

CONCEPT FOR A PLACE-BASED INVESTMENT MODEL

1. THE OPPORTUNITY

South Africa invests significant public, private, philanthropic and development resources into communities and places.

Government invests through departments, municipalities, infrastructure, employment, skills and social programmes. Businesses invest through CSI, enterprise and supplier development and other initiatives. Foundations, universities, development organisations, NGOs and investors contribute additional resources.

Much of this work is necessary and valuable.

The challenge is that these resources are largely organised through institutions, programmes and funding streams rather than around places.

A community may therefore have multiple government programmes, corporate initiatives, NGOs, consultants, infrastructure projects and local organisations operating at the same time, but with limited visibility of the whole system.

Fragmentation also exists at the local level. Communities are not single organised entities. Local businesses, churches, schools, ECD centres, community organisations, informal groups, entrepreneurs and residents may all be active, but are often poorly connected to one another and to the institutions that hold resources.

We therefore have two fragmented systems trying to connect:

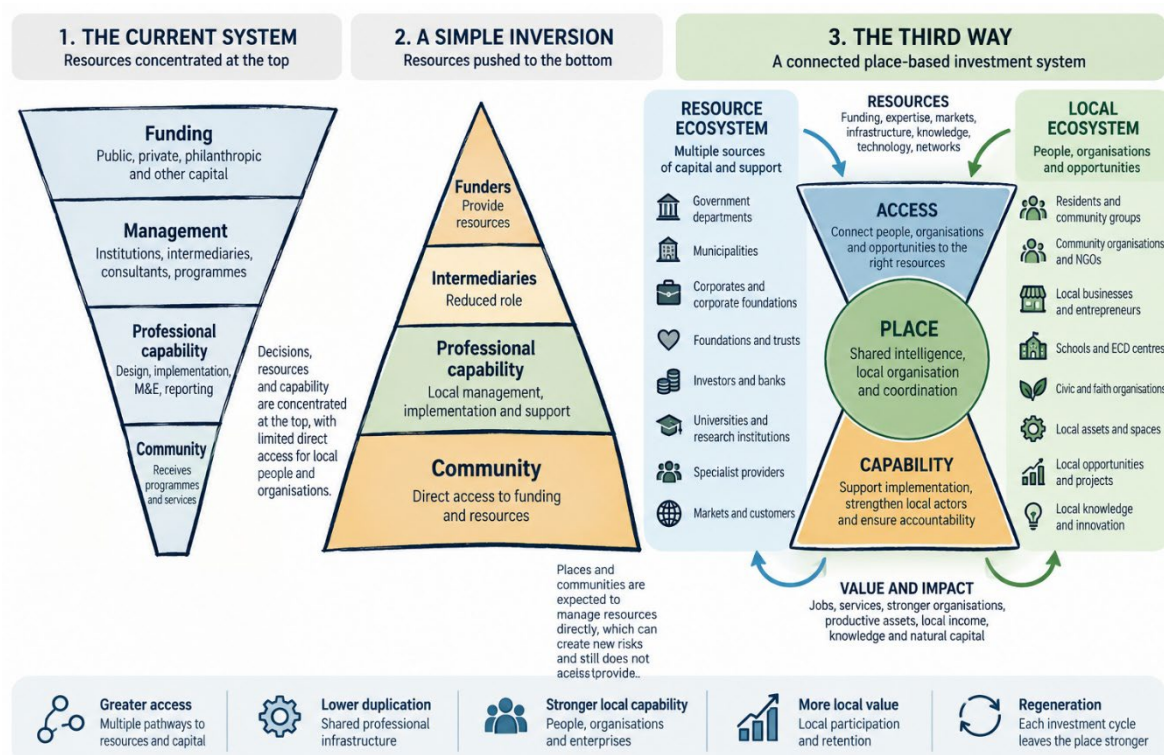
Local system	Resource system
Residents and community groups	Government departments and municipalities
Local businesses and entrepreneurs	Corporates and corporate foundations
Churches and faith organisations	Foundations and trusts
Schools and ECD centres	Universities and research institutions
Civic and community organisations	NGOs and development organisations
Local assets, knowledge and opportunities	Investors, programmes and other sources of capital

Between these systems lies a substantial professional layer that researches, plans, allocates, manages, implements, monitors and reports on development resources. These functions are necessary. The question is whether there is a better way to organise them.

The current system concentrates resources and professional capability at the top, while simply reversing it and transferring resources and responsibility directly to communities would create different risks.

There may be a third way.

As shown in the image below, the current system concentrates resources and professional capability at the top, while simply reversing it would place too much responsibility and risk on communities. The third way uses the place as an integration platform, connecting local people and opportunities to resources through shared intelligence, professional capability and technology, so that more value and capability progressively remain in the place.



The place can become an integration platform, connecting local people, organisations, assets and opportunities to resources through shared intelligence, professional capability and technology, while progressively building the ability of the place itself to access and use those resources productively.

The central question is therefore:

Can we develop a new way of investing in places that allows existing resources to work together better, improves access to those resources, reduces unnecessary duplication, builds stronger local capability, retains more value locally and leaves a place progressively more capable of producing and renewing value?

This concept explores that question through five themes.

2. THEME 1 — THE PLACE CAN BECOME THE INTEGRATION PLATFORM

Most development systems try to integrate through institutions.

Government creates coordinating structures. Corporates create programmes. Funders appoint intermediaries. NGOs establish projects and partnerships. Each institution

understandably works through its own mandate, systems, budgets, governance and reporting requirements. Integrating all these institutional systems is extremely difficult.

There may be another starting point: **Integrate around the place rather than trying to integrate the institutions.**

A place provides common ground.

Different institutions do not need the same mandate, systems or priorities, but they need enough shared understanding to see who lives and works there, what assets and capabilities already exist, what the major challenges and opportunities are, what organisations and networks are active, what resources are already flowing into the place, what initiatives are underway, and where there are gaps, duplication or opportunities for collaboration.

The place therefore becomes the **integration platform**.

This does not require a new organisation controlling everything. Government remains government, businesses remain businesses, community organisations remain independent, and funders retain their own mandates, governance and accountability.

What changes is that these different actors can increasingly work from a shared understanding of the same place.

This also changes communities' position.

Rather than being primarily beneficiaries of programmes designed elsewhere, local people, businesses and organisations can become increasingly organised and capable partners in understanding the place, identifying opportunities, implementing solutions and managing resources.

3. THEME 2 — SHARED PROFESSIONAL CAPABILITY CAN REDUCE FRAGMENTATION

Development requires professional capability.

Research, analysis, planning, organisation, programme design, stakeholder coordination, contracting, implementation, monitoring, reporting and learning all require people, systems and resources.

At present, these functions are often distributed across multiple institutions and service providers. A funder may appoint a programme manager, implementing organisations may be contracted separately, consultants may conduct research, another provider may undertake monitoring and evaluation, and specialist organisations may deliver enterprise development, skills development, community engagement or other interventions.

Each layer can perform a legitimate function, but each also carries its own organisational infrastructure, professional staff, administration, stakeholder engagement, information systems, reporting and management costs.

An integrated place-based approach asks whether some of these functions could be provided through **shared professional capability closer to the place**.

Initial modelling from an existing R8.5 million integrated programme suggests that procuring broadly equivalent functions separately could potentially cost materially more, with a current working hypothesis of approximately R11.5 million to R14 million. This still needs to be tested properly rather than presented as a proven saving.

The important issue is not simply whether a management fee is 5%, 7% or 10%, because percentages behave very differently at different scales.

Seven per cent of R1 million provides R70,000 of management capacity, while seven per cent of R100 million provides R7 million. Yet many of the underlying functions—financial management, contracting, reporting, community engagement, governance, data and professional management—do not reduce proportionately as projects become smaller.

The better question is therefore:

What professional capability is actually required to convert investment into lasting value, what does the complete system cost, and where does that capability remain afterwards?

A Place-Based Investment Model could provide a thin shared professional layer for place intelligence, local organisation, coordination, opportunity development, capital mobilisation, programme integration, measurement and learning, while specialist organisations continue to provide specialist expertise where required.

The objective is not for one organisation to do everything. It is to avoid rebuilding the same basic infrastructure around every individual intervention.

4. THEME 3 — TECHNOLOGY CAN CHANGE THE ECONOMICS

Many existing development and funding systems were designed when information was expensive to collect, data was difficult to integrate, and managing many smaller organisations or investments created significant transaction costs.

Technology is changing some of these assumptions.

Digital platforms, shared data systems and artificial intelligence increasingly make it possible to collect, organise and interpret information at greater scale and potentially lower cost.

This creates the possibility of a new architecture without requiring established institutions to redesign all their existing systems.

Government can retain its systems. Corporates can retain theirs. Foundations, universities, municipalities and NGOs can continue operating according to their own requirements.

A relatively thin digital layer around the place could provide shared intelligence about **people, organisations, assets, businesses, projects, opportunities, resources, investment, outcomes and relationships.**

Technology could help identify duplication, match opportunities to resources, maintain local information, monitor implementation, analyse investment flows and reduce reporting and coordination costs.

This may also change the economics of localisation.

Historically, it could be administratively easier for a funder to allocate R100 million to one large intermediary than to support many smaller local actors. If shared technology and professional infrastructure can make it easier to identify, organise, support, contract, monitor and report across distributed local actors, it may become possible to combine:

distributed local implementation + shared professional infrastructure + common intelligence.

Technology should, however, remain an enabler. The place is the integration platform. Technology is the enabling platform.

5. THEME 4 — BETTER ACCESS TO RESOURCES SHOULD BUILD LOCAL CAPITAL

The challenge is not simply that insufficient resources reach communities. Local people, organisations, businesses, and opportunities often have limited pathways into the systems where resources are held.

The answer is also not simply to transfer more funding directly from large institutions to small local organisations.

Different resources require different levels of professional capability, governance, accountability and specialist expertise.

A third way is to make the resource system **more accessible from the place**, so that different local actors can connect to the right resource, at the right scale, with the right professional support and accountability.

For one local actor, the appropriate resource may be a grant. For another, it may be working capital, a customer, a procurement opportunity, technical expertise, equipment, land, infrastructure, data, volunteers or access to an investor.

The objective is therefore not simply to move more money into communities, but to increase a place's ability to access, attract, absorb, use, **and eventually generate resources**.

As this capability grows, investment should also deliberately build and replenish different forms of local capital.

Capital	What should become stronger?
Human	Skills, leadership, agency and practical capability
Organisational	Local organisations and institutions
Economic	Enterprises, livelihoods, markets and local supply chains
Social	Relationships, trust, networks and cooperation
Physical	Productive spaces, infrastructure and assets
Knowledge	Local data, intelligence, evidence and learning
Natural	Soil, water, biodiversity, food systems and ecological assets

This also changes how we understand the investment journey. Instead of asking only how much money was spent, we can follow the **R100 Resource Journey**.

Stage	Question
R100 committed	How much resource was originally committed to the place or purpose?
Resource mobilised	How much actually leaves the resource holder for implementation?
Resource reaching the place	How much is actually spent within or directly for the place?
Resource reaching local actors	How much reaches local people, businesses, organisations and institutions?
Local value retained	How much becomes local income, procurement, assets or capability?
Local capital created	What lasting human, organisational, economic, social, physical, knowledge and natural capital remains?
Future resource capability	Has this R100 increased the ability of the place to access, attract or generate the next R100?

This does not mean that all money must remain locally.

Specialist expertise, technology, equipment and other resources may legitimately need to come from elsewhere. The objective is to understand whether investment is progressively increasing the ability of the place to **access, absorb, use, retain and generate value**.

6. THEME 5 — INVESTMENT SHOULD BECOME REGENERATIVE

The final theme goes beyond whether investment was spent efficiently or produced the required outputs. It asks whether the **place itself is becoming more capable**.

If every new programme requires new research, new community engagement, new relationships, new data, new structures and new implementation capability, the system continually starts again.

A regenerative system should work differently.

The first investment creates useful local intelligence, relationships, organisations, businesses, skills and productive assets, and the next investment should build on these rather than recreate them.

This gives us a simple test:

When the R100 has been spent, what exists that did not exist before, can it continue producing value, and has it made the next R100 easier to access and use productively?

From project investment to regenerative investment

Conventional project cycle	Regenerative place-based cycle
Understand the project	Understand the place
Fund an intervention	Invest in priorities and opportunities
Implement activities	Implement while building local capability
Measure contracted outputs	Measure outcomes and changes in local capital
Report primarily to the funder	Create shared intelligence and learning
Programme closes	Retain capability, relationships, data and assets
The next programme may need to start again	The next investment builds on what already exists

The principle is: The next investment should not have to start where the previous investment started.

Regeneration therefore does not refer only to the natural environment. It describes a place's increasing ability to produce, adapt, renew and sustain value across social, economic and environmental systems.

7. A THIRD WAY OF INVESTING IN PLACE

Taken together, the five themes suggest a different investment architecture.

It is neither a continuation of a system in which resources and professional capability remain concentrated toward the top, nor a simple inversion in which communities are expected to carry responsibilities for which they may not yet have the systems, skills or scale. The third way is to create **better connections and progressively stronger capability between the two.**

Layer	Conventional fragmented approach	Third way — Place-Based Investment
Starting point	Institution, programme or funding stream	The place and its people
Integration	Institutions attempt to coordinate programmes	The place becomes the common integration platform
Access	Local actors navigate multiple institutional systems	Multiple pathways connect local actors and opportunities to appropriate resources

Research & intelligence	Often commissioned separately by programmes	Shared and continuously developing place intelligence
Professional capability	Distributed across funders, intermediaries, consultants and providers	Shared professional Place capability, with specialists where required
Local actors	Frequently beneficiaries, participants or implementers	Increasingly organised and capable partners
Technology	Separate institutional systems and databases	Shared enabling layer connecting information without replacing institutional systems
Investment	Separate programmes and projects	Different investments connect to a shared understanding of the place
Implementation	Multiple providers operating through separate programmes	Distributed implementation supported by shared infrastructure
Measurement	Programme-specific reporting	Programme outcomes plus changes in the place and its local capital
Local value	Local retention is not always visible or measured	Local participation, procurement, capability and value retention are deliberately measured
After investment	Programme closes and knowledge may leave	Capability, intelligence, relationships and productive assets remain
Next investment	May require rebuilding the system	Builds on the capability and capital already created

The proposition is therefore not another community development programme. It is potentially **a third way of organising investment around places**.

8. WHAT NEEDS TO BE TESTED

These themes remain hypotheses. The model should therefore be demonstrated and tested rather than promoted as a finished solution. We are currently exploring Stellenbosch as a test and demonstration case. Other areas we are looking at are Stanford and Genadendal/Grayton.

A demonstration place could test:

Test	Core question
Cost	Does integrated place-based investment reduce total system cost compared with fragmented procurement?
Access	Do more local people, organisations, businesses and opportunities gain practical access to appropriate resources?
Coordination	Does shared place intelligence reduce duplication and improve alignment between investments?
Localisation	Can more professional capability, procurement, implementation and decision-making progressively reside closer to the place?
Capital formation	Does investment leave stronger people, organisations, businesses, relationships, assets, intelligence and natural systems behind?
Regeneration	Does each investment cycle make the next investment easier and more productive?
Technology	Can digital and AI-enabled systems reduce transaction costs while improving intelligence, accountability and learning?

Testing this properly would require following actual investment flows rather than relying only on individual programme budgets, and comparing the **full cost of the system**, including professional management, intermediaries, implementation, duplicated processes and costs carried by the original resource holder.

The purpose is not to prove that every intermediary or management cost is unnecessary. Professional management is essential.

The question is whether that professional capability can be organised more efficiently, while **more access, capability and value progressively accumulate closer to the place where investment ultimately needs to create change.**

9. THE PROPOSITION

South Africa does not necessarily need another layer of institutions between resources and communities.

It may need a better conversion layer between the resources that already exist and the people, organisations, assets and opportunities within places.

This is the third way proposed in this concept. It does not simply retain the current top-heavy system, but it also does not assume that resources and responsibility can be transferred directly to communities.

Instead, the place becomes the integration platform, supported by shared professional capability, better intelligence, and technology, so local actors have more pathways to resources while funders and institutions retain the governance, accountability, and specialist capability that are genuinely required.

Over time, more capability should reside locally, more value should remain locally, and local people and organisations should become increasingly capable of accessing, managing and generating resources themselves.

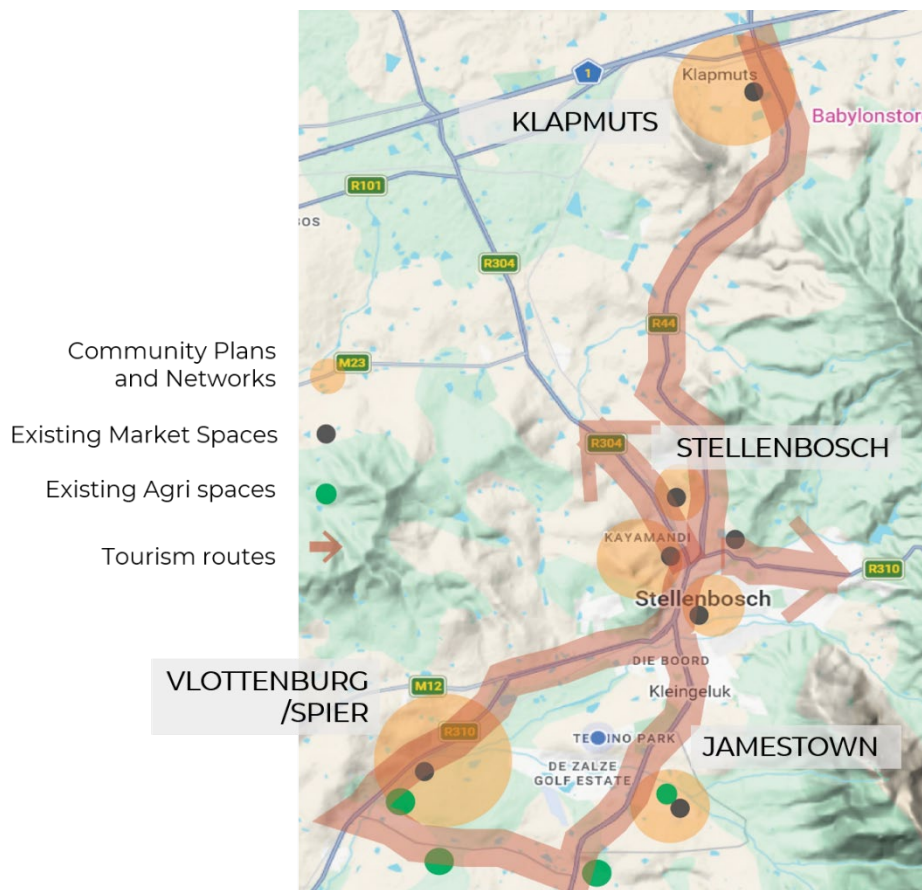
The purpose is therefore not only to move more money into communities. It is to build a system in which investment works harder, builds capability and remains productive for longer.

SUPPLEMENT: STELLENBOSCH AS A DEMONSTRATION PLACE

Testing a Third Way of Investing in Places

The **Third Way of Investing in Places** is deliberately presented as a hypothesis rather than a finished model. The next step is therefore to test whether it works in a real place, with real investment, existing local actors and measurable outcomes.

Stellenbosch provides an opportunity to do this.



The proposed **Stellenbosch Opportunity Network**, currently being explored with Nedbank and a wider group of local collaborators, could become an initial demonstration of how different investments can connect to a shared understanding of a place rather than operate only as separate projects.

1. The place already contains many of the ingredients

The starting point is not an empty community waiting for a programme.

Across Stellenbosch, community networks, local enterprises, informal traders, growers, market and production spaces, tourism activity, municipal programmes, universities, businesses, civil society organisations, and potential investors already exist.

The initial opportunity identified across Klapmuts, Kayamandi, Jamestown, Vlothenburg/Spier and the wider Stellenbosch system includes **five community investment plans, seven market or hub spaces, four agricultural sites and five tourism corridors**.

The opportunity is therefore to test whether these existing ingredients can be better **seen, organised, connected and invested in as a system**.

2. Investment would connect several parts of the local economy

Rather than funding a single intervention, the emerging portfolio connects several related opportunities.

Existing market and trading spaces can provide routes to customers. Agricultural sites and growers can connect to local demand, processing and markets. Processing capacity can support value addition. Tourism and visitor demand can create additional markets. Green interventions can improve productive spaces through food production, indigenous planting, water harvesting, renewable energy, waste separation and composting.

The intention is not that every activity must become part of one programme. Rather, different investments can increasingly work from a **shared understanding of the place**, while local actors remain independent and funders and institutions retain their own mandates and accountability.

This directly tests one of the central propositions of the Third Way: integrate around the place rather than trying to integrate all the institutions.

3. The investment portfolio

An initial annual investment portfolio of approximately **R4.5 million(only an indicative budget)** has been developed for discussion.

Investment area	Indicative investment
Five market and agri-site upgrades	R1,500,000
Expansion of existing processing capacity	R1,000,000
Aggregation and supply-chain activation	R400,000
Organic resource and composting system	R400,000
Initial green micro-innovations	R400,000
Youth pathways exposure	R400,000
Coordination, measurement and learning	R400,000
Total indicative investment	R4,500,000

These are indicative allocations rather than a final investment plan.

The portfolio's significance is not only where the R4.5 million is spent, but whether the investments reinforce one another and whether the professional and coordination capability built around them can support future investments rather than being rebuilt each time.

4. What could be measured

The current three-year ecosystem targets include five activated market sites, 45 participating enterprises, 15 new enterprises, 50–75 sustained jobs, more than 100 additional livelihoods strengthened, 15 growers connected, 500 young people receiving green economy or career exposure, and 5–10 green innovations tested.

These outputs matter, but the demonstration should go further.

The Third Way proposes testing cost, access, coordination, localisation, capital formation, regeneration and the contribution of technology.

Stellenbosch could therefore track not only whether projects are delivered, but also:

- whether more local people, businesses and organisations gain practical access to resources;
- how much investment reaches local actors and is retained as local income, procurement and assets;
- whether shared intelligence and coordination reduce duplication;
- whether local enterprises, organisations and networks become stronger;
- whether useful data, relationships and productive assets remain after the initial investment; and
- whether these make the **next investment easier and more productive**.

This would allow the **R100 Resource Journey** proposed in the main concept to be tested against actual investment flows rather than only programme budgets.

5. What we are trying to learn

The Stellenbosch demonstration is therefore larger than a green economy programme.

It is an opportunity to test a simple proposition: **Can investing in the whole place create more value than funding separate interventions?**

The objective is not to prove that every activity should be localised or that one organisation should coordinate everything. Specialist expertise, technology and resources will continue to come from outside the place where this makes sense.

The test is whether investment can progressively leave behind stronger people and organisations, stronger enterprises and local supply chains, stronger relationships, more productive assets, better local intelligence and stronger natural systems — and whether those forms of capital make subsequent investment more effective. This is the regenerative test at the heart of the Third Way.