



THE CENTRE FOR DEVELOPMENT AND ENTERPRISE

RESPONSE TO GOVERNMENT'S DRAFT
URBAN STRATEGY DOCUMENT

Prepared by the Centre for Development and Enterprise
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Introduction

For the first time in South Africa's history the national government has produced an urban development strategy. The government is to be congratulated on this initiative and CDE welcomes the opportunity to comment on this document.

The government's urban development strategy is a most important document, its appearance should be welcomed by many interests throughout the country. Its non-ideological approach is an important and refreshing change from the past. This document deserves careful study and support from the private sector, from local authorities and from all those active in the urban development arena.

The document's analysis and conceptualisation of the urban development challenge facing the country is, for the most part, well-founded. The policy perspectives derived from this analysis are broadly consistent with what CDE believes should be the framework for government thinking on the urban areas. It is worth noting that the overall direction of the document and many of the ideas contained within it stem from a large body of work produced by the old Urban Foundation, the Private Sector Council on Urbanisation and now carried forward by CDE and all the research initiated under its auspices. This is a heartening development for the private sector and for the country as a whole.

With this background and in a spirit of critical co-operation, CDE has organised meetings of experts and private sector interests and spent considerable resources and effort in formulating a considered and detailed response to the document. Our comments are designed to build on the document which we see as an excellent beginning to a complex process. We will add substantially to the analysis of the urban challenge within the document and to the essential task of transforming this well-intentioned document into a practical strategy.

SECTION ONE. ANALYSIS

1 The importance of economics

There is a surprising lack of emphasis on economic considerations in the document. South Africa's cities are the engine-rooms of the national economy. They will continue to perform this function, only more so in the future, and therefore the future of the nation depends upon them being productive and properly focused within the context of global competition. The country's new economic policies will be played out in the country's cities. On the one hand, therefore, the state of the cities and their prospects for providing effective environments for future investment and growth should concern the country's economic policy makers. On the other hand, the new direction of the country's economy and its opening up to world markets and influences will undoubtedly have an enormous impact on the cities. It is this economic context that needs to be a central concern of any new urban strategy.

We are aware that the government is committed to develop what has been termed 'National Growth and Development Strategies'. These strategies have not yet been released. It is very important that the urban strategy is integrated with what emerges from this national economic process. These realities will affect what it is possible to try and achieve in the cities and how this can be done. The relationship of urban strategy to national economic growth and development needs far greater attention.

The document should, therefore, not only deal with local economic development issues but as importantly with the role of cities in national economic growth and the policy and strategic implications of that. For example, what kind of powers will large cities need in order to function as competitive arenas for global economic competition?

It is a worrying feature of the document that it seems to confuse issues of equity with issues of efficiency. For example, decades of neglect and discrimination have created townships throughout the country with appalling services (if any) and a tiny economic base. The 'rebuilding' of such townships might be a top priority in equity terms. It is, however, unclear and highly arguable that this is the country's top priority in efficiency terms or if it can actually be done on the scale that is required throughout the country and with the limited resources that are available. For example, some townships are located so far from the economic city or town that 'rebuilding' them will require extraordinary resources. Such resources might be far better utilised and with more impact on more people's lives if the inner cities were revitalised and residential neighbourhoods created there.

2. Unemployment and its implications for urban strategy

South Africa's extremely high and growing unemployment rate deserves central place in any discussion of the country's 'urban realities'. The nature of this unemployment, the effect it has on people's ability to pay and for what level of services, its effect on community cohesion

and the viability of development strategies receives far too little attention. The top priority of urban development must be the creation of wealth and jobs as fast and in as great a number as possible. In the meanwhile an effective and realistic urban strategy has to deal with the reality of unemployment. This receives far too little attention in the document. The implications of unemployment for what is happening in urban areas and how this affects our current and future urban development options is a topic that is ignored at our peril.

3 The failing Masakhane campaign

The GNU campaign to persuade people to pay for rents and services has not been successful. There are many reasons for this. One reason relates to many people's inability to pay due to the poverty caused by unemployment. Another factor is the inability of many local authorities to provide a level of service that anyone would be willing to pay for; or if the local authorities can do that, they are often unable to render reliable and accurate accounts that bear any relationship to what an individual has actually consumed. Masakhane and its problems is a critical issue for future urban development and this should have been dealt with fully and analytically in the document.

What is required is an analysis of the campaign and why it has not worked. Most important we need new approaches that have a chance of succeeding. The issues with which the Masakhane campaign tries to deal are absolutely central to the success and viability of the urban areas today and for future urban growth.

4 Rule of Law in urban areas

Urban development of the scale and kind that the new government requires will only take place if the 'rules of the game' are clear and unambiguous. Two factors (at least) have led to a declining adherence to 'the law' in South Africa's urban areas. The first is the 'ungovernability' campaign of opposition to apartheid. This culture is now one part of the complex set of reasons why people are not paying what they owe for the services they do consume. The second factor concerns the fact that with the racial and increasingly functional integration of the country's cities we are now dealing with very large urban complexes with enormous pressure of numbers on facilities and roads designed for a much smaller population. In this context, coupled with the declining legitimacy and confidence of local and national governments in the transitional period away from apartheid rule, more and more people ignore the law and get away with it.

Successful urban development in large cities will require effective adherence to the law and the certainty of punishment if this law is transgressed. For example, Johannesburg will not be able to function as an emerging world city and inviting arena for new investment (not to mention sustaining its current investors) unless there is a strict traffic regime with clear rules that apply equally to all on the road and with everybody knowing that transgression will be severely dealt with. Similarly all requests for private sector investment in low income areas (housing, shops etc) will come to nought unless investors know that 'the rules of the

investment game' will apply and transgressions will be severely dealt with.

Without establishment and adherence to the rule of law (and its corollary punishment) in the urban areas, no strategy for the future will work. This is an issue that the document should have dealt with.

5 Public/private partnerships

The document commits government to public/private partnerships in urban development. It is asserted that with respect to local government:

A range of public/private sector partnership options much be explored which could range from creating independent business units within a local authority to leasing and concessionary arrangements, through to the privatisation of certain services.
(p.42)

This commitment to partnerships is welcomed and absolutely essential to successful urban development. But the document does not go far enough. Its concept of public/private partnerships is too limited. What about urban development projects being undertaken in partnership? The whole notion of partnerships needs to be expanded. In fact what is required is not just a general commitment to partnerships but a division of labour between the public and private sectors. We would suggest the addition to the document of a detailed typology of different types of partnerships and their relevance to the chosen priority areas of the urban strategy

In addition, CDE research indicates that not all levels of government have in practice demonstrated the same support for public/private partnerships as evidenced in this document. We would therefore recommend that incentives be created by central government to encourage other levels of government to seek out and implement such partnerships.

6. Missing Components and Considerations

There are a number of important phenomena and issues that the document fails to deal with at all, or if mentioned are dealt with inadequately We will list the most important missing elements:

*** Migration**

The rate and pattern of internal migration to South Africa s cities and towns is a very important dynamic which will affect urban strategy and particular cities most directly The country has no reliable statistics on current trends with respect to internal migration. These are urgently necessary The document fails to deal with this issue or consider the implications of migration questions for urban areas and urban policy The importance of this issue is magnified when we look at international migration to

South Africa. Here again we have no reliable statistics concerning the magnitude of this phenomenon nor its impact on the country's urban areas. A grave omission with potentially serious consequences for the larger cities in particular.

*** *South Africa's Comparative Advantage / Metropolitan Bias***

South Africa is fortunate as a country in its well developed system of cities and towns. Unlike many other developing countries, South Africa has a number of large metropolitan areas, many intermediate cities and hundreds of towns spread throughout the countryside. A new urban strategy for the country must take advantage of this diversity of urban settlements and ensure that we get the most out of historic investments in schools, facilities, infrastructure and so on. The government document exhibits a metropolitan bias in its conceptualisation of the urban system and the development opportunities that it offers. Whilst it is true that the large metropolitan areas house the bulk of the urban population and are extremely important, CDE's own research (See for example *Post-Apartheid Population and Income Trends*, 1995) shows that there is much untapped potential in the intermediate-sized cities. Specific reference should be made to this aspect of the urban development challenge in the document and strategies developed to maximize our urban system. In other words the role of central government with respect to metropolitan areas, large cities and towns will differ and should be more thoroughly thought through.

*** *Urban Development Finance***

How South Africa's cities and expanded urban growth will be financed is an issue of overarching importance. There are many critical questions that need considerable thought and debate. Are RSC levies compatible with a philosophy of expansion and economic growth in the cities? Should cities have increased local taxation powers? How will central government money for infrastructure be channelled into the cities/towns and what are the criteria on which limited resources will be allocated? How will this tie in with increased leverage for public sector money through mobilising private resources for development? When, where and how will the critical issues of urban finance be dealt with by the government? This document gives these issues only passing mention. The document states: government will investigate and make recommendations regarding the long-term financing of local government'

This is such a critical part of the new urban strategy that we need to know when this will happen; has the investigation started already and if so when will it be completed; by whom is this investigation being undertaken; and on what principles are these issues being examined?

*** *Inner City Development Strategies***

Although the shape of South African cities are changing rapidly and fundamentally the importance of the inner city and Central Business District Core should not be underestimated. The inner city of Johannesburg, for example, is still the very heart of the South African economy and the future of the CBD is of national importance. The document acknowledges that the urban sector is characterised by amongst other realities: 'City centres under strain facing the legacy of apartheid and in need of

initiatives which involve the public and private sectors as well as key community interests'.(p.9) Having stated this fact it is surprising that the document does not spell out government strategies for inner city revitalization and renewal at all. This is a serious omission.

*** *South Africa's Hidden Urbanites***

The legacy of apartheid includes a number of settlements some near to cities and towns and many far away from urban areas. These communities of resettled and displaced people include such places as Bushbuckridge, Botshabelo, KwaNdebele and numerous settlements in the former Ciskei, for example. Although the numbers are vast, certainly several millions, no-one knows for sure how many people are involved in these type of settlements, nor exactly what is happening in them and to them now that apartheid has been abolished. What we do know for sure is that the vast majority of these people do not have any relationship with agriculture at all. How will our urban strategy address this phenomenon? What are the investment criteria for the future in such places? Who is thinking about this? A new national urban strategy must deal with apartheid's hidden urbanites.

*** *Urban Land Crisis***

Most if not all South African cities are struggling to deal with a growing crisis with respect to urban land issues. The country's urban areas are caught in a vicious cycle. The failure in the past to provide sufficient land for residential development leads to desperate people invading whatever land they can find. Increasingly now, the land that is being invaded is the very land that has been set aside for housing development. It has been estimated in some cities that one third of vacant land for housing has been invaded by squatters. This in turn both seriously constrains and discourages public and private developers from housing development.

What is required is a bold and co-ordinated effort to break this destructive cycle. The authorities need to implement a strategy that contains the right mix (for each city or town) of large scale land release, upgrading programmes and enforcement of property rights. Any attempts to implement enforcement without simultaneously providing large tracts of land for new settlement is a negative exercise in futility. The document should have tackled this issue and provided the framework for intervention in a growing national crisis.

7 Urban and Rural Development

Urban development cannot be viewed in isolation from the wider national development strategy and vision. It certainly cannot be viewed separately from rural and regional development. Although government has published its urban and rural strategy documents simultaneously in the same *Government Gazette* far too little attention is paid to the dynamic interaction between these two sectors. If more attention had been paid to migration issues (as already discussed above), to the small towns at the bottom end of the urban hierarchy and to the opportunities for peri-urban and urban agriculture there would naturally

have been more attention to the linkages between the urban and rural sectors.

It is important to remember that what South Africa has is a dynamic **single** continuum all the way from deep rural areas to the heart of the city. This linkage needs far greater attention both in terms of our currently limited understanding of the nature and volume of the interactions but most importantly in terms of the policy implications for government policy and strategy. A better understanding of the South African urbanization process and its outcomes will have important consequences for many aspects of current policy: from where social and physical infrastructure should be invested, to housing and land policies, to transportation.

SECTION TWO· IMPLEMENTATION

8. The Concept of Strategy

The document is flawed by an inadequate understanding of strategy and thus does not succeed in leading to clear, prioritised and implementable proposals for action.

This flaw is most clearly illustrated in Figure 1 in the document. 'Strategic themes' are not the source of vision. In fact the converse is generally true. In a modern strategic planning process the accepted sequence of clarifications is:

- * vision
- * principles
- * policy
- * operating environment
- * strategy
- * implementation

Strategy is the bridge from vision, principles and policy to implementation, taking cognisance of the realities of the operating environment. Strategy articulates the broad courses of action to be followed in implementation, the preferred approach to translating vision, principles and policy into projects and programmes, in a specific environment.

In the formulation of strategy it is also essential to prioritise. In fact this is in some ways the main purpose of strategy. Lack of resources always dictates a focus of effort and strategy states the priorities on which to focus. Usually not all priorities can be carried out at the same time. Strategy therefore identifies short, medium and long term priorities, once again to permit a clear focus in planning implementation.

For instance, the document states as a principle that funding for the urban strategy must be 'part of the budget'. This principle (valuable in itself) makes it essential to state a strategy for determining priorities for expenditure, given that no possible budgetary allocation will allow everything discussed in the document to be implemented. Does upgrading the existing townships have a higher strategic priority than investing in inner city development? Is one a

high short term priority (say for political reasons) and one a medium term priority? These questions cannot be answered from the document in its present form. The document presents all action as equally urgent, thus leading unfortunately to some scepticism about the possibilities for implementation.

9 Priorities

In many respects the government's document can be described as an interesting and well-written exposition of the concept of urban development but it is not yet a strategy document. The document fails to identify clear priorities for action for the government. In the one place where a priority is indicated 'rebuilding the townships is unquestionably the single most important urban development challenge facing the country' (p.24) no argument at all is made for this particular priority above all others.

There is a danger that unless the urban strategy identifies clear and achievable priorities for action, this important initiative will have the opposite effect of what is intended. Rather than being a spur to action and a new strategic direction in urban areas, the document could be seen as 'impossible to act upon' as it sets out so many things that need to be done and all at the same time.

The urban strategy needs to identify priority areas for action for the central government with respect to urban strategy. This is not done. In order to do this the document will need to identify the constraints and opportunities within which its urban vision will need to operate. Painful choices will need to be made and soon. The costs and benefits of particular actions need to be fully spelt out. It is only within such a realistic context that priorities for central government action can be chosen and implemented.

In addition, while we recognise that central government may not wish to prescribe to regional and local government on what their priorities should be, we believe it is possible and highly desirable for the central government to provide incentives to such bodies to rapidly do their own prioritisation and then implement these.

10. Delivery and who does what

What is missing in the document and urgently required is a clear conception of the appropriate roles for different players in effective urban development. We need a clear and practical exposition of

- * the role of central government in urban strategy
- * the role of the provincial government
- * the role of the local authority (both the metropolitan level of government as well as the sub-structures)
- * the role of the private sector
- * the role of communities and households

* the role of NGOs/CBOs.

The limitations on the capacity and resources of the South African state now and for the foreseeable future need to be spelled out clearly and honestly. This is the only basis on which a realistic strategy can be built and then achieved. Development will not take place if it is driven from the centre – as the recently released Task Team Report to the Minister of Housing has acknowledged. Development will only happen if the state creates an environment in which local authorities can take initiatives, share risks, experiment, facilitate development in their own areas and sometimes fail; and private sector actors are freed up and encouraged to play as big a part in the country's urban development as possible. This means that the central government must let go.

It is not clear in the document where the initiative will lie. What powers and structures with respect to urban strategy will exist at the national level? The document does state that consistency with the national plan does not mean uniformity in all local areas but this does not allow sufficient space for unique local initiatives which do not necessarily fit with the national approach.

Within this context of a facilitating and encouraging central government, we nonetheless believe that there are central government mechanisms that can be developed to help speed up and push-start urban development. These will need to be incentive-based mechanisms designed to encourage initiatives in the cities and allocated on a competitive basis between cities and towns.

11 Implementation

The transformation of a conceptual document into a strategy for action requires considerable clarity concerning who is accountable for what aspects of implementation. The government document fails to deal with how this new and positive conception of urban strategy will take root. What is the status of the proposed urban strategy? Who will be accountable for its implementation? How does the urban strategy document relate to other policy and strategy proposals from the different central government departments? What are the mechanisms for implementing the urban policy?

It is stated but not justified or argued that the Ministry of Housing is the ideal vehicle to manage the Urban Development Task Team and by implication the implementation of this urban strategy. Why are they the ideal department? Do they have the requisite capacity to do this in the light of their already considerable and onerous responsibilities? Do they have sufficient authority over other departments to ensure that the 'fundamental reallocations' and important 're-organisations' mentioned in the document actually take place?

If it is correct that South Africa's new urban strategy should focus on the economic role of cities (as distinct from the housing and infrastructural side of urban strategy) then it is hard to understand why this is the correct department to be accountable for the implementation of the urban strategy? Surely not in our view. There is a considerable body of international experience which points to the dangers of entrusting a national urban development strategy to

a Department of Housing.

How should central government functions be re-organised in order to implement and manage a national urban strategy? Do we need a Department of Urban Affairs with a senior Minister in charge of and accountable for the strategy? If not, how will we ensure that the new urban strategy is actually implemented and the radical consequences of its adoption are actually followed through in the many different national departments?

CDE RECOMMENDATIONS

CDE would strongly recommend the following 'next steps' to the government:

1. Amend the analytic sections of the draft document where required.
2. Hold back for now on any decisions concerning implementation, roles and responsibilities until the implementation task group has done its work.
3. Immediately **establish a special implementation task group** to assist in the revision of the *Urban Strategy document* and to formulate proposals on how to implement the revised urban strategy document, using the strategic approach outlined in this CDE submission.

The composition of this implementation task group is very important. We would recommend the following:

- * the task group to be chaired by the Minister in charge of the RDP
- * at least two senior local government officials.
- * a senior official from the Ministry in charge of Local Government.
- * a senior official from the Department of Trade and Industry
- * a senior official from the Department of Finance.
- * a senior official from the Department of Land Affairs.
- * a senior official from the Department of Housing.
- * a senior person central to the formulation of the National Growth and Development Strategies.
- * Private Sector Representatives: at least one person from or nominated by CDE and one person with property development expertise.

Concluding Remarks

CDE welcomes the government's *Urban Development Strategy document* as a sound beginning to the complex process of developing a new urban strategy for South Africa. Having said that it is important to realize that considerable work remains to be done in order to build on the foundation of this draft document. CDE will be willing to assist government in taking this process further.

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