

## ENHANCING THE LED IMPACTS OF LARGE PROPERTY DEVELOPMENTS IN SOUTH AFRICA

Jessica Schroenn Goebel  
UKZN

### Overview

- Introduction
- The Blythedale Coastal Resort: overview and context
- Conceptual framework: LED; multipliers, leakages, linkages; key ingredients
- LED impacts of property developments: construction; estate developments; pro-poor tourism
- Linkage opportunities in the BCR: construction phase; residential phase; selection and implementation
- Conclusion

### Location of the BCR



### The planned Blythedale Coastal Resort development

- 1000ha, R10bn, 10 years
- 5000 residential units: freehold, high & medium density, affordable / social housing
- Range of facilities: sports & recreation, hospitality, education & training, retail & commercial, conservation areas
- 20% Dube community ownership ffg land claim resolution
- Developers have stated commitment to promoting community benefit.

## The surrounding district: Ilembe

- Extreme contrasts: uneven development across geographic areas, social groups and economic sectors.
- Rural areas: subsistence farming, traditional settlements.
- 4 distinct urban centres: Dolphin Coast/Ballito (tourism, property, commercial); KwaDukuza/Stanger, Mandeni, Nkwazi (manufacturing; agri-processing).
- Impressive urban growth & shift to tertiary economy, alongside unemployment, lack of skills, poverty, backlogs in housing & amenities.

## Key concepts

- **LED**: translating economic growth into greater quality of life for all in the area.
- Partnerships; economic sustainability; job creation; community well-being.
- Pro-growth / pro-poor: challenge is to ensure genuine pro-poor employment and development spin-offs from pro-growth initiatives (Parahanse & Goldman 2005: 1).
- Multiplier effects, leakages, linkages.

## Key concepts (contd)

- BCR will trigger **multiplier** effects:
  - Short term procurement & expenditure during construction (direct & indirect effects);
  - Long-term employment & continuing income streams during operation & maintenance (direct & indirect effects);
  - Short- & long-term induced effects resulting from initial increases in jobs & incomes.

## Key concepts (contd)

- **Linkages** transmit impacts to local economy: “ways in which well-established businesses...can build economic links with micro-entrepreneurs, small enterprises, and residents” (Mitchell & Ashley 2006: 1); their extent determines size of multiplier.
- Linkage approach to social responsibility departs from traditional philanthropic approach.
- Critical ingredients:
  - SMMEs
  - skills & training
  - social capital.

## LED impacts of property developments: (1) Construction sector

- Strong backward linkages & high output multipliers.
- Supply-side contribution of built infrastructure.
- Labour-intensive & high employment multipliers - e.g. for every R million:
  - 10 on-site jobs + 20 off-site (BIFSA 2000);
  - 6.6 formal & 20-26 indirect / informal in support activities (CIDB & DTI 2006).

## LED impacts of property developments: (1) Construction sector (contd)

- Low entry requirements & good progression prospects: SA construction workforce comprises
  - 50% unskilled;
  - 26% semi-skilled;
  - 19% skilled;
  - 5% supervisors / foremen (CIDB & DTI 2006).
- Sub-contracting environment offers easy entry to SMMEs.
- Initiatives to address constraints.

**LED impacts of property developments:  
(2) Leisure & residential estates**

- Impact studies generally assume fixed relationship between investment size & economic benefits (employment, GGP).
- Economic impacts *are* significant –
  - temporary & permanent employment in construction & operation;
  - skills training;
  - BEE support;
  - social responsibility contributions (mostly ad hoc, philanthropic)
 (MCA Planners 2005; Van der Merwe 2006).

**LED impacts of property developments:  
(2) Leisure & residential estates (contd)**

- But impacts will tend to remain limited unless mechanisms are deliberately built in to make them self-sustaining.
- Formal structures such as public-private-community partnerships are not typical.
- e.g. Van der Merwe finds: “none of the estates has promoted the establishment of a self-sustaining sub-regional economic system in partnership with the local communities through which... benefits... can be utilised in an optimal manner in the long term (2006: 15).

**LED impacts of property developments:  
(3) Pro-poor tourism (PPT)**

- Private tourism operators' strengths can be harnessed by investing in local linkages (Mitchell & Ashley 2006):
  - enormous purchasing power
  - business expertise
  - capital assets
  - influence over a massive consumer market.
- PPT Pilots: pro-poor impact depends on extent to which private operators integrate into local economy through linkages.

Table 1: Type of benefit or linkage

Financial benefits	Non-financial livelihood impacts	Information-sharing and partnership
Local enterprise linkages	Local access to infrastructure & services	Participation of the poor in decision-making
Jobs & wages	Mitigation of environmental impacts & competing use of natural resources	Partnerships between poor stakeholders and private sector
Collective income sources (e.g. equity stakes)	Capacity building, training	Flows of information & communication to the poor
	Social, cultural contributions	Supportive policy / planning framework

(Adapted from Ashley et al 2003)

**Relevant lessons from PPT literature:**

- Linkages fostered through local procurement more significant than direct employment in the long term.
- Who has the jobs is important – e.g. unskilled, women.
- Tourist spending in local areas has a higher pro-poor impact than other value chain segments.
- Food supply chain can have major pro-poor impacts.

**Relevant lessons from PPT literature: (contd)**

- Gains to private company: enhanced social licence; branding & customer satisfaction; staff morale; possible direct cost savings; BBBEE contribution.
- Costs short- to medium-term: management attention, staff time.
- Value added to local economy is not so much in initial monetary flows as in their potential to increase, multiply & seed future growth.

## Key measures for enhancing pro-poor impact of the BCR:

1. Boosting procurement from local enterprise.
2. Increasing local staffing & wage flow.
3. Partnerships with neighbours.
4. Encouraging residents' & visitors' spending in the local economy.

## Linkage opportunities in property development

	Development Planning	Design Development (Project level)	Construction (Project level)	Operational / Occupation (Project level)
Process				
Activities	Determine development type & income projections.	Develop planning frameworks & design guidelines. Sales process begins. Owners employ design teams to procure and deliver projects.	Construction company / project manager manages construction process including all procurement from suppliers and sub-contractors.	Ongoing requirements for a range of inputs: centralised routine expenditure; facilities operation; consumption spending.
LED Opportunity	<ul style="list-style-type: none"> <li>• Partnerships (private – public – community)</li> </ul>	<ul style="list-style-type: none"> <li>• Partnerships continue</li> <li>• Procurement policy</li> </ul>	<ul style="list-style-type: none"> <li>• Partnerships</li> <li>• Procurement</li> <li>• Employment &amp; skills development</li> </ul>	<ul style="list-style-type: none"> <li>• Partnerships</li> <li>• Procurement</li> <li>• Employment &amp; skills development</li> <li>• Encourage local spending</li> </ul>

## Linkage opportunities in the BCR: Construction phase

- 100 000 jobs (10-year period); = 20 000 longer-term jobs (McCarthy 2005); locals first.
- Small contractor & skills development opportunities.
- Supportive institutions BCR will link in to:
  - Construction Industry Development Board;
  - National Contractor Development Programme;
  - Construction Education & Training Authority (500 learnerships to start with).

## Linkage opportunities in the BCR: Construction phase (contd)

- Backward linkages: materials manufacture & supply SMMEs:
  - itemise appropriate materials for local sourcing;
  - include design guidelines in sales contracts;
  - establish partnership arrangements, skills development & mentoring schemes to ensure delivery.

## Linkage opportunities in the BCR: Operational phase

- Vast range of inputs required for maintenance, facilities operation, and consumption can translate to a multitude of LED opportunities.
- Procurement (resort-wide or by independently run facilities within BCR) – SMME benefits:
  - Services (central database of approved suppliers – maintenance, landscaping, etc.)
  - Ongoing inputs for facilities operation – notably food (organic farming operation with community involvement); many other inputs offer opportunities accessible to small / informal operators / women / previously unemployed.

## Linkage opportunities in the BCR: Operational phase (contd)

- Jobs: direct 2000+
  - Enhance by adding labour-intensive services
- Local spending by residents & visitors – consumer goods & services in perpetual demand; again food (fresh / organic, or value-added) is a major opportunity for emerging suppliers.
  - BCR could advise SMMEs on production, marketing, possibly provide sales sites.
- Training & skills development can be linked to direct employment as well as SMME opportunities (another 500 SETA learnerships).

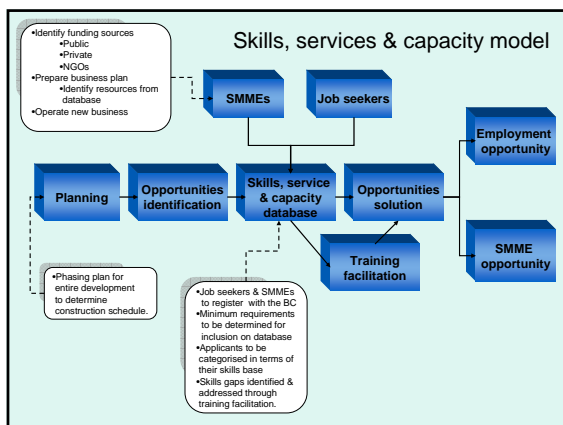
### Multiplier effects on local economy from construction and operational phases:

- Increased employment of locals, wage expenditure & SMME earnings will produce indirect & induced multiplier effects; growth becomes self-sustaining.
- Development levels of Ilembe suggest leakages can be minimised & multiplier effects will be strong.
- External economies from improvements in services and infrastructure will benefit all living in the area, and facilitate & encourage further entrepreneurial activity.

### Selecting & implementing linkages

Criteria: linkages should -

1. make business sense to the operator;
2. impact on a significant number of poor people in the area;
3. be feasible (Ashley et al 2003);
4. be sustainable, leave a legacy.



### Conclusions

- Review 3 key LED ingredients wrt the BCR:
  - SMMEs: entrepreneurial response, encouraged by resort mgt in spirit of partnership
  - Skills development: construction & other skills to equip people to take up opportunities; SETA learnerships & training facility
  - Social capital: partnership structures & strategic relationships to be sustained & built on.
- Ongoing monitoring & review.
- Make the most of the opportunity to bridge socio-economic gaps – integrate a pro-poor approach to ensure more & better jobs, transferable skills, viable enterprises, and sustainable benefits.