; the *approach to economic regeneration* well as the *key lessons* to inform future policy on CBD development.

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<sup>5</sup> The USA, for example has extensive experience with CBD regeneration or renewal programmes.

<sup>6</sup> See MSDF, 1996.

### *Philippi East CBD, Cape Town*

Philippi CBD is located approximately 20 km from the historic Cape Town CBD, situated within the centre of the Cape Flats and surrounded by the densely populated, residential areas of Crossroads, Guguletu, Philippi and Brown's Farm.

#### (a) Descriptive Characteristics of Area

The Philippi CBD area was originally set aside for manufacturing and industrial activity based on South Africa's previous import substitution policy. However, for a range of reasons, this area never developed into a fully-fledged industrial area. These include delays in providing bulk utility services to the area and a significant decline in the role of manufacturing in the local economy due to factors such as globalisation and the removal of trade barriers since 1990 (Thomas, 2003).

Other competing factors contributing to the lack of significant growth of the Philippi CBD include the focus of private sector investment at the nearby Airport Industrial Area and Mitchell's Plain CBD as well as shift of public sector focus to the nearby Khayelitsha CBD. Subsequently, its urban fringe location has seen it become the preferred area for rural migrants (predominantly from the Eastern Cape) to the City. The majority of residents surrounding the proposed Philippi CBD are poor, unskilled and unemployed who have established 'illegal' informal settlements in the area.

#### (b) Approach to Economic Regeneration

During the early 1990's with the dawn of democracy in the RSA, officials and activists embarked on a metropolitan wide planning process (Metropolitan Spatial Development Framework, MSDF) aimed at restructuring the apartheid built City. The Philippi area was identified as an important component of the Wetton-Lansdowne Activity Corridor Project, linking the Philippi Node with the established Claremont (east-west link). Links with the Bellville CBD (north-south) as well as with Mitchell's Plain, were also emphasised. Emphasis on corridor development has since then shifted to the more developed Klipfontein Corridor, also linked to the Philippi Node.

The intention was for the Philippi CBD to have a regional role and to include higher order public facilities (such as a police station, hospital, retail, offices, service establishments, a fresh produce market, transport interchange) as well as job creating retail/commercial opportunities and some residential developments in this area.

A dedicated team of City Council Officials managed the Philippi CBD development in partnership with the local community and private sector investors. A not-for-profit company (Philippi East Development Initiative - PEDI) was established by the City, the provincial administration, organised business and local stakeholders. Community participation was achieved through a Community Development Forum. A

spatial development framework was prepared by these stakeholders, capturing the land use proposals. No significant incentives were offered for the private sector and the development was dominated by public sector planning and spending.

Consequently, limited progress was achieved and the development of the Philippi CBD has been surpassed by Khayelitsha and Mitchell's Plain CBDs. The few economic projects and programmes initiated in Philippi CBD area include the Eisleben Business Park (accommodating emerging local business); a small shopping centre as well as the Philippi East Trading Centre (a fresh produce market as well as a transport interchange). These activities, together with a few other manufacturing and warehousing industries in the Philippi area, offer the only formal (limited) employment opportunities in the area. The Philippi node has remained isolated politically and strategically and has subsequently not shown any significant growth

The local community priorities are also more concentrated around meeting basic needs in terms of utility infrastructure and affordable housing. These together with the generally low household spending power in the area have resulted in longer period for this regional node to be established. New roles being explored by the municipality include the Philippi CBD as a secondary (local) retail centre as well as a secondary food processing plan/industry linking with the adjacent horticultural area.

#### (c) Key Lesson

The development of the Philippi Node indicates to some degree the *public propriety* approach as it is based on the premise that the private sector will respond automatically to public sector/community agreements and initiatives such as the spatial development framework prepared by the municipality and subsequent infrastructure improvements. In reality, the anticipated response from the private sector has not occurred. The overall feasibility of this development is therefore questionable. The success of this node is dependent on the Lansdowne Road and Klipfontein Corridors; the first has now been shelved, while the latter is slow in materialising. Philippi's potential role as a major retail centre is also in doubt, as the nearby Mitchell's Plain CBD has taken up this role.

Philippi node has remained isolated politically and strategically and has subsequently not shown any significant growth. This is also partially due to unclear spatial policy directives that should clarify the role of the node in relation to Khayelitsha and Mitchell's Plain CBD in the sub-regional context.

#### *Khayelitsha CBD, Cape Town*

Khayelitsha was originally established as a "new town", based on the Apartheid urban planning model, with the intention that it should be an independent, self-sufficient satellite town of Cape Town.

(a) Descriptive Characteristics of Area

Khayelitsha CBD is approximately 25 km from other major CBDs, but less than 5 km from the emerging Mitchell's Plain and Philippi East CBDs. Khayelitsha has an estimated population of more than 500 000 (mainly first and second generation migrants to the City), high levels of unemployment (in excess of 50%); widespread poverty and low levels of economic investment. Businesses in the area are largely of an informal type and as is the case with Philippi East, this township displays most of the generic business development challenges identified in section 2 of this report.

(b) Approach to Economic Regeneration

The Khayelitsha Business District (KBD) is located on a 75 ha site and has been identified as an anchor project for Khayelitsha's Urban Renewal. Significant progress has been achieved with the construction of the CBD in the centre of the township after unsuccessful attempts over a number of years to attract firm commitment from large private sector investors.

Development of the Khayelitsha Business District is based on a collaborative public/private partnership between City of Cape Town, the Khayelitsha Development Company, Rand Merchant Bank (RMB) as well as the Development Bank of Southern Africa (DBSA).

Development of the CBD was managed by the municipality through the adoption of a set of "Development Principles" to direct and guide the implementation of the projects. A KBD Operation Team was established by the City in conjunction with RMB to take responsibility for the management and financial issues affecting the CBD.

The Khayelitsha Community Trust (KCT) represents the interests of the broader Khayelitsha community in the CBD development in accordance with a "Stakeholders' Forum Agreement", setting out the community involvement and participation in the development. KCT owns the Khayelitsha Development Company (KDevco).

The total value of the public and private funded projects is estimated at R330 million. Overseas funders include the French Development Agency (AFD) as well as the German Development Bank (KFW). The public sector contribution is R105 million (32 % of total costs), to be sourced from various national and provincial budgets as well as from the City of Cape Town.

RMB's role includes providing project feasibility assessments and project management; financial structuring; procurement of the financial packages and providing credit approval for the private sector funding portion (R 265 million). RMB has also underwritten the community equity share in the interim, in order not to delay the progress of the project.

Existing development in the CBD includes a regional magistrate court, railway station; road and service infrastructure; provincial welfare offices (under construction); Department of Home Affairs offices (construction completed) and a swimming pool complex. Other planned projects include a retail centre; municipal offices; multi-purpose centre; service station; bus and taxi terminus; housing; sport facilities; pedestrian walkways; road and service infrastructure and informal trading places.

(c) Key Lessons

The development approach in Khayelitsha is characteristic of the *public-initiated partnership model*. The municipality placed importance on the viability and sustainability of the project through emphases on securing a private investor as a pre-condition for the CBD development. This was achieved through a mutually beneficial partnership and a set of agreements to guide the various components of the development.

Although Khayelitsha has its share of complexities, with community divisions, uncoordinated interventions and high levels of crime, it has demonstrated the capacity to rally around issues, including economic development opportunities. Success, in terms of community involvement in Khayelitsha CBD, can be ascribed to the establishment of a number of institutional vehicles to effectively channel the participation of the local community. This includes the Khayelitsha Community Trust, the Khayelitsha Development Company as well as the much broader based Khayelitsha Development Forum.

Another success factor is the role of the municipality as a key driver and ensuring that a dedicated operational team remains committed to the project. The success of the partnership can also be attributed to the role allocation of a wide range of public, private and community based organisations, resulting in inter-dependency and the need for close co-operation.

This platform provided confidence to the private investment bank that the technical, financial and management issues of the CBD development are is dealt with effectively.

*Mitchell's Plain CBD, Cape Town*

The estimated population of Mitchell's Plain is 290 000. Although a totally planned settlement based on the Milton Keynes design, it remains largely a dormitory township

(a) Descriptive Characteristics

As in the case of Khayelitsha, there are few employment and income generating opportunities in this area. Mitchell's Plain has an existing large shopping centre as well as a few smaller centres with shops predominantly owned by national retailers. Even though this area has a better skilled population than Khayelitsha, unemployment is in excess of 30% and there are only a few local owned businesses in the area.

(b) Approach to Economic Regeneration

Although Mitchell's Plain is one of five townships identified by the President's Office as an Urban Renewal Node, public sector efforts have focussed on improvement of infrastructure (such as transport interchanges) and provision of social services

In contrast with Khayelitsha, Mitchell's Plain has a history of fragmented and divided community participation in developmental processes. In some cases this has resulted in significant delays and even cancellation of developmental initiatives. However, as far as retail extension of the CBD is concerned, only one organisation, the Mitchell's Plain Development Trust, has been the primary role player, through a partnership with a private investor, Key Stone Investors. The Mitchell's Plain Development Trust consists of a relatively small group of local businessmen without a broad community support base and accountability as found in the case of Khayelitsha and Philippi.

The Trust secured an exclusive option to purchase land from the City (for R6 million) adjacent to the existing CBD. The partnership resulted in the development of a new large shopping centre recently, at an estimated cost of R150 million during the first phase. The Trust has a 20% in the development. Approximately 10 % of the land was, however, not sold and is held by the Trust to be developed in conjunction with the Mitchell's Plain Development Forum, a broad based community based organisation.

#### (c) Key Lessons

The *private-political model* has driven development in Mitchell's Plain, with the Mitchell's Plain Trust acting as a political pressure group and securing support from the City for the land sale, outside the normal tender process. The approach in this case study raises issues regarding broader community benefit to development processes. There has therefore been insufficient consideration on the municipality's side, as the direct benefits have accrued to a small group of businessmen.

Although the investment in the shopping centre is of significance, the potential displacement on the nearby existing retail area has not yet been quantified. Recent visits to the old CBD revealed signs of decline of formal economic activity. Hopefully the remaining 10% of land will be developed in a manner more beneficial to the local community.

Although also a working class community, the population of Mitchell's Plain has comparatively better earnings than Khayelitsha and Philippi. The Mitchell's Plain case study illustrates that land will be developed by the private sector if it is well located and the market opportunity exists. Ironically, significant commercial development has occurred in Mitchell's Plain, without significant public sector intervention and with the market as the primary driving force.

### *Mdantsane CBD (Buffalo City)*

Mdantsane is the dormitory township of East London (Buffalo City), the second largest urban centre in the Eastern Cape, one of the poorest provinces in South Africa. Mdantsane has an estimated population of 230 000. The socio-economic profile of Mdantsane is similar to most townships in South Africa in terms of level of unemployment and poverty.

#### (a) Descriptive Characteristics of Area

Although Mdantsane was planned as a new town, it has remained functionally reliant on Buffalo City (East London), for most its required goods and services as well as more importantly, for employment opportunities. The poorer surrounding rural areas such as Newlands, Potsdam and Mncotsho are in turn functionally reliant on Mdantsane, largely because of its role as a sub-regional transport terminus. A CBD was planned for the original township, but this has never materialised and there are currently no significant efforts to establish this. Approximately 50 % of the economically active population is employed in the manufacturing sector and the textile industry, in particular, has played a significant role in the area. This sector has, however, shed jobs and has become vulnerable with the withdrawal of subsidies offered by Ciskei, one of the now defunct Apartheid created homeland authorities. Key issues of concern identified by local organisations include redlining; the identification of Mdantsane as a high-risk area; crime attributed to unemployment, despondency as people do not see immediate benefits and are no longer interested or have lost hope.

#### (b) Approach to Economic Regeneration

Even though Mdantsane is also included in the Central Government's Urban Renewal Programme, significant benefits have not yet materialised in terms of economic development. Recent investment by the municipality in Qumsa Highway (the town centre) includes the construction of a new taxi rank as well as hawkers' stalls. Other than this, little other investment has occurred in Highway and the 'CBD' has largely remained unchanged.

#### (c) Key Lessons

New private sector investment (in particular from outside sources), is a pre-condition for significant economic development in townships. Both Mdantsane and Philippi have not been able to attract meaningful private sector investments in contrast with successes in Khayelitsha and Mitchell's Plain. The public sector role players in Mdantsane have not been effective in devising an investment framework and development plan to entice private sector investors. This needs to be a pro-active and conscious strategy to ensure success. This case study illustrates the lack of an effective partnership between the local community, the municipality and the private sector. This is in spite of considerable efforts and a wealth of community based organisations in Mdantsane.

### 3.3 Established CBD's

To some extent the form and structure of established business centres in South Africa are similar to the CBDs of European and American Cities, in terms of their built fabric, transport and utility service infrastructure, development profile as well as their institutional and financial systems. They differ, however, significantly in that Apartheid legislation successfully removed and prevented the majority poor (black) population from living and acquiring property in established CBDs.

Over the last two decades, both Cape Town and Johannesburg have been affected with the flight of retail, offices and residential developments towards the periphery, where gated communities also tend to locate. This process of decentralised growth and associated decline of CBD's have, however, impacted more profoundly on Johannesburg than Cape Town. These implications are explored below.

RSA National Treasury launched the Urban Renewal Tax Incentive in October 2004 to stimulate investment in identified (established) urban centres. This incentive is an accelerated depreciation allowance to promote and stimulate development within the inner cities of sixteen large cities in South Africa. It provides for a 20% straight-line depreciation allowance over a 5-year period for the refurbishment of existing buildings. Construction of new buildings will receive 20% in the first year and 5 % in the subsequent years.

The Urban Renewal Tax Incentive encourages the refurbishment and construction of both commercial and residential buildings in designated decaying inner City areas within selected municipalities. The objective of this tax incentive is to increase the vibrancy and attractiveness of inner city areas. This is defined as attracting more people to live, work and be entertained in these areas as well as achieving broader growth enhancing effects, such as job creation.

The tax incentive is applicable within the Urban Development Zones (UDZs) of Johannesburg and Cape Town. This incentive supports other initiatives, such as policies to write-off existing bad debt from buildings in the inner City in order to allow for these buildings to be sold, restored and refurbished. The tax incentives also support the objectives of the Department of Housing's Comprehensive Plan for the Development of Sustainable Human Settlements by encouraging private investment in affordable rental housing in the inner City. Furthermore, it provides a possible catalyst for public-private partnerships in mixed-used developments and to ensure that social facilities are integrated into new commercial and residential developments. Ironically, these generous incentives do not apply to the emerging CBDs in Townships.

#### *Cape Town CBD*

The profile of the Cape Town's financial and commercial centre has remained largely intact, in spite of significant relocation of new retail, commercial and office development towards decentralised centres located on the periphery.

(a) Descriptive Characteristics of the Area

The estimated population of the City of Cape Town is 3.2 million (City of Cape Town, 2002). As with other major urban centres, the CBD has a legacy of forced removal of black, coloured and Indian (low income earners) residents, notably from areas such as District Six, which still remain largely undeveloped. The CBD therefore does not have significant areas of poor residents, but remains the main centre of commercial, retail and office employment opportunities in the City. Key challenges for the CBD is the revitalisation of its commercial and business activities, reintegration with the surrounding suburbs and establishing inner city residential opportunities.

(b) Approach to Economic Regeneration

During the late 1980's and early 1990's signs of development strain within the CBD were evident through an increase in "crime and grime", decreased private sector infrastructural investment as well as increased vacant office space. The Cape Town Partnership (CTP)<sup>8</sup> was established during 1999, with the City as founding member, in order to revitalise the City centre through partnership-based management solutions. The focus to date has been largely on coordinating activities relating to crime prevention (security) and grime (cleaning and management) of kerbsides as well as municipal owned open space and parking areas (increase in availability and security through the use of cash-cards as well as outsourcing of parking to counter informal parking operators). Other focus areas include the Company Gardens, and the Grand Parade (cleaning and maintenance) as well as commenting on informal trading by-laws. Considerable success has been achieved and the focus has now shifted towards redeveloping various precincts within the City and the establishment of City Improvement Districts (CID) with the private sector playing the dominant role in terms of process and investment. There is a critical need to provide affordable housing in the CBD, an issue not currently high on the agenda of the CTP, as this does not reflect the interest of the businesses community.

(c) Key Lessons

Revitalisation of the Cape Town CBD has been possible through pro-active involvement of the private sector in partnership with the City. This approach is in line with the *public-assisted private model*. Although townships do not have significant levels of organised business, the example of the Cape Town Partnership (CTP) illustrates the possibilities of involving local businesses, but with greater support and assistance from the public sector. Organisations such as the CTP (other CIDs have been established elsewhere in the City) could also play an important mentoring and networking role for township-based businesses.

It is possible to successfully mobilise the private sector around issues such as crime prevention and cleansing and to raise funding for these. The Cape Town Partnership demonstrates the advantages of initially mobilising businesses around tangible and achievable activities and there-after focussing on economic

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<sup>8</sup> Section 21, not for profit organisation

development and implementation initiatives such as a SMME relocation strategy and precinct based spatial planning. There is considerable goodwill within established business organisations to assist emerging firms located in townships in terms of providing advice, support and capacity building and these potential linkages merit further consideration.

### *Johannesburg CBD*

Johannesburg and its surrounding towns remains South Africa's primary business and industrial hub, but has also been subjected to Apartheid based township planning and development.

#### (a) Descriptive Characteristics of Area

Development of the Johannesburg CBD over the last three decades both differs from and parallels the patterns found in other major cities. It differs in that as with other Apartheid cities, black (predominantly poor) residents were forcefully removed from the CBD during the 1960's and 1970's and this was coupled with significant 'white' capital investment over this period. This pattern was reversed with the establishment of the new democratic order and removal of influx control as well as other Apartheid legislation in the early 1990's. It parallels other major cities in that Johannesburg has experienced recently a significant inflow of poor local and mostly African migrants to the CBD and this was accompanied with capital flight and resulted in stagnation and degeneration.

#### (b) Approach to Economic Regeneration

The City of Johannesburg established the Johannesburg Development Agency (JDA) in 2001 with the objective to stimulate and support area-based economic development initiatives throughout the metropolitan area, in support of its 2030 economic development strategy. In contrast to Cape Town, investment is primarily by the public sector and this has resulted in a number of successes with revitalisation of various precincts in the CBD, resulting in significant private sector response. The Gauteng Provincial Government (in partnership with the municipality) has undertaken a number of (Blue IQ)<sup>9</sup> initiatives to support regeneration.

Regeneration of the CBD is being undertaken in terms of a number of Precinct Plans. Greater Newtown Precinct is being developed into a mixed used entertainment, cultural and residential area and includes the recently constructed Nelson Mandela Bridge. Constitution Hill, home of South Africa's constitutional court, is being developed into a major national and international heritage site. The Braamfontein Regeneration Programme aims to create a corporate precinct with business, entertainment and education.

The Jeppe Station Precinct centres around improving the old rail station and focussing on formal and informal traders and the regional taxi rank. Street traders were formalised into a market and this has

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<sup>9</sup> Blue IQ is the Gauteng Provincial Government's Plan for a Smart Province.

stimulated economic development as well as the refurbishment and regeneration of surrounding businesses within this precinct. Other precincts being regenerated include Kliptown, where the historic Freedom Charter was adopted in 1955 as well as the Fashion District, home of the fashion industry.

(d) Key Lessons

The public sector has the ability to be a major driver of economic regeneration if appropriately resourced, backed with strong political will and a clear developmental vision. The success of the JHB CBD revitalisation can be attributed to significant public sector investment in infrastructure and services. This platform increased the confidence of the private sector to respond through investment. This pro-active strategy is reversing trends of inner City decay and illustrates that significant benefits can be achieved through *public-initiated partnership models* aimed at enticing the private sector to respond. The revitalisation programme has been consistently supported politically, while the use of precinct based planning has guided the implementation framework.

## 4.0 Lessons and Guidelines for CBD Development in Townships

The brief overview of case studies generates a number of lessons in considering the role of partners in developing CBD's in townships in the RSA.

### 4.1 Institutional Thickness

The presence of a wide range of organisations in a geographic area increases the potential to generate economic activity and associated partnerships. This is generally referred to as the "institutional thickness" of an area. It provides the opportunity for resources to be harnessed and directed at spectrum of economic development opportunities.

According to Amin et al (1995, p104) '... institutional thickness amounts to a combination of features including the presence of many institutions; inter-institutional interaction; a culture of collective representation; identification with a common industrial purpose; and shared norms and values which serve to constitute the 'social atmosphere' of a particular locality'. He further argues that '..."thickness" is conceived to stress the strong presence of both institutions and institutionalising processes, combining to constitute a framework of collective support for individual agents' (1995, p.104). Institutions listed by Amin (1995) include chambers of commerce; training agencies; trade associations; local authorities; development agencies; innovation centres; clerical bodies; unions; government agencies providing premises, land and infrastructure; business service organisations, marketing boards, etc.

It is clear from the case studies that the success achieved particularly in established (historic) CBDs can be attributed to the level of "institutional thickness" in these areas. Virtually all of the listed organisations are present (in one form or another) in the established CBDs. However, in the township CBDs, it is only the local authorities that have a significant presence. Chambers of commerce are the only appropriate civic based organisations that are present in the townships in some form or another, although weak and under resourced. For example, while both Mdantsane and Philippi CBD have also numerous local community organisations present, most have no significant capacity for economic development. Khayelitsha performs marginally better than the others mainly due to the presence of private sector role players as well as a concerted effort from the local authority to drive the CBD development. Although Mitchell's Plain also has low levels of 'institutional thickness', this case study illustrates the significance of an interested and committed private sector investor. Therefore, the mere presence of a community, public and private organisations is not a guarantee that successful partnerships will be formed. The resourcefulness, interaction and a degree of common purpose, are critical elements.

### 4.2 Partnerships, Capacities and Abilities of Role Players

Although institutional thickness is a determining factor for success, the case studies highlight the importance of public and private role players to collaborate and in essence form partnerships, particularly when initiating economic development in townships. Ideally there should be a number of agencies involved in developing a CBD in a particular township, based on co-operative and mutually benefiting arrangements.

The appropriate form (and leadership) of partnerships is dependent upon the particular local circumstances and no single model can be regarded as the most effective as the institutional form must fit or be responsive to the political, economic and social environment. Partnerships can either follow the public-assisted approach (e.g. Cape Town CBD), the public-proprietor approach (Philippi CBD), the private-political approach (Mitchell's Plain) or the public-initiated partnership approach (Khayelitsha CBD and Johannesburg CBD). The case studies illustrate that greater success is achieved with the public-initiated and private-political approaches as far as township CBD development is concerned. Appropriately, 'form should follow function' in that the type of approach or strategy should be decided upon first, before the type of partnership required.

Public, private, CBO and NGO organisations that could participate in developing CBDs in townships have varying roles. In the case of the public sector, developmental local government is a relatively new focus for the majority of municipalities, while in the case of the private sector, access and control of means of production is in the hands of a few that benefited unduly from the past political dispensation. Virtually all municipalities in the RSA have townships included in their area of jurisdiction. However, the development of a CBD in these areas has only real relevance in larger urban centres where population thresholds and densities can sustain significant retail developments.

Businesses in established CBDs have the capacity and willingness to rally around issues that affect them collectively (vested interest), as is the case with the regeneration of the Cape Town and Johannesburg CBDs. These case studies demonstrate the advantage of initially mobilising businesses around tangible and achievable activities, such as reducing crime and grime. This was followed by focussing on economic development initiatives such as a SMME relocation strategy as well as more detailed precinct based spatial planning. This approach is, however, not easily replicable in poor areas where businesses are largely informal and a more concerted effort from the public sector is therefore required.

An important principle for partnerships within townships is the notion of '*public investment - private response*', given the perceptions of significant risk by the private sector hindering investment in township CBDs. The challenging circumstances of these areas require that significant public sector investment is required to a level where the economies of scale create catalysts for private sector response. This is evident in, for example, the Khayelitsha CBD case study where the public sector contribution has been significant, while in contrast, in the case of both Philippi and Mdantsane CBDs, public sector investment has been marginal. The lessons highlight the value of local authorities to remain as the lead development agency, drivers and co-

ordinators in partnership initiatives aimed at establishing CBD's in townships, particularly where it is difficult to get the private sector on-board.

According to North et al (2000, p. 449) there has been a shift way from a perception that '...the local authority itself can exert a strong influence on the character of the local economy to a position of supporting and encouraging changes in attitudes and behaviour of individuals and businesses'. North et al (2000) argues that the role of local authorities '...has become one of trying to integrate and coordinate the activities of a diverse range of agencies in an attempt to achieve coherence overall...they perform a strategic role in local economic development even though it is less clear to what degree actual policy adheres to an overarching and agreed strategy based on a systematic assessment of local needs' (North et al, 2000, p. 451).

He concludes that '...the role that local authorities play has also changed quite dramatically over the period, from being a direct provider of various economic development services and functions to *enabling*<sup>10</sup> a wide range of public, private and voluntary sector organisations to do it' (op cite, p. 452). This observation is especially relevant in the context of the RSA where the capacity and ability of municipalities vary significantly. While some municipalities are able to establish and drive partnerships directed at developing CBD's in townships, others are barely able to ensure that basic services are delivered and have not yet completed their own internal organisational restructuring processes.

There are a number of activities municipalities could engage in to create the enabling environment for the private sector to respond. Firstly, municipalities could adopt spatial plans, policies and strategies that create the necessary confidence for the private sector to invest in township CBDs (see section 4.4). Secondly, municipalities and other spheres of government could provide supportive utility services (e.g water, electricity; sewerage, storm water, etc) as well as community facilities (health, education, social welfare, etc), as these are generally under-supplied or inadequate in townships. The Khayelitsha, Johannesburg and Boston Downtown case studies highlight the success achieved through pro-active municipal roles in forward spatial planning, development control as well as the implementation and management of infrastructural projects.

The private sector tends to emphasise physical development, with limited consideration of social and economic issues, such as the displacement of existing township businesses; the extent of locally owned businesses or the availability of jobs for locals. They also tend to reflect primarily their own interest and in the South African context mainstream companies tend to largely exclude the concerns of emerging township businesses.

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<sup>10</sup> My emphasis

Significant base line work is required from the public and NGO sectors, before the private sector would respond to favourable economic opportunities in poor areas. The involvement of the private sector from the onset is, even if only focussing on planning and management, a necessity, given the context CBDs in townships. The private sector could play a strategic role during the initial stages of CBD development. For example, it could assist with project management skills and thereby provide the opportunity to influence and build confidence regarding the CBD development. This could pave the way for other private sector players to become investors, as in the case of Khayelitsha CBD.

In South Africa, Community Based Organisations (CBOs) are typically organised into forums, which include most role players involved in development in an area such as civic organisations, religious groups, youth organisations and sports association. CBOs have traditionally had a high degree of community legitimacy because they have proven to be effective vehicles to organise, empower and stimulate political activism in communities.

The track record of CBOs in terms of their performance as project and programme implementers and developers generally is, however, poor. Consequently it has been recognised that the primary function of CBOs is to act as conduits for community views and aspirations and to form partnerships with public and private organisations who have more capacity to act as implementing agents. The existence of legitimate community development organisations (CBOs) to facilitate, co-ordinate and effectively represent broader community concerns and aspirations, is a necessary pre-condition for success. This is essential in all townships where communities are highly politicised and it is important for public and private sector role players to be able to engage with organised and legitimate CBOs.

Most CBOs are voluntary organisations with no (or limited) financial, technical or managerial support from private or public sector organisations. CBOs require, however, an adequate level of resources so that they can at least function as an organisation, especially secretarial and operational activities (as evident with the Khayelitsha and Mitchell's Plain case studies). The Philippi case study demonstrates that the mere establishment of an economic development agency (PEDI) without adequate resources, in terms of funding and personnel, impacts on its effectiveness.

CBO technical resource capacity constraints can be overcome where it is in partnership with other public and private agencies with focused and highly skilled public and private task teams. This is evident through the role of the City of Cape Town in Khayelitsha, while this is absent in the case of Philippi and Mdantsane. NGOs have also played a vital role by providing ongoing support, capacity building and training for CBOs.

Generally economic benefits in townships can be measured in terms of job creation as well as the development and support for small and informal businesses, particularly for the local community.

In the case of Mitchell's Plan CBD, the partnership between the municipality and a CBO acting as a developer (Mitchell's Plain Development Trust) was a critical precondition for the private sector investor to come on board. A lengthy open public tender process may, however, have also provided the results in terms of job creation and increased shopping amenities, but not necessarily any direct benefits for local CBOs. The agreement with the City did not, however, specify the long-term community benefits that should be achieved or generated by the Trust. There are also perceptions that the development only benefited a small group of people and that the private investor managed to access land at a relatively low price in comparison with its open market value through its engagement with the Trust. This development also questions the benefits achieved through unsolicited bids in contrast to market driven land disposal policies.

The Mdantsane CBD case study illustrates the lack of an effective partnership between the local community, the municipality and the private sector. This is in spite of considerable efforts and the existence of a number of community based organisations in Mdantsane.

The success of establishing retail centres as well as other related economic development in townships should therefore not only be measured in terms of number of jobs created or the establishment of small businesses. It must also be evaluated in terms of the extent to which local communities have directly benefited, both qualitatively and quantitatively, in terms of economic opportunities generated.

NGOs in the South African context differ from other CBOs in that although their primary clients are also communities, they are generally more 'footloose' and respond with assistance on request only. None of the case studies assessed included an NGO as the driving agent in the development of CBDs in townships. Some NGOs do, however, possess the technical ability to plan, implement and management large-scale projects. NGOs in South Africa play an important role in business development through skills training programmes and providing advice on business development. Based on their track record and expertise within established NGOs, there is no reason why they could also not evolve into major role players as economic development agencies. Evidence of this trend can be found in the USA with Community Development Corporations (CDCs) specialising in economic development.

They are, however, highly problematic where they operate in isolation from other key role players and also when they are not adequately resourced and skilled. Their effectiveness is also dependent on significant public sector support, preferably local municipal, involvement and commitment. They are best positioned to be viewed as not-for-profit organisations advocating community and being independent from direct bureaucratic public sector control. They need to be responsive to community issues and concerns as well as operate as businesses in terms of their operation and management. NGOs could therefore occupy a middle 'mediating' position in developmental processes.

There is merit in launching a national programme aimed at establishing CBD's in townships in a similar manner as the Main Street Programme in the USA. Special national grants should be made available for the planning, conceptualisation and implementation of programmes and projects aimed at developing urban centres in townships. This should include extending the Urban Renewal Tax Incentive recently announced by the National Treasury for property owners within declared (predominantly) established urban centres to also include township CBDs.

National Government could participate through its local offices, particularly dplg and DTI. The South African Constitution entrenches the three spheres of government, national, provincial and municipal and emphasises the role of local authorities as the developmental arm of government. This necessitates the need for national government to capacitate local municipalities to become implementing agencies.

Departments and units at academic and training institutions are important allies in the development of the USA economy and stimulating and developing small businesses. Examples of these include the roles of the Massachusetts Institute of Technology in business development and their interactive role with the private sector. The Cambridge Chapter of the MIT Enterprise Forum hosts a monthly Start Up Clinic for new entrepreneurs to present business plans and an expert panel provides constructive criticisms and suggestions in response.

Another example is the establishment of business centres (BSCs) in eight major provincial cities in Russia through USAID's New Business Development Programme. The BSCs helped to establish links with other 'strategic partners', organisations and programmes that could also provide business support services to SMMEs. These 'strategic partners' include universities and technical colleges in the various cities, and training organisations in the fields of business administration and industrial management. (Levitsky, J. 2000).

Similarly, in Europe the Business Education Network (BENE) aims to link up business schools providing specialist training in enterprise management issues, while the Leonardo Da Vinci Programme will be extended to focus on the promotion of flexible forms of training and developing synergy between universities and enterprise (European Commission, 1998).

Institutions that are involved in economic and business development could, therefore, be allocated a more direct role that is in concert with the community needs at a local level. The skills and expertise inherent in universities, colleges and technical training centres should be geared at providing a resource base that stimulates local economic and business development in general and CBDs, in particular. This could be established through close partnership agreements between these institutions, relevant municipality, NGOs as well as the private sector role players.

Organisations such as the chambers of commerce and industry have a unique role in business development in countries such as Germany. The networks of chambers of commerce and trade have a 3.2 million membership (which is compulsory) and they provide a variety of services to local businesses including the provision of information and training, and they also provide financial advice and assistance. Their main role is to co-ordinate, network and provide some direct support to small firms. They are also responsible for monitoring vocational training and their involvement also helps to ensure better quality business start-ups.

South Africa has a plethora of professional and business organisations and associations, which are largely controlled by established businesses. Chambers of commerce and industry have traditionally represented the interest of 'big' business, while some have developed an active portfolio of assisting small businesses through training courses and seminars, information dissemination, counselling and consultation (Johnson, et al, 2000). A local example of this is the Zululand Chamber of Business. This organisation employs up to 150 people and has set up a Section 21 development agency focussing on HIV aids and pre-school education.

The Chamber also operates a business advice centre, but has not actively initiated commercial retail developments in townships. In addition, there are also numerous professional organisations (for example development planners, economists, engineers and business advisors) whose members have considerable expertise within the fields of business and economic development.

Partnerships in CBD developments have the potential to generate a number of opportunities for all of the players involved. The complexity of the South African context requires not only the active participation of public and private role players but also, perhaps more importantly, CBOs and NGOs, especially those involved in the development of a CBD. In the case of Khayelitsha CBD the partnership agreement between the community, the City and a private sector investor (Rand Merchant Bank) is unique in that the various responsibilities normally attributed to a single development agency, is shared amongst them. The community has a significant stake in the development (in spite of its limited capacity) and thereby ensuring the legitimacy of the development. This is made possible through the municipality's role in driving and co-ordinating the CBD development and the outsourcing of the management and operations of the CBD to a private agency. This is a recipe for a successful partnership from the market's perspective.

Investment in infrastructure through partnerships arrangements enables municipalities to achieve their goals and mandates as developmental local authorities and ensuring that objectives such as creating jobs, business development as well as shopping opportunities for township residents are realised. For the private sector it creates the opportunity to explore and invest in townships in a manner that reduces their risk and increases the potential of meaningful returns on their investment. For communities it increases the overall economic activity in an area.

Potential pitfalls of partnerships are many and measures should be devised to minimise and counter their potential impact. Insufficient commitment by municipalities, in terms of resource and time allocation as well as prioritisation, could seriously undermine the success of such a partnership. Another downfall could be an unorganised community characterised by internal strife and conflict. The private sector should be involved in an early stage of the process so that they can influence public sector investment decisions and build a relationship with the partnering community. The challenge is, however, to create a conducive environment for the private sector to invest.

North et al (2000) note that the partnership approach is a key aspect of the 'competitive policy' phase in the UK during the 1990's. According to Oatley (quoted in North et al, 2000, p.442) "...these multi-sector partnerships were encouraged to adopt market principles to achieve efficiency, to engage community involvement for legitimacy, and business involvement to foster an entrepreneurial approach". Interestingly, North et al (2000, p.443) point out that "... the Haringley Employment Commission set up by Haringey Council in 1996 to analyse the causes of persistent high unemployment in the Borough commented that most partnerships exist in name only and are devices for securing funds, often with inadequate involvement from local communities themselves".

Generally, there are no guarantees that partnerships will succeed. Commitment and common vision by all parties concerned can, however, contribute significantly towards a workable partnership. The context of CBDs in townships requires, however, that the municipality plays a major role in building and directing the partnership.

#### 4.3 Importance of Spatial Planning and Political Will

The case studies illustrate, however, that the presence or absence of a clear planning framework for an emerging township, as well as the associated political will, directly impacts on its successful implementation.

Ideally an overall area spatial development framework and local economic development strategy for the township should be in place, as a context for the CBD development. These should clearly identify and highlight the public investment priorities in the townships, and in particular the importance of the CBD in economic terms. The economic development framework also holds the potential to rally external financial and other resources into the area, especially from central government, aid agencies and the private sector. Securing these resources is in many situations a pre-condition to initiate the development of the CBD.

The role of an overall spatial and economic development strategy at a metropolitan scale, takes particular importance in areas where more than one CBD is proposed. The establishment of CBDs in areas that are

severely impoverished and in close proximity to other more competitive town centres have limited chance of success, unless extraordinary measures with sustained political support are employed<sup>14</sup>.

The success of Khayelitsha, Cape Town and Johannesburg CBDs can be ascribed to the existence of spatial development frameworks for these areas. The CBD Development Framework should clearly identify the key public sector investments required to structure the development. This could include facilities such as municipal and administrative offices, health and education facilities and associated utility service. This should be accompanied with an indication of the appropriate scale and extent of retail and commercial development for the site and potential types of anchor tenants. The development of CBDs in townships should be driven by a realistic and clear vision, translated into a well-defined development plan for the site. Within the RSA context, the endorsement and support of the local authority and the beneficiary communities (after an extensive public participation process), are a legal requirement and a necessary pre-condition.

The usefulness of themed-based precinct planning is well demonstrated in the case of the Cape Town CBD and Johannesburg CBD initiatives. According to Turner (2002), the use of districts (as conceived by Lynch (1960)) to identify different zones of activity is increasingly common as a planning tool in many downtowns. Themed precincts can be used to phase the CBD development and also provide a focus for partnerships as they set common goals and objectives.

In addition to precinct based planning, other planning related tools have been successfully used to phase and market CBD developments including urban design frameworks, which can provide a visual impression (and useful marketing tool) for the proposed development. It should also be remembered that the competition for new CBDs are not only existing town centres, but also large new shopping malls. Spring (1997, p. 20) argues that ‘...just as malls took elements of downtown-benches, floral displays, fountains – downtowns now need to take elements of the mall, including unified marketing, special events, and central management, along with superior cleanliness and safety, in order to compete’.

There is a potential pitfall if the planned programmes to deliver public facilities and services are not consistent with public policy and political support. The Philippi CBD case study is a good example of shifting political support for an emerging CBD. Interestingly, although Mitchell’s Plain CBD is an example of the successful development of well located land by the private sector. Without significant involvement from the respective municipality, it still required political support for it to proceed.

#### 4.5 Required Changes to Economic and Business Environment

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<sup>14</sup> Refer to the examples of Philippi; Khayelitsha and Mitchell’s Plain CBDs.

This section deals with the required changes in the economic and business environment. The contextual problem statement as well as the evaluation and assessment of case studies indicated that there are a number of economic, spatial as well as broader business challenges that need to be addressed in order to create a more conducive environment for CBD's to be developed in townships in the RSA. Key economic and spatial development challenges identified, include:

- The poor quality and absence of business premises/infrastructure;
- The dormitory nature of townships and their location on the edge of the cities; and
- The lack of significant investment in retail, commercial and office investments in townships.

In addition, a number of business development challenges were also highlighted in chapter 2:

- The low levels of entrepreneurship in South Africa, in comparison with other countries;
- The highly centralised and ineffective business development support programmes;
- Non-existent mentoring and support programmes;
- Inaccessible financial assistance to emerging and small businesses; and
- Restrictive legal and regulatory environment.

Implementation and delivery remain the most critical challenges facing local economic and business development process in South Africa. Business development policy recommendations include dramatically increasing levels of entrepreneurship, increasing and decentralising business support services, providing meaningful mentoring and support and facilitating the availability of multiple service providers (Madell and Adam 2002).

## 5. CONCLUSION

South Africa's transformation from a politically violent Apartheid State to a fully-fledged democracy based on market orientated economic policy, is regarded as a miracle. This has, however, not been accompanied with meaningful economic empowerment for the majority of citizens nor significant spatial transformation of townships, where most of the poor are residing.

The study centred on the identification of lessons and the formulation of guidelines for the development of CBDs within townships in the RSA. The focus on CBDs enables public and private sector role players to concentrate higher order public and private facilities and services within a defined geographical area. This approach increases their accessibility, maximises advantages derived from opportunities of scale and increases the potential for economic and business development. CBDs therefore provide economic and business, recreation and social opportunities in close proximity to each other and at relatively reduced transaction costs for marginalised communities.

The development of CBDs has the potential to be an effective mechanism to restructure the dormitory townships in South Africa. In most cases, CBDs are the only viable place for the public sector to invest in order to initiate private sector response. This approach is, however, only viable in metropolitan areas and secondary towns where the township have a sufficiently large population to sustain the development of a number of secondary CBDs linked to the primary/historic CBD.

The scope of CBD development requires that partnerships must be able to manage the process and inter-dependent relationships over long periods of time. Various possible models to organise partnerships for CBD development are explored. Key questions include the nature of partnerships as well as the role and responsibilities of various role players involved in the development process.

The appropriate form (and leadership) of partnerships is dependent upon the particular local circumstances and no single model can be regarded as the most effective institutional form which must fit or be responsive to the political, economic and social environment. Partnerships can either follow the public-assisted approach (e.g. Cape Town CBD); or the public-propriety approach (Philippi CBD); or the private-political approach (Mitchell's Plain) or the public-initiated partnership approach (Khayelitsha CBD and Johannesburg CBD). The case studies illustrate that greater success is achieved with the public-initiated and private-political approaches as far as township CBD development is concerned. Appropriately, 'form should follow function' in that the type of approach or strategy should be decided upon first, before the type of partnership required.

The overview of case studies highlighted a number of lessons when developing strategies aimed at developing CBDs in townships. The '*institutional thickness*' of a given location can have a decisive impact

on the economic development potential of an area. This is, however, not only dependent on the mere presence of institutions, but also on the inter-institutional interaction; collective culture, norms and values; all contributing towards an institutionalising process. It is clear from the case studies that the success achieved in particular in established (historic) CBDs can be attributed the level of “institutional thickness” in these areas. In contrast, townships have generally low levels of institutional thickness and successes achieved through extraordinary public and/or private sector involvement.

An import principle for partnerships within townships is the notion of ‘*public investment - private response*’, given the reality of significant risk for the private sector to unilaterally invest in township CBDs. The challenging circumstances of these areas require that significant levels of public sector investment is required to a level where the economies of scale create a catalyst for private sector response. Activities that the public sector could engage in to create the enabling environment for the private sector to invest in townships include adopting spatial plans, policies and strategies that create the necessary confidence for the private sector. It is also important to provide supportive utility services and community facilities, as these are generally under-supplied or inadequate in townships.

The formulation of partnerships in areas of significant inequality should not only be geared at attracting private sector investments, but also to ensuring that partnerships have meaningful *benefits for the host communities*. These benefits should not only be measured in terms of number of jobs created or the establishment of small businesses. It should also be evaluated in terms of the extent to which the local community has directly benefited both qualitatively and quantitatively through economic opportunities generated. The institutional and resource capacity, legitimacy and accountability of CBOs in these areas, are critical pre-conditions in order to ensure that this is achieved.

The success of establishing CBD’s in townships further depends to a large degree on the effectiveness and political support for partnership and this is a product of the extent to which *other role players* (such as central and provincial government; NGOs, academic and professional institutions) interact and support the municipalities, the private sector and each other in a mutually beneficial manner.

Spatial and strategic planning are useful tools to ensure that developments are co-ordinated and that they do not compete destructively, in particular in areas where investment in infrastructure is desperately required. It is of importance to ensure that there is agreement on the focus areas (e.g town centres targeted for priority investment are specified) and this is aligned with the necessary *political will and support* from the public sector for the required infrastructure support programmes.

There are also a range of changes required to the economic and business environment of townships to ensure success. Key economic strategies that should be pursued include providing economic and business infrastructure as a key component of an overall policy to transform townships into sustainable urban areas.

Correspondingly, business development policy recommendations include dramatically increasing levels of entrepreneurship, increasing and decentralising business support services, providing meaningful mentoring and support and facilitating the availability of multiple service providers.

The challenge exists to develop marginalised areas in South Africa particularly the townships, increase economic growth and reduce unemployment and inequality in our society. The ultimate goal is to substantially improve the quality of life of the poor in South Africa, even more so because they are in the majority.

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