

***Addressing Marginalisation in
Urban Areas: Transforming
Informal Settlements into
Sustainable neighbourhoods***

Role of LED

DBSA

Presentation to Second Economy Conference

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Approach to LED

- ❑ The purpose of local economic development (LED) is to build up the economic capacity of a local area to improve its economic future and the quality of life for all.
- ❑ It is a process by which public, business and non-governmental sector partners work collectively to create better conditions for economic growth, employment generation and sustainable development as a whole.
- ❑ In order to significantly address high levels of inequality and marginalisation, LED interventions need to operate at scale i.e. building on areas of economic potential to develop integrated, systemic programmes that result in long-term turn-around.

Creating Economically Sustainable Neighbourhoods

- ❑ Breaking down apartheid settlement patterns
 - Densification through a hybrid of housing opportunities
 - Developing effective transport systems to increase access to opportunities
 - Driving planned growth through i.e.
 - ❖ Spatial development frameworks that act as a catalytic platform for collective action
 - ❖ Appropriate, spatially referenced fiscal & incentive frameworks
 - ❖ Enforcement capabilities
 - ❖ Effective Local Governance Processes
 - Ability to manage political trade-offs
 - Structured and relatively efficient decision-making processes.
 - Stakeholder engagement processes that maximise voice and agency.
- ❑ Growing the Cake
 - Developing economic infrastructure
 - ❖ ICT
 - ❖ Market places
 - Gearing Private Sector Investment
 - ❖ Availability of public sector risk mitigation instruments
 - ❖ Efficient administrative processes
 - ❖ Transparent procurement & contract management processes

Creating Economically Sustainable Neighbourhoods

□ Fostering Shared Growth

- Increasing the asset base of the poor
 - ❖ Capital – conversion of existing dead capital into productive assets, reconfiguring local housing and land markets, mitigating the costs of formalisation
 - ❖ Income
 - Wage employment
 - » Labour absorption – EPWP, CWP, incentives for the use of local labour
 - » Participation rates of vulnerable groups
 - Self-employment – reducing barriers to entry & costs of formalisation, improving market access, creating forward linkages to formal sector/integrated value chains
 - ❖ Other
 - Health – environment, education, access to health care
 - Access to basic services
 - Safety-nets – protection against external shocks

Creating Economically Sustainable Neighbourhoods

- Ensuring Localisation within the Context of Market Integration
 - Create local markets
 - ❖ Forging supplier value chains/distributional networks between local SMMEs and larger companies
 - ❖ Developing addressable markets:
 - Savings schemes
 - Increasing the affordability and availability of commodities
 - Fostering local social & economic networks as well as innovative platforms for trade & exchange
 - ❖ Social capital is key
 - Building local capabilities
 - ❖ Skills
 - ❖ Information
 - Requires effective forms of intermediation and business support services

Challenges for Informal Settlement Upgrading

- ❑ The Importance of Scale
- ❑ Marginal Impact
- ❑ Dangers of ongoing economic marginalisation