



DENNIS MOSS PARTNERSHIP

Architects • Urban & Regional Planners • Environmental Planners
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EXECUTIVE SUMMARY: PROJECT-BASED SUSTAINABLE DEVELOPMENT INITIATIVE (SDI) APPROACH AUGUST 2007

1 INTRODUCTION

A *Sustainable Development Initiative* (SDI) is broadly defined as an over-arching socio-economic development and environmental rehabilitation initiative that is enabled and supported by large-scale property development.

The SDI approach is a strategy to give practical effect to legislation, policy, protocols and agendas aimed at promoting sustainable development. An SDI is always undertaken in partnership with local communities and others that can help to promote sustainable development in a manner consistent with government policy.

Government and others support many programs and projects which promote public-private-community partnerships and aim to engage a wide spectrum of role players in the planning and development process. The SDI approach responds to the responsibility of private sector investors in property development to help enhance and give effect to such programs and projects.

2 OBJECTIVES OF THE SDI APPROACH

The over-arching objective of the SDI approach is to promote sustainable development as is defined in Section 3.2 below. This is to be achieved through the following:

- a) Building upon and promoting the **comparative economic advantages** of the region within which the SDI is undertaken.



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- b) Unlocking the latent value of the land available for the core projects of the SDI.
- c) Utilizing the natural resource base in a sustainable manner.
- d) Merging ecological and economic considerations in decision-making.
- e) Making a meaningful contribution to the eradication of poverty and inequality.
- f) Ensuring an acceptable return on capital invested by the core project investors.
- g) Ensuring that local communities, especially those who had been disadvantaged by historic injustices, are recognised as stakeholders in the planning and development process.
- h) Giving practical effect to the transformation of the South African society as is contemplated in the Constitution.

3 THEORETICAL PREMISE FOR THE SDI APPROACH

3.1 DIVERGENT VIEWS ON CHANGE, TRANSFORMATION AND DEVELOPMENT

In the formulation of the SDI approach, it was recognised that change, or transformation, brings with it perceived and real threats and tension for individuals, communities and interest groups. It was also recognised that change, or transformation, has practical, social and cultural implications which often affect entrenched and appreciated normative patterns.

Globally people approach change from various perspectives, or views. Hopwood *et al*, (2005)¹ refer to three such world views namely:

- A view favouring the maintenance of the *status quo*.
- A view favouring socio-economic transformation.
- A view favouring a techno-centric and an eco-centric approach.

Complex overlaps and areas of integration occur between these views. In order to achieve the objective of a developmental state where the imperatives for sustainable development are served in practise it is important to find common ground and agreement between groups that have divergent views on how this objective is to be achieved. The figure below

¹ Hopwood B, Mellor M & O'Brien G 2005. Sustainable development: Mapping different approaches. *Sustainable Development* 13:38-52.

illustrates the disparities that exist and the ideal situation of reconciliation and balance between the various views.

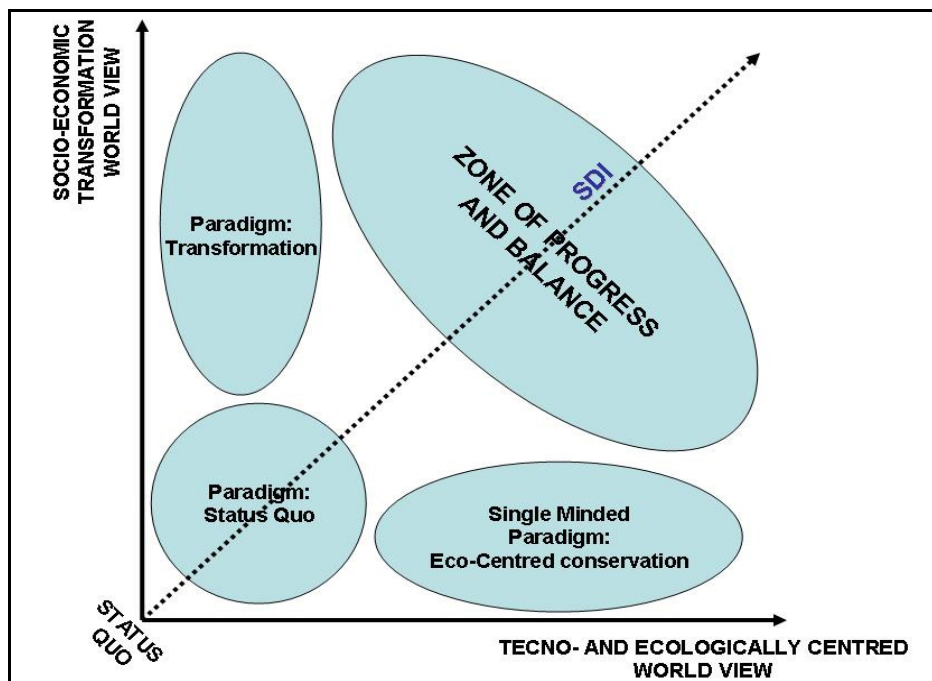


Figure 1: World views affecting the transformation of the South African society (Adapted from Hopwood *et al*, 2005)

The SDI approach builds on the notion that common ideals and objectives can be achieved through effective stakeholder participation and collective decision-making. Therefore, a primary objective of the SDI approach is to provide a framework within which the required dialogue can be facilitated in a structured and dedicated manner.

3.2 THE CONCEPT OF SUSTAINABLE DEVELOPMENT

As stated previously, the over-arching goal of the SDI approach is to promote **sustainable development** which is defined by the *International Institute for Sustainable Development* (IISD) (1995)² as development that meets the needs of the present generation without compromising the ability of future generations to meet their own needs

Sustainable development embodies a concern for both social justice and ecological health (De Beer & Swanepoel 2000)³. The 1992 Earth Summit (Wynberg 1993)⁴ and its

² International Institute for Sustainable Development (IISD) 1995. *Youth source book on Sustainable Development*. Available [online]: <http://iisd.ca/youth/ysbk000.htm>. [Accessed 7 February 2005].

³ De Beer F & Swanepoel H 2000. *Introduction to development issues*. Second ed. Cape Town: Oxford University Press.

subsequent treaties, especially Agenda 21, emphasise that sustainable development requires an overarching philosophy which satisfies social, economic and political needs of people while also preventing the degradation of natural resources.

Due to South Africa's status as a developing country, both the public and the private sector generally agree that the promotion of sustainable development should be a priority in the quest to address the socio-economic and environmental challenges facing the country. However, when one considers the reality of inappropriate development types, misuse of natural resources, general inefficiency of service provision, etc., which is evident throughout the country, serious questions arise regarding the manner in which development is often undertaken in practice.

In terms of the SDI approach, sustainable development is viewed as a process that *improves the state of any given situation* in context of the constitutional imperative to promote a developmental state throughout the country. The SDI approach is underpinned by the principles of sustainable development and provides mechanisms to give practical effect thereto through:

- innovative employment of *social, environmental* and *infrastructural* capital (finance and land);
- positive economic intervention through the implementation of a strong economic driver; and
- dedicated stakeholder co-operation and meaningful involvement in addressing the challenges of our country.

Sustainable development occurs at the intersection of three global imperatives, namely **human well-being, environmental integrity** and **economic efficiency** (IISD 1995) (refer to the figure below). The interactive model of sustainability described by Mebratu (1998)⁵ illustrates that sustainable development occurs where the three imperatives interact within an 'interactive zone'. Development outside this 'interactive zone' will not be sustainable. What is to be pursued is the promotion of human well-being and environmental integrity through efficiency.

⁴ Wynberg R 1993. A decade of biodiversity conservation and use in South Africa: tracking the process from the Rio Earth Summit to the Johannesburg World Summit on Sustainable development. *South African Journal of Science* 98: 233-243.

⁵ Mebratu D 1998. Sustainability and sustainable development: Historical and conceptual overview. *Environmental Impact Assessment Review*, 18: 493-520.

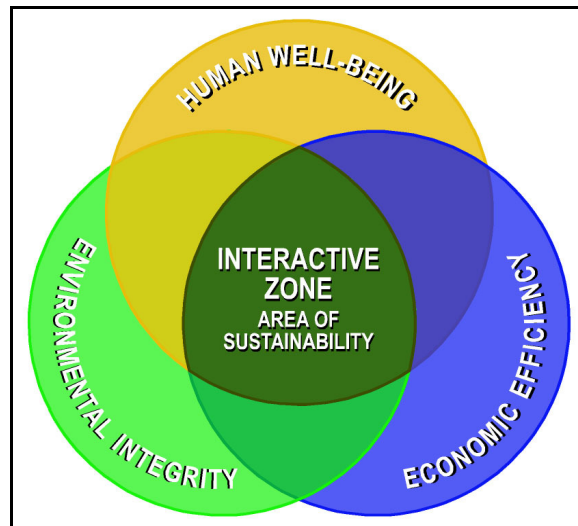


Figure 2: The interactive model of sustainability (Adapted from Mebratu, 1998).

Development projects undertaken in terms of the SDI approach are measured and audited in order to assess their value and performance in terms of promoting sustainable development imperatives which are described as follows:

3.2.1 HUMAN WELL-BEING

Human well-being refers to both **material** and **spiritual well-being**. Material well-being refers to the absence of poverty. Spiritual well-being refers to a state where individuals and communities are able to live together in harmony and peace and where people have freedom of religion and expression as is contemplated in the Constitution. It is recognised that, in post-apartheid South Africa, special consideration has to be given to address historical inequalities that have undermined human well-being in the past.

3.2.2 ENVIRONMENTAL INTEGRITY

Environmental integrity refers to the '*wholeness*' of the environment. In the National Environmental Management Act, 1998 (Act 107 of 1998) 'environment' is defined as *the aggregate of all external conditions and influences affecting the life of an organism. In terms of this definition, 'environment', in particular, refers to the surroundings within which humans exist and that are made up of:*

- a) *the land, water and atmosphere of the earth;*
- b) *micro-organisms, plant and animal life;*

- c) *any part or combination of (a) and (b) and the interrelationships among and between them; and*
- d) *the physical, chemical, aesthetic and cultural properties and conditions of the foregoing that influence human health and well-being.*

Environmental integrity is determined by the *value* of the environment or place (natural or human-made), with specific reference to its intrinsic, systemic, and/or instrumental value (Rolston 1994)⁶. The manner in which human settlements are developed generally has an impact on the integrity of the environment as a totality. It is therefore imperative that the human-made environment be planned, designed and developed in a manner that ensures the maintenance of the values referred to above (Rolston 1994).

From a natural environmental perspective, it is clear that ecological integrity is a key factor in the sustainable development equation. Ecological integrity *inter alia* requires that biodiversity be protected and that essential ecological processes and services (e.g. water yield and quality, soil conservation, decomposition, etc.) be maintained (De Beer & Swanepoel 2000).

3.2.3 ECONOMIC EFFICIENCY

Economic efficiency refers to *making the best use of available resources, including human resources, funds, land, infrastructure, etc. It is also understood as the optimisation of benefit at the lowest cost for valued things.*

It is important to note that the unconditional optimisation of benefit, regardless of its social and environmental cost, has the potential to create serious conflict between various interest groups. For example, the construction of a road through a settlement may imply efficiency in that it would benefit the road-user. On the other hand, such a road may prove to be largely inequitable due to its environmental and social impact (e.g. endangering the lives of local inhabitants, and resulting in emotional stress for individuals living in the proximity of the road, as well as users of the road). It is therefore imperative that efficiency be pursued in a just manner. Justice, which balances the gains amongst persons, must be the balancing criterion.

⁶ Rolston H 1994. *Conserving natural value: Perspectives in biological diversity series*. New York: Columbia University Press.

4 THE NATIONAL AGENDA AS PREMISE FOR THE SDI APPROACH

The SDI approach builds upon and gives effect to the key aspects of the National Agenda as was spelt out by the President during his *State of the Nation Addresses* over the past number of years, namely:

- a) Implementing legitimate programs that promote a single vision of a people-centred society.
- b) Significantly reducing poverty and unemployment (the core objective is to achieve a reduction of 50% by 2014).
- c) Eradicating poverty and under-development within the context of a thriving and growing *First Economy*⁷ and successful transformation of the *Second Economy*⁸ in order to ensure that the poor in the country share in our growing prosperity.
- d) Addressing the key question of where resources are to be found to fund development programs.
- e) Recognising that development programs cannot be carried out by government alone – it is a national task that calls for effective partnerships.
- f) Recognising that development programs must achieve visible benefits regarding the improvement of quality of life of all people, poverty and inequality.
- g) Recognising that development programs should include urban renewal and rural development, micro-credit and small enterprises, education and modern skills, development of social and economic infrastructure.
- h) Ensuring that the machinery of government, especially the local government sphere, discharges its responsibilities effectively and efficiently, honouring the precepts of *Batho Pele*.
- i) Ensuring that the *Accelerated and Shared Growth Initiative of South Africa* (ASGISA) succeeds in its purposes, which includes the reduction of the unemployment levels.

⁷ First Economy is an advanced, sophisticated economy, based on skilled labour, which is becoming more globally competitive. It is modern, integrated with the global economy, and produces the bulk of the country's wealth (The Presidency 2004).

⁸ Second Economy is mainly an informal, marginalized, unskilled economy, populated by the unemployed, and those unemployable in the formal sector. It is underdeveloped, isolated from the first and global economies, contains a large percentage of people including urban and rural poor, and contributes little to the country's wealth (The Presidency 2004).

- j) Harnessing the ‘Proudly South African’ spirit to build the strongest possible partnership between all sections of our population to accelerate our advance towards the realization of the important goal of a better life for all.

5 ‘PILLARS’ OF THE SDI APPROACH

The SDI approach builds on three pillars, namely:

PILLAR 1: DEVELOPMENT AS PRIMARY ECONOMIC DRIVER

Property development can serve as a primary economic driver that unlocks funds to support, in a meaningful and sustainable manner, economic growth, social development, and environmental rehabilitation. Development can only be optimised through **positive economic intervention** within a framework of an **integrated development plan and strategy** (Urban-Econ 2005)⁹.

In order to optimise the potential of property development to serve as an economic driver, the SDI approach builds upon the principle that an SDI, for any given area, must be supported by core projects, which utilise and promote the **comparative economic advantages**¹⁰ of the region or the area within which the SDI is undertaken.

PILLAR 2: COMMUNITY PARTICIPATION, INCLUSIVITY, AND HUMAN WELL-BEING

The SDI approach builds on the principle of **inclusivity**. This implies that the planning, implementation and management of an area should be an ongoing inclusive process that gives meaningful consideration to the changing and dynamic interests, needs and values of the people that live in the area and that have an interest in ensuring a prosperous future for the area. In this regard, it is important that the following should result from an SDI:

- a) Continuing participation, representation and involvement of all stakeholders in the SDI area.

⁹ Urban-Econ 2005. *Economic Impact Report for LagoonBay Lifestyle Estate*. Report for Preliminary Impact Assessment. Urban-Econ, Pretoria.

¹⁰ Case & Fair (1999) defines comparative economic advantage as *the advantage in production of a product enjoyed by one place over another when that product can be produced at a lower cost in terms of other goods than it could be produced by another place or country.*

- b) Creation of adequate and appropriate opportunities during the inception phase of the SDI planning, and thereafter, for community participation in decisions that may affect the area.
- c) Consideration of, and agreement on, the values which would form the basis of the SDI and the associated core projects.
- d) Developing and utilising the skills and capacities of the people living in the area (especially previously disadvantaged people, and women) in the planning and implementation of the SDI and the core projects.
- e) Encouraging on-going involvement of local people in the programs identified for the SDI.
- f) Recognising that historic injustices need to be addressed in a practical and sustainable manner as a matter of high priority. In particular, recognition needs to be given to the rights of local previously disadvantaged people to share in the benefits that development brings to the area in a spirit of partnership.

The SDI approach provides for the participation and involvement of local communities in the planning, implementation and management of the initiative through an appropriate organisational structure such as is described under Section 8 below.

Participation in the SDI by stakeholders, who purchase property in the core projects, or who may have a direct interest in the core projects, should be formalised through a *Participation Agreement*.

PILLAR 3: ENVIRONMENTAL REHABILITATION AND CONSERVATION

The IISD (1995) highlights two key aspects pertaining to sustainable development, namely the **concept of need** (in particular, the essential needs of the poor, to which overriding priority should be given) and the **environment's ability** to meet present and future needs. The latter aspect should be considered in context of the reality of the current state of the environment and the limitations posed by the general lack of funds and resources to rehabilitate and conserve the natural environment to the extent that it can indeed meet present and future needs.

The SDI approach recognises and supports the principle that biodiversity conservation is a prerequisite for sustainable development. It accepts that, for biodiversity conservation to

succeed, the maintenance of environmental integrity (as defined by ecological, economic and social criteria) must be one of the primary determinants of land-use planning and development.

6 THE SDI AREA

As with most large-scale developments, the core projects of an SDI will result in benefits on a regional, and even national, scale. However, the area that will receive the bulk of the direct benefits from an SDI is a defined 'gravitational field' directly around the core projects of the SDI. This 'gravitational field' is referred to as the SDI area and is loosely demarcated in collaboration with the relevant stakeholders.

7 CORE PROJECTS AS ECONOMIC DRIVERS OF THE SDI

Effect is given to an SDI by **core projects** primarily funded by the private sector. The core projects serve as the primary economic driver(s) of the SDI (refer to the figure below). A key element of the planning of an SDI is to identify potential core projects that could generate the financial resources to give practical effect to an SDI.

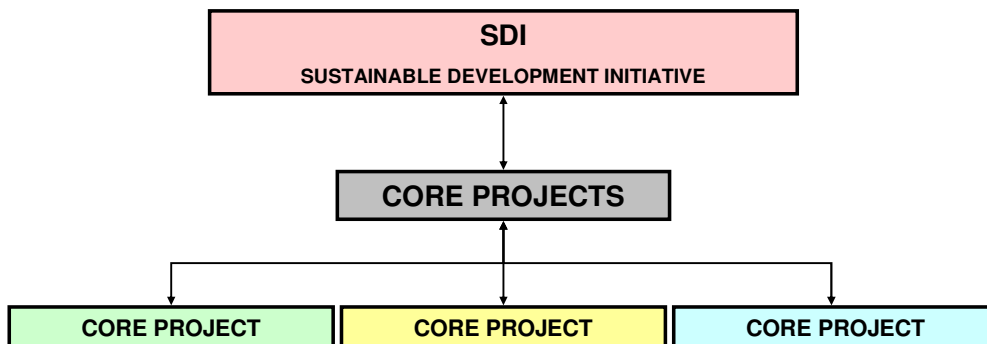


Figure 3: The SDI and its core projects.

The SDI area is usually significantly larger than the land designated for the core projects. The SDI builds upon the principle that long-term sustainability of a particular area would be better served if an optimal number of projects were undertaken in the area and that, ideally, all property development undertaken in that area should be undertaken in terms of the SDI approach.

8 SUGGESTED ORGANISATIONAL STRUCTURE FOR AN SDI

In order to facilitate the establishment, implementation and management of an SDI, an organisational structure has to be established. In this regard, it is proposed that a **Treasury Trust** be established as an overarching and governing entity, and that a hierarchy of *Public Benefit Organisations* (PBOs), or other appropriate organizational entities, be established to implement specific projects through programs to be identified by the relevant communities (refer to the figure below).

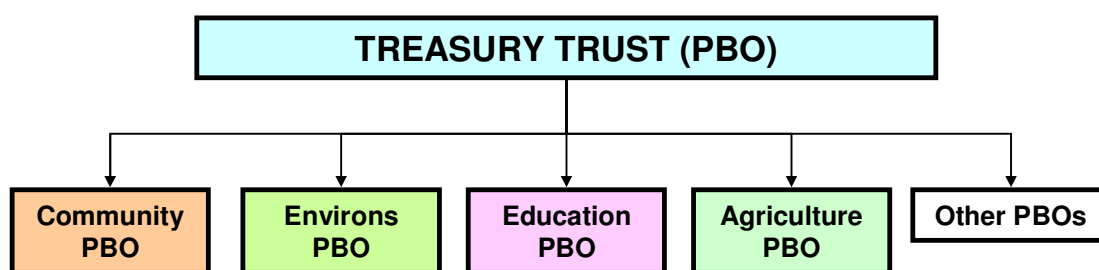


Figure 4: Suggested SDI organisational structure.

8.1 THE TREASURY TRUST

The main purpose of the Treasury Trust is to serve as the funder and principal decision-maker that ensures that funds flow to the various PBOs, and that the programs of the SDI are appropriately implemented, managed and co-ordinated (refer to Section 9 below). The Treasury Trust should also ensure that benefits devolve to the various beneficiaries and stakeholders in a transparent manner and in a spirit of partnership. The Treasury Trust will therefore operate under strict financial and audit supervision.

The Treasury Trust is to ensure that funds are made available in terms of the SDI's objectives and that the implementation of specific programs gives practical effect to sustainable development as is contemplated in the trust deed. It is imperative that the funds of the Treasury Trust be invested in a manner that would ensure the long-term sustainability of the SDI.

The trustees of the Treasury Trust should ideally initially consist of an equal number of representatives of the core project developers and stakeholders. Such trustees are to be chosen for their proven status, administrative skills and applicable knowledge. It is

envisaged that large SDIs will require an executive officer and permanent support staff that report to the Treasury Trust and the PBOs.

8.1.1 FUNDING AND SUPPORTING THE TREASURY TRUST

The SDI approach is based on the principle that a percentage of the revenue upon sale of properties accrues to the Treasury Trust. These funds could be supplemented by other forms of funding, including state and NGO funding.

Both the quantum of the funds to be transferred to the Treasury Trust and the transfer procedure are to be stipulated in the sales agreements and are to be linked to the title deed of each erf or property sold.

8.1.2 BENEFICIARIES OF THE TREASURY TRUST

The PBOs, or other entities, that form part of the organisational structure would be the primary beneficiaries of the Treasury Trust. These entities are to be established in close collaboration with the relevant stakeholders, the objective being to ensure that benefits are delivered to the rightful beneficiaries and that such benefits are managed in a transparent and equitable manner. The highest concentration of direct benefits will accrue to the people living in closest proximity to the core projects.

The number of formal PBOs of a Treasury Trust may differ. Such matters are to be considered against the background of the circumstances that apply in the relevant SDI (e.g. the scale of the core projects).

The various PBOs that receive funds from the Treasury Trust will have the responsibility to ensure that the programs of the SDI are implemented in accordance with defined objectives and strategies.

8.1.3 PROCEDURES FOR ALLOCATION OF FUNDS

Discretionary funds may be made available for humanitarian purposes. However, the main purpose of the Treasury Trust is to make funds available to help grow the local economy through the establishment of new enterprises, and to help promote environmental

conservation in a manner consistent with the ethos of sustainability. A primary objective of the Treasury Trust is to help establish SMMEs and support Black Economic Empowerment (BEE) in terms of government policy through the PBO structures created for this purpose. Such SMME development will be supported by mentorship programs, skills training and stewardships.

In practise, the Treasury Trust could make funds available in terms of different types of arrangements. For example, it could **donate** discretionary funds to help fund a school. Alternatively, the Treasury Trust could grant a **loan** for the establishment of a commercial nursery by a newly established SMME. The loan amount, together with a portion of the proceeds from such commercial enterprise, should be paid back to the Treasury Trust by the enterprise that owns the nursery.

It is important for the Treasury Trust and the PBOs to seek the support of *inter alia* the Development Bank of Southern Africa (DBSA), Department of Trade and Industry (DTI), Industrial Development Corporation (IDC), etc. to promote programs that are of common interest and to jointly provide project finance on a partnership basis. It is furthermore important to invite commercial banks to, in partnership with the PBOs, grant loan finance to newly-established SMMEs, assist with due diligence studies, facilitate the preparation of business plans, and ensure that good practice pertaining to corporate governance and the granting and repayment of loan finance is adopted and maintained.

9 SDI IMPLEMENTATION PROGRAMS

Implementation of the SDI should take place through integrated programs identified by stakeholders. As stated previously, the various PBOs should assist with the funding, management and implementation of the programs which they are responsible for. SDI programs could include *land development, agriculture, tourism and hospitality, sport and recreation, social development, environmental management, heritage conservation and education*. For each program clear objectives should be set and strategies for implementation should be formulated by the PBOs in partnership with the local communities. Such strategies should include business plans and funding requirements.

10 SDI PLANNING PROCESS

The planning of an SDI is generally undertaken in terms of a number of defined phases as illustrated by the figure below.

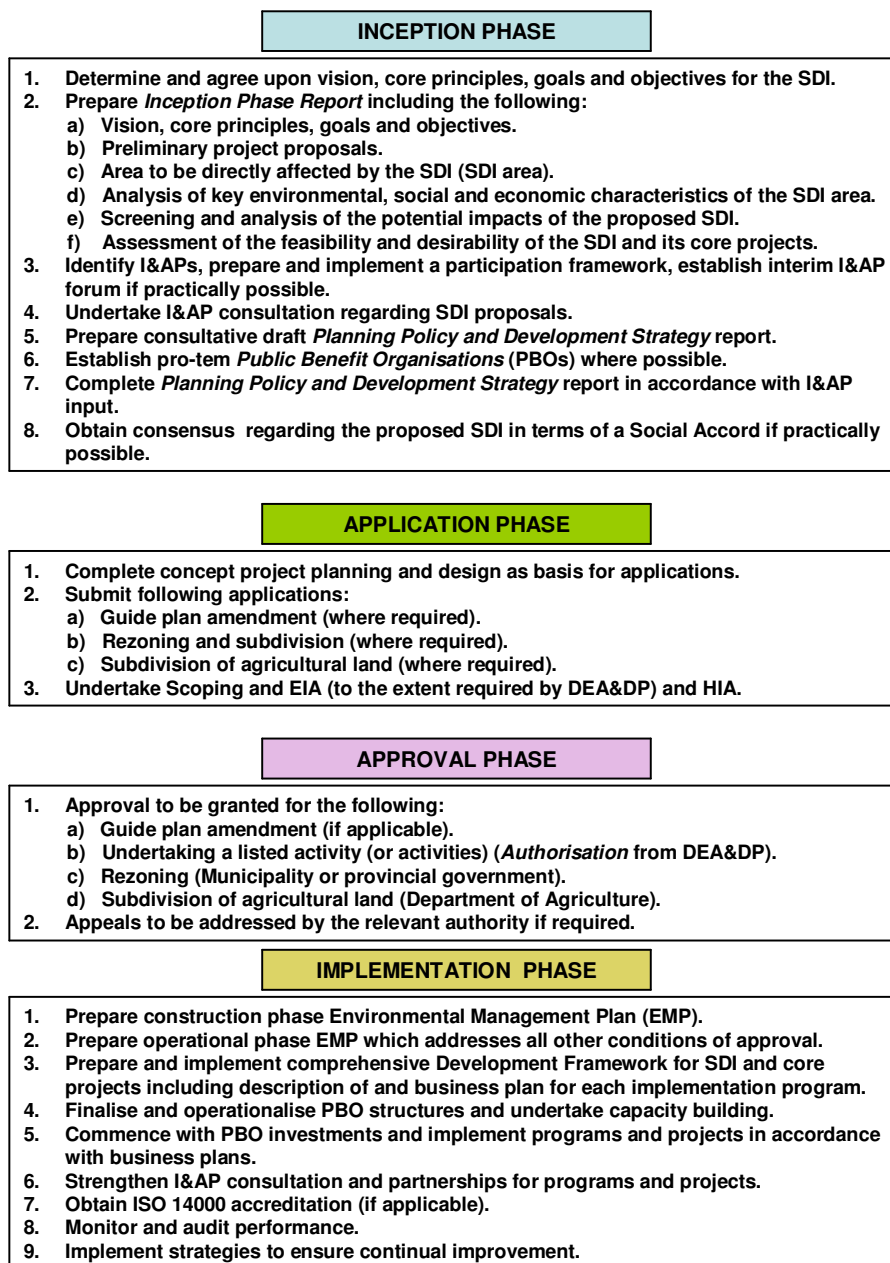


Figure 5: Planning process associated with the SDI approach.

A key characteristic of the SDI planning process, which distinguishes it from the 'conventional' planning process, is that it includes a distinct *Inception Phase*. This phase comprises a number of unofficial steps and allows the developer and its professional team the opportunity to communicate with all stakeholders and to seek the input of all

stakeholders regarding all aspects of the proposed SDI prior to entering into the statutory application process, which is regulated by strict procedural directives.

A key objective of the *Inception Phase* is to enable the proponent and its professional team to prepare an application that is in support of the SDI objectives, that has integrity and the support of key stakeholders, and that can be justified in terms of applicable values and commitments.

10.1 KEY ASPECTS TO BE ADDRESSED IN THE INCEPTION PHASE

A key requirement is to ensure that the planning and development policies of the SDI and its core projects are aligned and consistent with constitutional imperatives and the relevant planning legislation and policy and that the project proposals are financially viable.

Sound financial gearing of the core project(s) is imperative, because it would not be possible to achieve the ideals of government, and meet the aspirations of local people, if the proposed core projects were not financially viable. It is therefore important that the viability of the core projects be tested in the market place so as to determine if they would indeed be able to support the SDI to a meaningful extent.

It is imperative that a thorough economic impact assessment be undertaken at an early stage to identify and quantify the economic benefits that would result from the implementation of the core projects. Such economic impacts are usually measured in terms of the core projects' contribution to local *Gross Domestic Product*, additional *Business Sales* and *Employment Opportunities* that will occur due to the SDI projects. Economic impacts are determined for both the construction phase and the long-term operational phase of each core project. The primary challenge is to ensure that the opportunities that would result from the implementation of the core projects are utilised efficiently in order to promote the goals and objectives of the SDI.

11 CONCLUSION

In conclusion the following aspects are emphasised:

- a) The over-arching goal of the approach is to ensure that large-scale development contributes, in a sustainable manner, to socio-economic growth and environmental

rehabilitation on a sub-regional scale, as such, giving effect to relevant national, provincial and local policy and goals.

- b) The SDI approach builds on an understanding of the need to reach agreement pertaining to the divergent views on transformation and change and the role of development in this regard.
- c) The SDI is project-driven and its main aim is to, on balance, improve the state of any given situation in a sustainable manner and in a spirit of partnership with those who support the ethos of promoting sustainable development in an integrated, holistic and practical manner.
- d) The SDI approach provides for the establishment of an organisational structure through which constructive community involvement and empowerment will be ensured.
- e) The SDI approach ensures that benefits generated from the core projects are utilised in a manner that supports socio-economic growth and environmental rehabilitation in a defined area of influence or 'gravitational field' (i.e. the SDI area).
- f) The SDI approach was devised to promote and give practical effect to a developmental state as is contemplated in the Constitution – *a state where the shackles of past injustices are broken and where hope and prosperity replace despair, poverty and inequality.*
- g) The SDI approach is to serve as an implementation mechanism for UNESCO's MaB (Man and the Biosphere) Program which is at the core of the Bioregional Planning Policy of the Western Cape and the biosphere reserve program that is promoted through the latter policy.
- h) SDIs are to be undertaken with due recognition of the responsibility resting on society to protect the integrity of the environment and to respond to the challenge to help meet the needs of the present generations without compromising the ability of future generations to meet their own needs.

In conclusion, for those involved in SDIs and their associated core projects, the emphasis should always be on satisfying *need* and *not greed*.

DENNIS MOSS PARTNERSHIP