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Summary Report
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South Africa

Wild Coast spatial development initiative (SDI)
impact assessment

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The limits of
investment-led development

Impact assessment of the
Wild Coast SDI

1997-2000

DRAFT SUMMARY REPORT

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The limits of investment-led development
An impact assessment of the Wild Coast SDI
Draft final report 1997-2000

SUMMARY

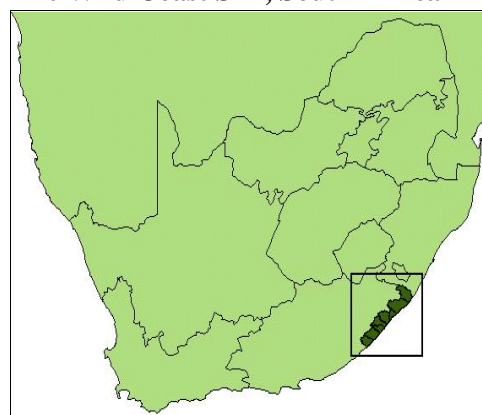
The Wild Coast is the northeast corner of the Eastern Cape province (Figure S1). It is a largely undeveloped coastal strip with considerable eco-tourism potential.

The South African Government started the Wild Coast Spatial Development Initiative (SDI) in an attempt to provoke economic growth through public and private investment in the Wild Coast region. Its major objectives were to promote new small businesses in agriculture and tourism and to increase employment, particularly of women. The SDI targeted four anchor areas located on the coast: Mkambati, Port St Johns, Coffee Bay, and Mbashe (Cwebe/Dwesa). It was hoped economic growth in these areas would spillover into the rest of the SDI.

A baseline CIET survey in 1997 outlined the socio-economic status of the Wild Coast SDI. It included 2,475 households and collected information about 14,350 individuals. The baseline survey showed there was little concept of income generating activities as locally-motivated and locally-run production units. It recommended a wide-reaching communication strategy for the SDI project itself; investment in water supplies and other basic needs; an increasingly informed dialogue on small and micro-enterprises (SMEs); and a clean up of the public services to make resources available for SMEs and other local economic development (LED) activities.

A second survey in 1999 focussed on the culture of SMEs in the Wild Coast. It involved 2056 Grade 12 students from 28 schools who were asked to map all small income generating businesses in their communities. They were also asked about small business ownership and bottlenecks for development. The 1999 recommendations included curriculum changes to include micro-economics and hands-on training for management of small businesses.

Figure S1
The Wild Coast SDI, South Africa



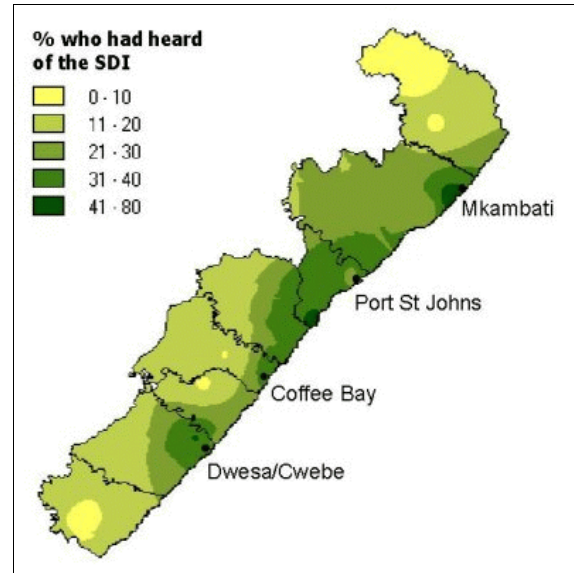
The Wild Coast SDI information base

	1997	2000
Total sample	14,350	11,171
Number of households	2475	2,363
Number of communities	20	20
Community reviews	20	20
Local market surveys	20	20
Focus groups		
male	16	20
female	16	20
SMEs reviewed	35	33

The third and final survey at the end of 2000 evaluated local economic development since the SDI project began in 1997. The 2000 survey included 2,363 households and collected information about 11,171 individuals. The same communities from the baseline were revisited and many of the same questions asked. Where possible, the same number of households was visited in each community as were visited in 1997 in order to provide a strong comparative basis to assess impact.

Since 1997, there have been important demographic shifts that reflect in the sample population. Fewer households in 2000 reported being male-absent (38% in 2000 as compared with 43% in 1997). This may be a consequence of return to the region due to retrenchment, and reduced migration of men.

Figure S2
Map showing proportion of respondents who had heard of the Wild Coast SDI -- 2000
(with anchor areas labelled)



Lack of knowledge of the SDI: Overall recognition of the SDI remained the same since 1997. In 2000, some 23% of respondents had heard of the SDI (23% in 1997). Recognition of the SDI was higher in anchor areas than in non-anchor areas (Figure S2). Among those who had heard of SDI, far fewer in 2000 felt they had a say in it than in 1997. This may be a result of the termination of employment of SDI facilitators in 1997.

Lack of improvement in water provision: In both 1997 and 2000 a low proportion of households reported getting their water from protected sources such as tanks and taps (Table S1). The main source of water for most households in the Wild Coast is the river or stream.

Use of public services: One of the few positive indicators from the 1997 survey was the high attendance level of school aged children 6-18: 89% (4927/5549). In 2000, attendance levels remain high: 89% (3708/4177). There is more to education than mere school attendance, but it is a crucial first step (Table S2).

Levels of satisfaction with services: Satisfaction with government administration services increased since 1997, while satisfaction with the health service decreased over that time (Table S3). Participants of the focus group discussions (2000) suggested the reason for this decrease in satisfaction with the health services was due to a shortage of medicines and poor equipment. In

Table S1
Access to water: % (number) of households with protected sources and average time spent collecting water per household

	1997 (n=2475)	2000 (n=2359)
Protected sources (% of households)	23% (554)	20% (477)
Average time spent per day collecting water (round trip)	33 minutes	39 minutes

2000, 21% (484/2263) of households said they would be willing to pay each visit to see changes with the health system. The most common amount they would be willing to pay was R2.00. A respondent who was dissatisfied with the health service was nearly five times more likely to be willing to pay for changes than a household who was satisfied (OR: 4.6, 95% CI 3.7-5.7).

Cost of public services: Since 1997, there has been some success in cleaning up unofficial charges in the health sector. The average amount paid for health care in 2000 was R6 as compared with R10 in 1997. Unofficial charges continue in the government administration services. The average amount paid in 2000 for government administration services was R34 (R33 in 1997). Public transport costs have also doubled since 1997 (R47 in 1997, R102 in 2000) adding considerably to the overall cost of accessing public services.

Decreasing levels of food security and production: Monthly household expenditure on food increased by nearly R20 between 1997 and 2000. A review of the local markets indicated this is likely due to rising prices rather than more food being purchased. The review of local markets showed that prices had increased an average of R2.10 per item in anchor areas and R270 in non-anchor areas. Among 15 market items surveyed overall, only tea (and coffee in non-anchor areas) had decreased slightly in price. A large proportion of food purchased in both 1997 and 2000 could be considered basics, with very few households purchasing meat and vegetables. As compared with 1997, fewer households in 2000 were producing food and there was a 50% decrease of those selling surplus food. There was also a decrease in the amount households were getting for the surplus food they sold (Table S4).

Increased unemployment and lower income: Employment levels in 2000 were lower than in 1997 (Table S5). Monthly average wages among the employed were also lower, especially among labour related positions. In addition, there has been an increase in the proportion of respondents who claimed that money/unemployment was their household's main problem. Lower employment and lower wages are not positive indicators for development in the SDI. Taking into account the rising

Table S2
Use of services: % (number) of those who used public services -- 2000

Use of services	
School attendance among school aged children 6-18	89% (3708/4177)
Individuals who used a public health care service in the last month	26% (2728/10446)
Households who used a government administration service in the last month	19% (435/2276)
Households who used public transport services in the last month	80% (1809/2266)

Table S3
Satisfaction with services: % (number) of households who said they were satisfied with the service*

	1997	2000
Education	N/A	75% (1745/2329)
Health care	84% (1978/2352)	65% (1517/2349)
Government administration	67% (1464/2177)	74% (1509/2044)
Public transport	65% (1589/2458)	68% (1524/2252)

*entire sample, regardless of use

costs of food and basic services, this could be approaching crisis proportions.

Lack of small business ownership: In 2000, less than one-third of the adults in the SDI had ever considered owning their own business and only 6% currently owned a business (Table S6). There was no difference in proportion of ownership between anchor and non-anchor areas, which would indicate there has not been the expected economic boost in the anchor areas as the SDI originally planned. More than one in every three adults (34%) of the 2000 population were not working, nor looking for work, nor had they ever considered starting their own business. A much smaller number of adults (4%) were currently working, still looking for other employment, and have considered starting their own business. The average monthly earnings from a male-owned business was more than double the average earnings from a female-owned business.

Credits and loans: In 2000, there was an increase of households trying to get and receiving loans. There was also more than a 50% decrease of loan sizes since 1997. Due to less employment and rising costs, 85% of household loans in 2000 were for purchasing food (Table S7).

The most common complaint among 33 SME owners interviewed was that borrowing rates were much too high and were one of the biggest obstacles to the success of their businesses. Increasing access to credit and reducing borrowing rates may provide more incentive for current businesses owners to expand, and give more opportunities to potential would-be owners.

Action points

1. The Wild Coast SDI, conceived as an investment-led project to kick-start

Table S4
Food security measures in the Wild Coast: % (number) of households in each category and average amount spent on food, food produced, and food sold/traded

	1997	2000
Amount spent on food in the last month (R)	R299	R318
% purchasing basics (maize, samp, flour)	85% (2100/2472)	80% (1884/2350)
% produced food	67% (1303/1959)	55% (846/1532)
food produced (cash value -- among those who produced)	R367	R340
food sold/traded (cash value -- among those who sold/traded)	R314	R288
sold surplus food (among those who produced)	14% (179/1301)	5% (66/1282)

Table S5
Employment and income: % (number) of adults employed/looking for work, and average wages among those who are employed

	1997	2000
% employed	23% (1498/6512)	15% (790/5118)
Average wages		
professional	R1916	R2030
teacher	R1809	R1919
government	R2053	R1233
taxi	R1249	R836
sales/admin	R1733	R795
labourer	R744	R568
domestic work	R364	R367
% looking for work	48% (3174/6579)	54% (2947/5423)

economic growth and tourism, showed little signs of improving local economic development in the region up to the end of 2000. Overall knowledge of the project has not changed and there has been no measurable improvement in basic services (such as water). There is increased unemployment among adults in the SDI region. Wages are lower among those who are working and there is no evidence of small business development. In the context of rising costs of living, immediate action is needed to promote LED initiatives in the Wild Coast.

2. A radical shift is required to change the SDI from an investment-driven initiative to one with a focus on local skills building and incentives for development within the community. High interest rates make it difficult for new small businesses to accept or pay back loans. Investment-led development probably reinforces the notion, entrenched during the apartheid days, that economic solutions depend on external forces.

3. Direct attention needs to be paid to improving basic services, such as water provision.

4. Unofficial payments for education, health care, and government services must be stopped in order to reduce the strain on already scarce household resources.

5. The Department of Education in the Eastern Cape is following through with curricular reform based on small business development. Education about micro-finances, skills enhancement, and incentives for local development are crucial for increasing the stock of locally-run SMEs and economic participation by women.

Table S6
Small business ownership: % (number) of adults who have considered owning, currently own a business, and average monthly earnings among those who currently own -- 2000

Small business ownership	
% who considered starting their own business	29% (1569/5397)
% who currently own their own business	6% (339/5454)
Average monthly earnings	
male-owned	R869
female-owned	R326

Table S7
Access to credits and loans: % (number) of households who tried to get loans, currently have loans, reason for getting loans and average loan sizes

	1997	2000
% ever tried to get a loan	22% (540/2475)	43% (1011/2358)
% currently have loans	17% (417/2455)	41% (951/2302)
Average loan size		
anchor	R3310	R1194
non-anchor	R4285	R1138
% of loans for food	61% (255/417)	76% (694/911)
% of loans for setting up a business	2% (10/416)	1% (6/911)
% of loans from local shop	77% (319/416)	85% (783/917)