Integrated Urban Development Framework

Draft 5.1: September 2014

Strictly Confidential: DRAFT
TABLE OF CONTENTS

ACRONYMS ........................................................................................................................................... 4
EXECUTIVE SUMMARY .................................................................................................................. 5
INTRODUCTION .................................................................................................................................... 8
PART 1: SOUTH AFRICA’S URBAN REALITY ...................................................................................... 10
  Cities and towns shaped by the Apartheid legacy ......................................................................... 10
  Rural-urban interdependency ..................................................................................................... 12
  The importance of urban areas in South Africa ........................................................................... 14

PART 2: THE NEW DEAL: AN INTEGRATED URBAN DEVELOPMENT FRAMEWORK .................. 23
  Vision .................................................................................................................................................. 23
  Strategic goals .................................................................................................................................. 23
  Policy levers .................................................................................................................................... 23

POLICY LEVER 1: INTEGRATED TRANSPORT AND MOBILITY ......................................................... 25
  Status quo ........................................................................................................................................ 25
  Challenges ....................................................................................................................................... 26
  Policy priorities ............................................................................................................................... 27
  Key actors ....................................................................................................................................... 29

POLICY LEVER 2: INTEGRATED AND SUSTAINABLE HUMAN SETTLEMENTS ................................. 30
  Status quo ........................................................................................................................................ 30
  Challenges ....................................................................................................................................... 31
  Policy priorities ............................................................................................................................... 32
  Key actors ....................................................................................................................................... 34

POLICY LEVER 3: INTEGRATED URBAN INFRASTRUCTURE ............................................................ 35
  Status quo ........................................................................................................................................ 35
  Challenges ....................................................................................................................................... 36
  Policy priorities ............................................................................................................................... 36
  Key actors ....................................................................................................................................... 38

POLICY LEVER 4: INCLUSIVE ECONOMIC DEVELOPMENT .............................................................. 39
  Status quo ........................................................................................................................................ 39
  Challenges ....................................................................................................................................... 40
  Policy priorities ............................................................................................................................... 41
  Key actors ....................................................................................................................................... 45

POLICY LEVER 5: EFFICIENT LAND GOVERNANCE AND MANAGEMENT ................................... 46
  Status quo ........................................................................................................................................ 46
  Challenges ....................................................................................................................................... 47
  Policy priorities ............................................................................................................................... 48
  Key actors ....................................................................................................................................... 50

POLICY LEVER 6: EMPOWERED ACTIVE COMMUNITIES ............................................................... 51
  Status quo ........................................................................................................................................ 51
  Challenges ....................................................................................................................................... 51
  Policy priorities ............................................................................................................................... 52
  Key actors ....................................................................................................................................... 54
# ACRONYMS

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Full Form</th>
</tr>
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<tbody>
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<td>Department of Planning Monitoring and Evaluation</td>
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<td>Gross Value Added</td>
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<td>Human Settlements Development Grant</td>
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<td>Integrated Development Plan</td>
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<td>IMC</td>
<td>Inter-Ministerial Committee</td>
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<td>IUDF</td>
<td>Integrated Urban Development Framework</td>
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<td>Justice, Crime Prevention and Security Cluster</td>
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<td>Local Economic Development</td>
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<td>Medium-Term Strategic Framework</td>
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<td>National Development Plan</td>
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<td>Neighbourhood Development Partnership Grant</td>
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<td>NGP</td>
<td>National Growth Path</td>
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<td>National Land Transport Act</td>
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<td>NMT</td>
<td>Non-Motorised Transport</td>
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<td>National Upgrading Support Programme</td>
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<td>Presidential Infrastructure Coordination Committee</td>
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<td>Public Transport Infrastructure and Systems Grant</td>
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<td>South African Local Government Association</td>
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<td>Spatial Development Framework</td>
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<td>SIP</td>
<td>Strategic Infrastructure Programmes</td>
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EXECUTIVE SUMMARY

South Africa’s cities and towns are shaped by the Apartheid legacy, of racial segregation, poverty, and exclusion from social and economic opportunities. High levels of inefficiency and wasteful use of scarce resources (especially land and infrastructure networks) characterise the country’s cities and towns. Despite significant service delivery and development gains since 1994, these spatial patterns have largely not been reversed.

Like most of Africa and other developing countries, South Africa is experiencing continuing urbanisation. The United Nations estimates that 71.3% of the South African population will live in urban areas by 2030, reaching nearly 80% by 2050. South Africa’s urban population is growing larger and younger, as individuals and households more into ‘inner-core’ cities where jobs are created and household incomes are higher. Nearly two-thirds (64%) of South Africa’s youth live in urban areas, whereas the aged population (and no longer economically active) tend to migrate to more rural settlements and secondary cities in other provinces.

The urban centres dominate the country’s economy, as cities and large towns produce over 80% of the national gross value added (GVA). Metros are growing twice as fast as other cities and towns and also have much higher (by about 40%) average incomes compared to the country as a whole. Employment also grew twice as fast in metros than elsewhere and between 1996 and 2012, metros accounted for three-quarters of all net jobs created in the country. Yet, despite this, the ‘urbanisation of poverty’ is increasing, especially in townships, informal settlements and inner cities, putting pressure on city resources.

Urban centres may dominate, but they are also dynamically linked to the rural areas, through flows of people, and natural and economic resources. Indeed, urban and rural areas are becoming increasingly integrated, as a result of better transport and communications, and migration. Therefore, the interdependence of rural and urban spaces is recognised, as well as the need for a comprehensive, integrated approach to urban development that responds to the reality of migration to peri-urban areas.

Urban areas contain high concentrations of people, homes and other buildings and infrastructure, which increases exposure to natural disasters exacerbated by climate change and climate variability. Urban growth and development generate and amplify risks, which have the potential to undermine efforts to transform urban areas and create spaces of opportunity, investment and safety. Therefore, reducing urban risk is critical to achieving broader developmental objectives in urban areas. Proactive action to address risk is integral to creating sustainable urban growth. Similarly, safety, particularly safety in public spaces, is an essential ingredient to the creation of liveable and prosperous cities: urban spaces and facilities need to be designed and managed in a way that makes citizens feel safe from crime and violence.

The potential of urban areas is maximised when people, jobs, livelihood opportunities and services are aligned, which is referred to as the urban dividend.

The Integrated Urban Development Framework (IUDF) is designed to unlock the development synergy that comes from coordinated investments in people and places. This
will result in inclusive, resilient and liveable cities and towns. The IUDF marks a new deal for South African cities and towns.

The IUDF is a response to various chapters in the NDP, but primarily responds to Chapter 8 of the National Development Plan (NDP) ‘Transforming human settlements and the national space economy’, and its vision for urban South Africa:

By 2030 South Africa should observe meaningful and measurable progress in reviving rural areas and in creating more functionally integrated, balanced and vibrant urban settlements. For this to happen the country must: clarify and relentlessly pursue a national vision for spatial development; sharpen the instruments for achieving this vision; [and] build the required capabilities in the state and among citizens.

The policy framework aims to guide the development of inclusive, resilient and liveable urban settlements, while squarely addressing the unique conditions and challenges facing South Africa’s cities and towns. It provides a new approach to urban investment by the developmental state, which in turn guides the private sector and households.

Its vision is: ‘Liveable, safe, resource-efficient cities and towns that are socially integrated, economically inclusive and globally competitive, where residents actively participate in urban life’.

These goals inform the priority objectives of the following seven policy levers:
1. Integrated transport and mobility
2. Integrated sustainable human settlements
3. Integrated infrastructure planning
4. Inclusive economic development
5. Efficient land governance and management
6. Empowered active communities
7. Effective urban governance

**Policy lever 1: Integrated transport and mobility**

Integrated transport and mobility is a vital component of South Africa’s economic infrastructure investment. It contributes to a denser and more efficient urban form, supports economic and social development, and is crucial for strengthening rural-urban linkages.

**Policy lever 2: Integrated sustainable human settlements**

Integrated and sustainable human settlements are the key to redressing the prevailing apartheid geography, restructuring cities, shifting ownership profiles and choices, and creating more humane (and environment-friendly), safe living and working conditions.

**Policy lever 3: Integrated infrastructure planning**

An integrated urban infrastructure that is resource-efficient and provides for both universal access and more inclusive economic growth needs to be extensive and strong enough to meet industrial, commercial and household needs, and should also be planned in a way that support the development of an efficient and equitable urban form and facilitate access to social and economic opportunities.
**Policy lever 4: Inclusive economic development**
The NGP, which is the backbone of our national economic policy, emphasises the importance of employment creation nationally through specific drivers. These include seizing the potential of new economies through technological innovation, investing in social capital and public services, and focusing on spatial development. Inclusive economic development is essential to creating jobs, generating higher incomes and creating viable communities and nations.

**Policy lever 5: Efficient land governance and management**
Both municipalities and private investors have a vested interest in land value remaining stable and increasing. At the same time, property values reflect apartheid patterns of segregation and mono-functional use, which need to be addressed to promote spatial transformation.

**Policy lever 6: Empowered active communities**
Cities cannot succeed without the energy and investment of their citizens. In fact, the very power of cities stems from their unique capacity to bring together a critical mass of social and cultural diversity. This conception of democratic-citizenship is at the core of the ‘active citizenship’ agenda advocated by the NDP.

**Policy lever 7: Effective urban governance**
The complexities of urban governance include managing the intergovernmental dynamics within the city, relations with the province and with neighbouring municipalities. City governments need to manage multiple fiscal, political and accountability tensions in order to fulfil their developmental and growth mandates.

The IUDF implementation framework proposes the approaches to be adopted across government in a number of areas that are key for successful implementation of the IUDF. In implementing the IUDF, all seven policy levers require the actions to be taken by more than one National Department. This is why a department is identified as the ‘key driver’ for coordinating and ensuing the implementation of the policy intentions per lever. The multi-sectoral nature of the IUDF requires the establishment of an Inter-ministerial Committee, convened by DCoG for performing the oversight function in the first instance. Detailed implementation plans per policy lever need to be prepared upon the adoption of the IUDF by Cabinet linked to the MTSF period. These should be prepared as part of a joint planning process among key stakeholders.
INTRODUCTION

Like most of Africa and other developing countries, South Africa is experiencing continuing urbanisation. By 2050 Africa’s urban population is expected to triple, to approximately 1.23 billion people, or 60% of the total population (up from approximately 40% in 2009). This represents an additional 2.6 billion people, which is more than double the current population of Africa. The United Nations estimates that 71.3% of the South African population will live in urban areas by 2030, reaching nearly 80% by 2050. It has advised African governments to take ‘early action to position themselves for predominately urban populations’.1

In a world looking for more inclusive and sustainable urban growth models, ‘resource-efficient urbanism’ is becoming the new basis for competitiveness in the world. Increasingly cities around the world are ‘competing’ to establish who will take the lead in translating this new urban paradigm into practical actions. Yet South African cities and towns are by and large not yet in this race towards a new urbanism. This makes it difficult to transition to a resource-efficient and inclusive growth path as envisaged in the National Development Plan (NDP) and the New Growth Path (NGP).

South Africa is a middle-income country with large-scale unemployment, and the long-term prospect of having a more equal and labour-absorptive economy will depend on how well the urban economies do. The country’s economy is dominated by services (61% of GDP), which will intensify, as South Africa follows the NGP and seeks to move from being a resource-based economy to a knowledge-based economy. Raising the productivity and incomes of urban consumers is also important because rural economies depend on urban consumers for demand. In a context of large-scale unemployment, the unexploited human resource potential must be unleashed, through driving up productivity and competitiveness in the formal sector, as well as ensuring greater dynamism in the informal and social economic sectors, as these economic activities are also typically concentrated in poor areas with highest rates of unemployment.

Urbanisation has the potential to achieve the above and, in so doing, to reduce poverty, unemployment and inequality. In cities, the spatial concentration of jobs, people and opportunities enables households to access employment and higher quality public services. However, urban centres need to improve their performance to optimise the potential for growth, productivity and innovation. As the NDP (2011: 260) recognises, ‘[a] fundamental reshaping of the colonial and apartheid geography may take decades, but by 2030 South Africa should observe meaningful and measurable progress in reviving rural areas and in creating more functionally integrated, balanced and vibrant urban settlements’.

This Integrated Urban Development Framework (IUDF) gives more practical meaning to the urban futures vision set out in the NDP. It is a response to various chapters in the NDP, but

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primarily responds to Chapter 8 of the National Development Plan (NDP) ‘Transforming human settlements and the national space economy’, and its vision for urban South Africa:

By 2030 South Africa should observe meaningful and measurable progress in reviving rural areas and in creating more functionally integrated, balanced and vibrant urban settlements. For this to happen the country must: clarify and relentlessly pursue a national vision for spatial development; sharpen the instruments for achieving this vision; [and] build the required capabilities in the state and among citizens.

The IUUDF illustrates the options for more effective and efficient management of urban and rural development. It contributes to the NDP’s aim for cities to be the country’s economic drivers through improved spatial efficiency and inclusion. Firmly rooted in the NDP and the NGP, the IUUDF supports that South Africa needs to:

1. Increase economic growth and the sectoral composition of the economy, and thereby create jobs.
2. Improve the employability of the unemployed (and those at risk of losing their jobs in a volatile global economy) by investing in health care, education and social protection.
3. Anticipate the changing nature of global economic competitiveness, as international measures (e.g. Kyoto Protocol) come into force to deal with climate change.
4. Change the governance social compact in South Africa, by giving citizens more scope to shape their own lives, and improving public services and the accountability of public institutions.

The IUUDF contains the following sections:

**Part 1: Background.** This section provides the context for the IUUDF, highlighting how South Africa’s cities and towns are shaped by the legacy of Apartheid and how rural and urban areas are interdependent and inter-connected. It also describes the importance of urban areas and of reaping the urban dividend.

**Part 2: The New Deal.** This section presents the vision and strategic goals of the IUUDF, and then identifies the seven policy levers to effect urban transformation premised on an understanding that urban integration will follow a specific sequence of urban policy actions.

**Part 3: Framework for Implementation.** This section explains the proposed approaches to be adopted across government in order to implement the IUUDF.

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3 At COP 17 in Copenhagen, South Africa agreed to GHG emissions of 34% below business-as-usual (BAU, i.e. a projection with growth) by 2020, and 42% below BAU by 2025. See letter dated 29 January 2010. Department of Environmental Affairs http://unfccc.int/files/meetings/application/pdf/southafricacphaccord_app2.pdf.
PART 1: SOUTH AFRICA’S URBAN REALITY

CITIES AND TOWNS SHAPED BY THE APARTHEID LEGACY

Deep class-based segregation still characterise South African cities and towns. Urban areas contain huge concentrations of poverty.

South Africa’s urban areas continue to be hampered by a legacy of racial segregation, poverty, and exclusion from social and economic opportunities. The spatial legacy is one of sprawl, low densities, functional segregation between home and work, and racial and class separations. As a result, high levels of inefficiency and wasteful use of scarce resources (especially land and infrastructure networks) characterise the country’s cities and towns.

Despite significant service delivery and development gains since 1994, the apartheid spatial patterns have largely not been reversed. Indeed, in part because of the pressure to provide housing and services fast, most of the post-1994 infrastructure investments have unintentionally served to reinforce the apartheid status quo. The cumulative effect is that it is harder to reverse apartheid geographies in 2014 than it was in 1994.

Four primary factors are perpetuating existing social, economic and spatial patterns in South Africa’s urban areas:

(i) Existing property markets and land use
The property and land-use status quo undermines access to urban opportunity and reinforces the highly inefficient urban sprawl characteristic of South Africa’s urban areas. There has been no substantial land reform and restitution, in part because of the importance of the formal property market, which increased significantly between 1994 and 2014. While this growth is vital to the health of rates income for municipalities, it has not served to address issues of affordable housing and access to decent shelter for all.

(ii) Unsustainable infrastructure networks and consumptions patterns
South African urban areas are profoundly resource intensive, highly polluted, and wasteful. The typical metropolitan area has a very high ecological footprint. The spatial form of South African cities, dependency on cars and suburban-lifestyle aspirations (across classes) produce a highly resource-intensive and inefficient form of settlement. This, combined with a coal-based energy system, is a recipe for unsustainable urban development and, arguably, in direct contravention of constitutional and legal provisions of the post-1994 order.

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5 The ecological footprint refers to an accounting measure that “tracks, on the demand side (Footprint), how much land and water area a human population uses to provide all it takes from nature. This includes the areas for producing the resource it consumes, the space for accommodating its buildings and roads, and the ecosystems for absorbing its waste emissions such as carbon dioxide. These calculations account for each year’s prevailing technology, as productivity and technological efficiency change from year to year. The accounting system also tracks the supply of nature: it documents how much biologically productive area is available to provide these services (biocapacity). Therefore, these accounts are able to compare human demand against nature’s supply of biocapacity.” Global Footprint Network. 2013. Footprint Basics – Overview. Viewed on: 12 September 2013. URL: http://www.footprintnetwork.org/
(iii) Continued segregated urban settlements
Urban areas in South African remain marked by profound social divisions, which stem from apartheid planning and, since 1994, have been reinforced by uneven patterns of land value and access to resource flows. The growth of the black middle-class has resulted in more racial mixing in the (previously predominantly white and middle-class) suburbs but very little in working class and poor areas.⁶

(iv) Unequal income levels and access to services
These high levels of inequality in income and access to services and opportunities are a legacy of apartheid education and (migrant) employment system. Since 1994 income inequality has remained stubbornly high, as a result of very high unemployment and the growing wage gap between skilled and unskilled labour. This inequality reinforces economic marginalisation and produces spatial poverty traps.⁷ A large number of households do not have access to services and are concentrated in informal settlements in cities and in peri-urban areas.⁸ Approximately 1.25 million households live in informal settlements.⁹

In addition, it is important to understand that urban development is not an alternative to rural development. Urban and rural areas are dynamically interconnected, through flows of people, and natural and economic resources.

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⁶ Harrison and Todes (2013), op cit.
⁷ Poorer households and individuals tend to settle in locations that maximise access to urban opportunities, choosing to live in a well-located informal settlement rather than a badly located subsidised formal settlement.
RURAL-URBAN INTERDEPENDENCY

Urban and rural areas are connected through flows of people, and natural and economic resources.

The economic, social and environmental interdependence between rural and urban areas is widely acknowledged, but the simplified concept of a rural–urban ‘divide’ does not reflect the reality of rural-urban interdependency. Traditionally, development policy used ‘rural’ to refer to more remote farming areas and ‘urban’ to refer to cities.10 Similarly, economic activities associated with urban and rural areas have historically been viewed as mutually exclusive. However, rural and urban spaces share structural, social, economic and cultural linkages, as illustrated in Figure 2.

Figure 2: Rural-urban push and pull factors

The rural-urban linkage considers and capitalises the growing flow of public and private capital, people (migration and commuting), goods (trade), ideas and information between the urban and rural areas.

As a consequence of migration, road accessibility, information technologies, and production flows, new sectoral and spatial patterns are emerging within the rural and urban spaces. Labour migration, flows of information, and services such as education and healthcare, enable people to keep one foot in the rural economy and the other in the urban economy. At the same time, spatial intermingling is occurring in the ‘peri-urban’ areas, which are found midway on the rural–urban spatial continuum (see Figure 3). Research has found that low-income families and the poor migrate to the nearest town, so as to remain close to their rural support systems.

10 Von Braun, 2007
The rural-urban divide is a cause of inequality, a potential source of socio-political instability and an indicator of economic inefficiency. Developing solutions to benefit the whole country is difficult when it is divided into rural and urban areas, especially as these areas are becoming increasingly integrated because of better transport and communications, and migration. Therefore, focusing on linkages (not separateness) between rural and urban areas can help reframe how development occurs in these areas. Strong linkages can enhance growth by facilitating the flow of resources to where they have the largest net economic and social benefits.

Some of the challenges affecting the country’s ability to strengthen the linkages between the two spaces include:
(i) Insufficient usage of the spatial planning instruments at local government.
(ii) Tensions between elected councils and traditional leadership.
(iii) Poor infrastructure, particularly transportation and communication infrastructure.
(iv) Collapse of the economies of most small and medium-sized towns, and
(v) Weak partnerships between local government and non-governmental institutions.

Rural development and urban development policy frameworks that connect with each other will enhance inclusive development. The focus must be on strengthening linkages between urban and rural development, as a mechanism to achieve sustainable and inclusive development by:
- Linking functional geographical areas through various levers and other strategic initiatives.
- Creating synergies between enterprises in urban and rural areas.
- Developing value-chains between various economic sectors.

Nevertheless, the solution to poverty in rural areas cannot be found in the rural economy alone. Rural growth needs access to urban markets and vibrant non-farm sectors. Equally, the growth of urban areas can be compromised by inadequate rural development. Strategies (e.g. for addressing poverty) must recognise the interdependence of rural and urban spaces, while a comprehensive, integrated approach to urban development needs to respond to the reality of migration to peri-urban areas.
THE IMPORTANCE OF URBAN AREAS IN SOUTH AFRICA

Since the end of Apartheid, urban centres have grown in importance, in terms of population, economy, individual incomes and employment.

Urban population is growing larger and younger

Individuals and households are moving into ‘inner-core’ cities, where jobs are being created and household incomes are higher. In 2011, almost 63% of South Africa’s population lived in urban areas (up from 53% in 1994), with just four city-regions (Gauteng, Cape Town, eThekwini and Nelson Mandela Bay) accounting for 42% of this urban population. Gauteng has seen the highest growth in population and migration, followed at a distance by the Western Cape. Although the other provinces are losing population, certain cities or towns within these provinces have attracted large numbers of migrants because of, for example, new mining opportunities or other growth sectors. Other growing urban populations are found in the KwaZulu-Natal Coastal Urban Agglomeration, Nelson Mandela Bay, Mangaung, Buffalo City, Msunduzi, Polokwane, Rustenburg, Mbombela, Sol Plaatje and the Cape South Coast Tourism Belt.

Figure 4: Change in Absolute Population between 1996 and 2011

The majority (64%) of South Africa’s youth and just over half (54%) of its children live within urban areas. The youth make up 39% of the city population (compared with 35% of the non-city population), while children account for 26% of the city population and 35% of the non-city population. In general, larger cities have a higher proportion of youth and a lower proportion of children. This reflects both the tendency of youth to move to cities and the practice of keeping children in rural areas or small towns, often in the care of grandparents.  

11 The inner core consists of the large metropolitan agglomerations and secondary cities, i.e. the Gauteng City-Region, Western Cape Urban Agglomeration, KwaZulu-Natal Coastal Urban Agglomeration, Nelson Mandela Bay, Mangaung, Buffalo City, Msunduzi, Polokwane, Free State Goldfields, Mbombela, Polokwane, Sol Plaatje, Cape South Coast Tourism Belt.
12 The work of CSIR / StepSA estimates an even higher figure at 78% (CSIR 2013)
The aged, once no longer economically active, tend to migrate to more rural settlements and secondary cities in other provinces. These migrants are usually close to retirement age, do not own their own urban home or shack, and regularly visit and send money back to their household of origin. This reflects the continued importance of rural areas, as a place of security, family, history and culture, and the preferred place for retirement for many people.\textsuperscript{14}

**Urban centres dominate South Africa’s economy**

The ‘inner core’ urban centres continue to dominate the country’s economy. As Figure 5 demonstrates, five city-regions dominate the economy, accounting for more than half the national gross value added (GVA). When other cities and large towns are added, they produced 81.4% of the country’s gross value added (GVA), up from 79.4% in 1996.\textsuperscript{15} The population and GVA of other urban centres are growing at below South Africa’s average growth rates. Nationally, a growing alignment is appearing between economic opportunity and population concentration, and thus of improved access.\textsuperscript{16}

\textsuperscript{14} Posel & Marx, 2011


\textsuperscript{16} The analysis above has focused on the relationship between economy (GVA and jobs) on the one hand and population concentration on the other. There is, however, a strong relationship between levels of service provision and the strength of the local economy and so the conclusions in relation to access hold for both jobs and services.
Within the ‘inner core’, the economies of metropolitan municipalities (metros) are growing twice as fast. Between 1996 and 2013, the GVA of metros grew nearly twice as fast as that of the secondary cities and the rest of the country. In contrast, secondary cities have under-performed compared to the towns and rural areas, particularly since the onset of the recession in 2008.

Incomes are higher in metros

All metros have much higher (by about 40%) average incomes than the country as a whole. This indicates that their economies are more productive, as GVA per capita (or head of population) is a measure of average income in an area and reflects the level of productivity and the employment rate.

At the same time, ‘urbanisation of poverty’ is growing, especially in townships, informal settlements and inner cities, putting pressure on city resources. Just because average incomes are higher in one area than another does not mean that most people are better off. It depends on how the wealth generated in the area is distributed between different economic actors and interests. It also depends on the absolute size of populations. Thus, Gauteng may have the highest GVA per capita, but also contains the highest number (after KwaZulu-Natal) of households with less than R1600 per month income. These households equate to more people than the total population in some provinces, such as the Free State.

Job creation is greater in metros

Between 1996 and 2012, employment grew twice as fast in the metros as everywhere else. Secondary cities performed worse than the rest of the country for the first six years but have picked up slightly since 2003/04. The availability of employment is a crucial indicator of the state of the local economy, including the general level of prosperity or poverty. Lack of paid work in an area forces households to rely on transfers from other family members (remittances), or from the state in the form of pensions or other social grants.

Between 1996 and 2012, metros accounted for three-quarters (74.9%) of all net job creation in the country. During this period, secondary cities accounted for just over 10% and towns/rural areas for nearly 15% of new jobs. This shows that job creation is also happening outside the main urban areas.

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17 The focus is on metros and secondary cities because they carry the bulk of the economic burden to achieve the economic growth targets established in the NGP, confirmed by the NDP. It is relatively easier to improve economic productivity and competitiveness in these geographies because of a firm platform and the advantages of economies of scale. However, this does not mean that economic areas outside of the core areas are irrelevant. On the contrary, we need to promote improved economic performance and labour absorption there as well, especially since one in four South Africans still live there and where poverty is most acute. Other government policies explore how those economic territories will be activated.

18 Census 2011 figures show the most rapid growth, particularly of low-income households in a phenomenon known as the ‘urbanisation of poverty’.
These dynamics are certainly very difficult to shift in the short term. They require a commitment to finding policy solutions that support the creation of inclusive, resilient and liveable urban areas in South Africa.

**The urban dividend**

Economic output and job opportunities are increasingly concentrated in South Africa’s largest cities. This has been accompanied by a rapid movement of individuals and households into these areas of relative opportunity. This process is, arguably, positive, as it brings the population into a stronger alignment with jobs, livelihood opportunities and services. It is referred to as the ‘urban dividend’, as illustrated in Figure 6.

![Figure 6: Optimising the Urban Dividend](image)

The potential of urban areas is maximised with the alignment and integration of investments in the primary drivers of urban development:

- human settlements;
- transportation (public modes and roads);
- infrastructure networks comprising social, economic and ecological infrastructure; and
- various land-use regulations and effective governance that underpin all of the above.

Figure 7 shows how investments into people (social development and basic services), the economy and the environment can work together to transform the quality of life in specific communities.
The IUDF interventions are designed to unlock the development synergy that comes from coordinated investments in people and places. This will result in inclusive, resilient and liveable cities and towns. In other words, urban spaces that:

- encourage inclusive growth, social cohesion and good governance, where civic rights and vulnerable populations are protected, and local participation and ownership are at the centre of city development;
- have growing, innovative economies that create jobs, support diverse livelihoods and activities, respond to social developments and can anticipate and adapt successfully to challenging conditions;
- are safe, caring and creative urban spaces, shaped by citizens and government, that celebrate diversity, provide universal access to social and other services and contain accessible public green spaces and affordable housing.
Disaster risk reduction and climate change

Urban areas contain high concentrations of people, homes and other buildings and infrastructure. This increases exposure to hazards, such as floods, earthquakes, infectious disease, crimes, fires, transport and industrial accidents. Cities are increasingly expected to undertake concrete actions to adapt to sea level rise, floods, droughts and other natural disasters exacerbated by climate change and climate variability.

**Why is it important?**
Reducing the risk of disasters helps to protect development investments and enables societies to accumulate wealth in spite of hazards. Urban growth and development generate and amplify risks, which have the potential to undermine efforts to transform urban areas and create spaces of opportunity, investment and safety. For instance, economic growth may encourage in-migration and urban sprawl, which if poorly managed can drive poverty and the expansion of settlements into unsafe areas. New or continued human settlement or infrastructural developments in high-risk areas such as floodplains will increase exposure to hazards, with flooding likely to incur costs to government, the private sector and communities. Investments in disaster risk reduction can largely protect both the population and the national resources from such losses.

**What are the challenges?**
South Africa has a well-developed legislative framework to guide and support disaster risk reduction. For example, the Disaster Management Act and the National Disaster Management Framework promote a holistic response that aims to reduce the likelihood of disasters and better manage those disasters that do occur. The National Climate Change Response White Paper outlines government’s vision for building South Africa’s resilience to climate change and promotes the mainstreaming of climate change considerations and responses into all relevant sector planning instruments. Other sector legislation and policies also support disaster risk reduction. Yet, despite progress made, several challenges continue to undermine the implementation of the legislative frameworks:

(i) Capacity shortages.
(ii) Inadequate institutional placement of the disaster management function in provincial departments and municipalities (where it is sometimes viewed as a line-function instead of a cross-sectoral coordinating function).
(iii) Inadequate funding for proactive risk reduction planning and activities.
(iv) Insufficient progress in integrating disaster risk reduction into the day-to-day operations and planning of organs of state.
(v) Limited technical expertise and capacity to promote integration particularly at the local government.
What is needed?
The shift from managing disasters to managing the **risks** of disasters (encompassing both response and risk reduction) requires risk reduction to be integrated into:

- land-use and development planning processes,
- water resource and environmental management,
- infrastructural maintenance, design and planning, and
- building design and construction.

What are the priorities?
Disaster risk reduction is a cross-sectoral issue, and therefore requires consciousness by all stakeholders in their daily activities. In order to deal with these challenges, the following interventions have been identified:

1. **Incorporate urban risk concerns into planning**
The urban risk concerns should be categorised under short, medium and long term planning across sectors. In addition, disaster risk reduction should be an integral part of the municipality’s IDP.

2. **Provide incentives for investing in risk reduction**
These incentives should encourage authorities and others to invest in risk reduction.

3. **Invest in and maintain critical infrastructure**
An example of infrastructure that can reduce risk is flood drainage systems, which can be adjusted where needed to cope with climate change.

4. **Apply and enforce building regulations and land-use planning principles**
These need to be realistic and risk-compliant.

5. **Inculcate a culture of risk avoidance and awareness**

6. **Identify safe land and upgrade informal settlements**
This will protect low-income citizens, who are often the most severely affected by disasters.

7. **Protect ecosystems and natural buffers**
This will lessen the risk and impact of floods, storm surges and other hazards.

Reducing urban risk is critical to achieving broader developmental objectives in urban areas. Proactive action to address risk is not an add-on; it is integral to creating sustainable urban growth.
Urban safety

Violence is not only a security issue but has deep social and economic roots and consequences. South African cities offer many opportunities, such as access to better services, employment, social development and vibrant public spaces, but also have high levels of crime and violence. Drivers of violence and crime include a combination of factors, such as poverty, inequality, economic exclusion, unemployment, weak governance, rapid urbanisation, poor urban design and the larger phenomenon of socio-spatial segregation and exclusion due to apartheid era planning. Women, children and young people are the most vulnerable to the threat of and exposure to violence.

Why is it important?
Safety is a core human right and a necessary condition for people’s well-being, quality of life and economic development. Safety, particularly safety in public spaces, is an essential ingredient to the creation of liveable and prosperous cities. Therefore, urban spaces and facilities need to be designed and managed in a way that makes citizens feel safe from crime and violence.

What are the challenges?
Policies and strategies to promote urban safety are already in place, outlined in the Constitution, the National Development Plan, The National Crime Prevention Strategy, The Integrated Social Crime Prevention Strategy and many more. Existing governmental structures and planning mechanisms, such as the Justice, Crime Prevention and Security Cluster (JCPS), the Community Safety Forum and the Ward Committees, in combination with planning and urban development mechanisms such as the IDPs also provide a good platform for mainstreaming and integrating urban safety. Despite these legislative and institutional frameworks, challenges remain:

(i) Underlying root causes of violence and crime need to be addressed, e.g. poverty, inequality, unemployment, lack of social cohesion, and the availability of opportunities and motive for crime and victimisation.
(ii) Most implementation mechanisms do not sufficiently reflect the multidimensional structure of urban violence and urban safety:
(iii) At local level, safety issues need to be mainstreamed into the entire fabric of the municipal programmes. Several metropolitan municipalities run successful urban safety programmes, or nodes, which could be up-scaled and mainstreamed.

What is needed?
Creating safer and more equitable cities requires new strategies to promote the inclusion of marginalised or vulnerable groups. When planning interventions:

• Look at how public transport facilities, as well as streets and roads, can be designed and managed to promote safety.
• Harness the energies of various stakeholders to create safe spaces.
• Foster partnerships, between government and community organisations, non-governmental organisations and the private sector.
• Implement focused prevention techniques, through intra-governmental coordination and inter-governmental collaboration.
What are the priorities?

1. **Develop integrative local safety plans**
   Crime and violence prevention should be integrated into municipal development policies. This means a shift from considering urban safety in relation only to road, traffic management and traditional disaster management, to incorporating violence and crime prevention in the local safety plans. This further means conceptualising urban crime and violence, as risk areas that require attention and intervention to create better cities.

2. **Improve the urban environment**
   Improving the environment can reduce crime and violence in disadvantaged, marginalised areas. Through proper urban management initiatives, local government can proactively deal with issues that provide an opportunity and motive for crime prevention.

3. **Focus on prevention initiatives**
   Local/municipal integrated action plans for violence prevention should consider various factors, such as age, gender, socioeconomic status, accessibility to urban infrastructure and substance abuse. Although developed at a local level, success depends on the partnerships working across various stakeholders, particularly ministries (departments), intergovernmental collaboration, community organisations, non-governmental organisations and the business sector.

4. **Incorporate social components into prevention initiatives**
   Social programmes that promote social cohesion, reduce social and economic inequalities are critical. Violence and crime prevention programmes must incorporate social components, as urban violence and crime often derive from societal discrepancies of poverty and inequality. Significant attention should be given to the needs of women, as well as children and youth, affected by crime and violence.

5. **Transform spaces of chronic violence and crime**
   Poor planning, design, and management of urban spaces are crucial triggers of crime and violence. Therefore, effective urban planning, design, and governance can enhance urban safety and security. A practical example is ‘crime prevention through environmental design’, which evolved from the concept of a ‘defensible space’: simply by ensuring that a pedestrian is given priority when designing streets and public spaces have proper lighting can go a long way in contributing to urban safety. Successful programmes, such as the Violence Prevention through Urban Upgrading in Khayelitsha and other areas, show the link between transforming spaces and promoting safety. Local government should design, create, and maintain liveable human settlements that encourage the use of public spaces as centres of community life so that they do not become places for criminal activity.

6. **Incorporate community/public participation in prevention initiatives**
   Government cannot prevent crime and victimisation or develop safe societies without the participation and involvement of citizens. It is important that citizens, community organisations, non-governmental organisations and the business community are involved, as they can offer in-depth knowledge and creative insights on violence and crime prevention based on their experiences and innovative responses. The establishment of community police forums has been one of the initiatives to this effect, and forums such as these need to be resourced and strengthened in order to ensure civic participation in safety initiatives.
PART 2: THE NEW DEAL: AN INTEGRATED URBAN DEVELOPMENT FRAMEWORK

A framework for integrated urban development provides a holistic agenda for the management of urban areas. It can be a significant driver to achieve the over-arching developmental goals set out in the NDP and the NGP.

The Integrated Urban Development Framework (IUDF) marks a new deal for South African cities and towns. It sets out a policy framework to guide the development of inclusive, resilient and liveable urban settlements, while squarely addressing the unique conditions and challenges facing South Africa’s cities and towns. It provides a new approach to urban investment by the developmental state, which in turn guides the private sector and households. The IUDF seeks to provide a roadmap to reach its vision of:

VISION

‘Liveable, safe, resource-efficient cities and towns that are socially integrated, economically inclusive and globally competitive, where residents actively participate in urban life’.

To fulfil this transformative vision, four strategic goals are introduced.

STRATEGIC GOALS

Access: To ensure people have access to social and economic choices and opportunities.
Growth: To harness urban dynamism for inclusive, sustainable economic growth and development.
Governance: To enhance the capacity of the state and its citizens to work together to achieve social integration.
Spatial transformation: To forge new spatial forms in settlement, transport, social and economic areas.

These goals inform the priority objectives of the following seven policy levers.

POLICY LEVERS

1. Integrated transport and mobility
Cities and towns where people can walk, cycle and use different transport modes to access easily economic opportunities, education institutions, health facilities and places of recreation.

2. Integrated sustainable human settlements
Cities and towns that are spatially equal, integrated and multi-functional, in which settlements are well connected to essential and social services, as well as to areas of work opportunities.
3. **Integrated urban infrastructure**
Cities and towns that have transitioned from the traditional approaches to resource-efficient infrastructure systems that provide for both universal access and more inclusive economic growth.

4. **Inclusive economic development**
Cities and towns that are dynamic and efficient, foster entrepreneurialism and innovation, which sustain livelihoods, enable economic growth, and generate the tax base to sustain and expand public services and amenities.

5. **Efficient land governance and management**
Cities and towns that grow through investments in land and property, providing income for municipalities that allows further investments in infrastructure and services, resulting in inclusive, multi-functional urban spaces.

6. **Empowered active communities**
Cities and towns that are home to socially and culturally diverse citizens who are actively involved in city life and committed to making South Africa work.

7. **Effective urban governance**
Cities and towns that have the necessary institutional, fiscal and planning capabilities to build inclusive, resilient and liveable urban spaces.

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POLICY LEVER 1: INTEGRATED TRANSPORT AND MOBILITY

Cities and towns where people can walk, cycle and use different transport modes to easily access economic opportunities, education institutions, health facilities and places of recreation.

Integrated transport and mobility is a vital component of South Africa’s economic infrastructure investment. It contributes to a denser and more efficient urban form, supports economic and social development, and is crucial for strengthening rural-urban linkages. It results in:

- Enhanced mobility and connectivity, and thus improved access to services and opportunities.
- Greater productivity and employment, by reducing the time and cost spent on travel (either going to work or looking for work).
- Reduced emissions and efficient use of resources, as people choose to use public transport instead of private cars.

STATUS QUO

Poor people in particular have to commute long distances and pay high transport costs. This is significantly higher than international norms and reinforces poverty and lack of access.

Transport in South Africa’s cities is predominantly oriented towards the private motor car. The number of private passenger vehicles is growing faster than the rate of population growth.

Public transport services differ across cities. Bus and minibus taxi systems are the major modes, along with rail in the main metropolitan cities (but not in all the smaller cities).

Some of the interventions and investments in transport infrastructure underway are:

- **Bus Rapid Transit (BRT)**: Through the Public Transport Infrastructure and Systems Grant (PTIS), specified local municipalities are implementing or plan to implement a rapid public transport network centred on BRT systems.
- **Improving rail passenger services**: The Passenger Rail Agency of South Africa (PRASA) is driving a turnaround strategy, which will include new rolling stock as well as new signalling and operations infrastructure. This investment is a critical component for improving public transport service provision at city level.
- **Non-motorised transport (NMT) infrastructure**: Cities are trying to address the NMT deficit by increasing investments in cycling and pedestrian infrastructure often linked to BRT investments, but the current scale of such infrastructure is limited.

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- **Road infrastructure improvement programmes**: Major investments are being undertaken to improve the road infrastructure, through the PICC and other programmes such as the Gauteng Highway Improvement Programme.

**CHALLENGES**

1. **Institutional arrangements: a lack of alignment of roles and responsibilities**

   The National Land Transport Act (NLTA) of 2009 enables metropolitan cities to take over the transport regulatory and contracting functions from provincial governments. However, most metropolitan cities have made little progress in assuming the regulatory and contracting functions, as it is a complex process with major functional, funding and human resources repercussions. Commuter rail services remain a national competency delivered through PRASA and are not aligned with city plans. PRASA is currently implementing a massive capital infrastructure programme, but the lack of alignment may mean that the full potential of commuter rail investments planned for the next decade will not be realised. Sometimes the most appropriate sphere for the transport function is difficult to identify. For example, in Gauteng there has been some debate about where transport should sit, at provincial or be divided between the three metropolitan municipalities in the Gauteng City-Region (Johannesburg, Tshwane and Ekurhuleni), especially as the Gautrain is operated at provincial level.

2. **Existing subsidy arrangements**

   The public transport networks being planned and implemented will need to be maintained and upgraded and will require substantial operational subsidies to ensure that public transport is affordable for everyone. However, currently national government subsidises the operations of rail services, while all three spheres of government provide a combination of subsidies to bus operators. The uneven subsidy arrangements lead to very different fare systems in different modes of transport, which is a problem for integrating services. Cities also are unable to predict the funding that they will access from operational grants or whether there will be additional revenue sources, which makes longer-term planning difficult.

3. **Lack of integrated public transport systems**

   Although South Africa’s cities are developing and implementing comprehensive public transport network plans, gaps remain. In particular, existing bus and minibus taxi operations need to be better integrated with the rail and bus rapid transport (BRT) networks, to reduce transfer times and costs and to improve the speed and quality of commuter journeys. This will involve integrating infrastructure, schedules, ticketing and fares and negotiating with existing operators. Related to this is the lack of facilities for non-motorised transport. Currently, the design of walkways, crossings, and entrances to many public and other buildings limits the access of pedestrians or cyclists. Many places have no non-motorised infrastructure at all.

4. **Relatively low densities and extensive sprawl of South African cities**

   Compared to denser cities, South African cities will have to invest in more extensive (thus more costly) infrastructure, but will have lower passenger volumes (thus less revenue). In
addition, the distance between commuters’ homes and places of work results in a high peak demand and low off-peak demand, which increases operating costs.

5. **Historical under-investment in transport infrastructure**

The lack of spending in the 1990s on the maintenance and capital expansion of transport infrastructure spending has had noticeable implications for the current state of public transport in South African cities, in particular the rail network. Although investment in new infrastructure is happening, to fully replace and expand the network will take a substantial amount of financial resources and time. There has also been severe under-investment in road upgrades and maintenance, and municipal budgets are insufficient for adequate road maintenance. The problem is compounded by the high levels of road-based freight transport (estimated at around 69% percent of all freight transport in South Africa), which reduces the life cycle of road networks due to the intense wear and tear associated with heavily loaded vehicular traffic.

**Policy priorities**

South Africa’s cities need to transition to the next generation of integrated public transport interventions, building on lessons of the first wave of investment after 2009. The following policy priorities are proposed:

**Short-medium term**

**Clarify roles and responsibilities (institutional arrangements)**

To support the implementation of the National Land Transport Act (NLTA), national guidelines covering functional consolidation should be developed, and (where appropriate) national government should support and accelerate the devolution of functions. In the meanwhile, cities need to develop plans on how to organise transport functions and create transport authorities with the capacity to implement and operate the planned integrated public transport networks. National programmes should be introduced to support the development of transport-related human resource capacity and institutional learning in cities. PRASA and the relevant metropolitan municipalities with support from national government need to agree on mechanisms to strengthen PRASA’s accountability to metropolitan municipalities as transport planning authorities.

**Strengthen and integrate public transport modes**

A major focus in the next few years needs to be to complete the definition of the Integrated Public Transport Network plans, including inter-modal integration of all modes in the urban space as appropriate for every city’s context. Non-motorised transport (NMT) should be included in all planning, budgets and implementation plans. An implementation plan for every city will provide citizens and businesses with a basis for making location decisions informed by property and transportation costs. This plans should include financial plans for completing the networks and project prioritisation. The indicators developed to monitor the implementation plans and report on grant usage should measure progress regularly as well as incentivise modal and spatial integration. In cities already serviced by many modes (e.g. Metrorail, BRT, provincial bus services and municipal bus services), the systems need to continue to be improved, with modal integration taking centre place.
All existing bus and minibus services need to be integrated, which means that cities should invest in infrastructure, ICT technology and operational capacity that facilitates integration. Integrated ticketing and fares should be piloted. For the minibus taxi industry, this requires improved regulation. Therefore, a national commission into industry regulation should be established, while city-level efforts to include taxis in the networks should continue, e.g. by using ICT technology.

To reduce the emissions of vehicles appropriate resource efficiency and emissions standards should be set for all public and private vehicles. Pilot projects should be implemented for congestion and parking pricing, car-pooling incentives and testing of fuel-efficient technologies and alternative fuels for taxis and busses. The pilot projects should be monitored for operational consequences, cost implications and ridership numbers.

**Identify core public transport nodes and corridors**

Although transport oriented development (TOD) is a long-term approach, in the short-medium term, cities needs to identify the core public transport nodes and corridors and other infrastructure investments in those areas. These decisions should be reflected in the spatial development frameworks (SDFs) and zoning regulations, to ensure that new growth is concentrated along core transport corridors. To better understand how to achieve nodal-corridor improvements and extract land value capture, cities should initiate an action research programme linked to pilots in selected cities (in partnership with national government). A national policy framework to support settlement densification on priority corridors and nodes should also be developed, drawing on existing experience. Conditional grants should incentivise the desired developments. This means redesigning the Urban Settlements Development Grant with a greater emphasis on supporting mobility improvements.

Smaller towns that are not yet planning for public transport but have growing populations should be encouraged to include density and non-motorised and public transport provisions early on into the development of their urban spaces.

**Develop an operational subsidisation policy**

The fragmented spatial structure of South African cities means that providing public transport will remain very expensive. Therefore, to provide cities with the required fiscal stability to be able to operate the public transport systems and to ensure ridership on the system, a national debate on subsidisation is required. An operational subsidisation policy needs to be developed and could possibly be part of the review of the Public Transport Strategy. The policy should consider principles of subsidisation, fare setting, alignment of the subsidies for different modes, assists the restructuring of existing subsidies to provide access to as many commuters as possible, particularly poor ones. This is crucial for integration, targeting of vulnerable groups, the densification of cities and the successful operations of the networks. Plans for restructuring the provincially administered bus subsidies also need to be developed nationally as well as in every affected city. New contracts should be tendered out for services that align to network standards.
Longer term

In the long-term, continued willingness to react to the lessons learnt and maintain momentum will define the progress. Key transport nodes and corridors should be well-established and properly managed, leading to on-going private investment and consolidation. The infrastructure and systems of the core integrated public transport networks should be completed, and new phases being planned where necessary. The integration of all modes should be complete, and NMT should be used widely, out of choice. Service improvements combined with regulatory measures should drive a significant shift from private car use to public transport. Cities should have be managing transport planning, regulatory and operational functions at city level. Efficiencies and affordability of systems should continuously be improved. An intensification of efficiency and emissions requirements to achieve significant reductions is desirable.

Key actors

All spheres of government play a significant role in the country’s public transport system. The national Department of Transport is responsible for determining norms and standards through policy and regulations, planning, maintaining freeways (through the South African National Road Agency Limited) and passenger rail (through PRASA), as well as for managing grants to the provincial and local level. The provincial departments of roads and transport build and maintain various provincially-owned roads, contract bus services, regulate public transport through the issuing of operating licences and issue vehicle licences. Some urban municipalities run and fund bus systems. All municipalities build and maintain roads and are responsible for the planning of the built environment, including public transport networks, in their spaces.

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20 In Gauteng, the province has a bigger role because it manages the Gautrain as well as coordinates metropolitan plans within one agglomeration.
POLICY LEVER 2: INTEGRATED AND SUSTAINABLE HUMAN SETTLEMENTS

Cities and towns that are liveable, integrated and multi-functional, in which all settlements are well connected to essential and social services, as well as to areas of work opportunities.

Integrated and sustainable human settlements are the key to redressing the prevailing apartheid geography, restructuring cities, shifting ownership profiles and choices, and creating more humane (and environment-friendly), safe living and working conditions.

Integrated and sustainable human settlements result in:
- Improved quality of life for all citizens who have full access to all basic services.
- Multi-functional spaces with more housing and economic choices.
- Well-serviced, safe and vibrant communities.

STATUS QUO

The housing demand remains a moving target, given the impact of migration patterns, household growth and other shifting demographics. The concentration of poverty in large urban areas is growing, although rural areas are relatively more deprived. Property values make housing unaffordable to many South Africans; exacerbating the situation is the lack of sufficient social and rental housing for the lower-end of the market.

Several programmes are currently being implemented in line with the 2004 Breaking New Ground Policy and many other policy initiatives, including:
- National Upgrading Support Programme (NUSP): Deals with informal settlements and is currently being implemented in approximately 53 municipalities, supported by conditional grants such as the Human Settlements Development Grant (HSDG) and the Urban Settlements Development Grant (USDG).
- Acquisition of well-located land for affordable housing: The Housing Development Agency (HDA) 2011/2012 annual report indicates that much of the property acquired falls outside the major urbanisation pressure points, reflecting the possible land retention and release strategies of many of the SOEs.
- Built Environment Powers and Functions: The national Department of Human Settlements has begun a process of assigning the human settlement function (housing subsidy and operating authority) to six of the eight metropolitan municipalities by the end of 2014, with more transfers to progress over time.

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21 Between 1994 and 2011, government built over three million homes and provided 855 000 serviced sites, but a backlog of 2.1 million housing units remains. Similarly, although nearly 500 informal settlements locations have been replaced with quality housing and provided with basic services, approximately 1.2 million households still live in informal settlements.  
22 In the former homelands, less than 30% of adults are employed (compared with 55% in cities) and one in two households depends on social grants or remittances (compared with one in six in cities).
CHALLENGES

1. Escalating demand for serviced shelter
This is due to rapid urbanisation and resulting in growing infrastructure backlogs, as well as more marginal and un-serviced settlements areas, which are placing tremendous strain on municipal finances. As the demand for services grows, so too does the number of urban poor unable to contribute to municipal coffers. At the same time, the municipal rates base has remained constant (and even declined in certain areas), as the economy continues to shed jobs. The rapid urbanisation and growing informality of settlements are also increasing the pressure on the natural environment, including issues such as sufficient water supply, urban waste management, air and water pollution, degradation of vulnerable eco-systems and the erosion of arable land.

2. Shortage of well-located public land for housing development
Even though the government holds substantial tracts of public land, much of this land is not suitable or available for residential purposes. It may be located on unsuitable topography, rendered unsuited because of former uses (e.g. was a dump site), earmarked for other public uses (e.g. clinics), or located away from existing bulk infrastructure networks. Some urban centres, such as mining and industrial towns, are rapidly growing and have specific requirements for managing their expansion.

3. Poor quality, choice and location of public sector housing
The Department of Human Settlements has acknowledged that, despite reforms to the planning and land governance systems, colonial and apartheid legacies still dominate how space is structured and accessed. The current inequitable distribution of the unprecedented growth in the value of properties in the last 20 years, coupled with the inherited distortions of the market and limits on affordability of credit, reduce the opportunities for the poor to increase their wealth through transacting in the property market.

4. Skewed residential property market
A dual property market still prevails in South African cities: the formal market of the suburbs and commercial areas, and the market in lower income areas where trade is informal and survivalist. Initial housing policy was intended to provide the poor with starter homes through a housing subsidy, which then would allow them to participate in the residential property market. However, there has been little, if any, economic activity at the low end of the housing market. A subsidised housing is not being absorbed into the formal residential market, poor people are not able to access the kind of property that can be used as an economic asset. This is compounded by the fact that it has been found that transfer of title deeds to poor people living in subsidised (RDP) housing, has been delayed in many cases, sometimes for years.

5. Low densities of South African cities
South African cities have some of the lowest densities in the world and residential areas that are mostly separated from places of employment, shopping and public facilities. This hinders integration, sustainability and equity.
**Policy Priorities**

The ultimate goal of sustainable human settlement design and constructions is a decent standard of living, which includes access to transport, safety and security, adequate health care, nutrition, housing, water, electricity and sanitation services, among others.\(^\text{23}\) To achieve this requires finding the right mechanisms and levers to bring out fundamental spatial transformation.

**Short-medium term**

**Finalise the Human Settlements White Paper**

The most urgent priority is for the government to finalise the Human Settlements White Paper that will cover 2016 and beyond. The envisaged White Paper would need to move away from the current housing model in order to respond to a number of challenges, such as informal settlements upgrading, inner city regeneration and renewal, multi-segmented rental housing (including backyard rentals), devolution of the housing function, access to basic infrastructure and services in new developments.

**Prioritise the regeneration of the inner cities**

Inner cities play an important role as ‘arrival areas’, as well as offering the potential for access to employment and informal economies, reduced transport cost (even walking to economic opportunities and thereby reducing household expenses), etc. Their renewal and (re)development should be prioritised, with the focus on providing affordable housing, improving public sector investments and management, and urban management to make the area safer. Inner city regeneration should be a priority in bigger cities and would require partnerships between government, private sector and housing finance institutions.

**Accelerate the upgrading of informal settlements**

Informal areas are important areas of access to the city, especially for the very poor, including migrants from rural areas. Informal areas are generally located in areas where they promote access, although in some cases they are found in environmentally bad areas. The NUSP should be accelerated, and provinces and municipalities in particular must play a central role to ensure that the targets are met. Priority should be given to tenure upgrade, provision of basic services, social services and spaces for economic activities. Furthermore, in municipalities where this programme is being implemented, it should be reflected as a priority in the municipality’s integrated development plans and budgets. Provincial departments of human settlements should also provide sufficient budgets for the upgrading of informal settlements. As partnership with civil society and communities is critical for the development of sustainable models, municipalities should work together with civil society and locals to identify and implement innovative, relevant solutions.

**Finalise the devolution of the housing function**

A critical building block towards integrating human settlements is the devolution of the housing function, as metros are also progressively receiving the authority for integrated

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transport planning, while local government overall is responsible for the delivery of basic services and so is strategically positioned for such key site delivery. The devolution programme needs to be fast-tracked in line with the assignment and accreditation framework. Furthermore, the devolution should empower local government to have access to a portfolio of resources that will result in truly integrated human settlements.

**Promote densification, including supporting back-yarding in townships and low-cost housing neighbourhoods**

Significant densification is already happening along economic corridors, transport links and most residential areas. This densification is generally formalised, but in most townships is informal and unregulated, in the form of backyard rentals. Backyard rentals play an important role in providing affordable and quality rental accommodation for smaller and relatively secure tenure to lower income groups and other people not needing permanent accommodation in cities. Furthermore, backyard rentals offer economic assets to owners. Cities should develop or use the available land use management systems that acknowledge and support different typologies in order to accommodate various choices and improve densities. This might require infrastructure upgrading to ensure that the capacity is sufficient. Cities should develop strategies to support backyard rentals and/or use their land use management systems and other planning instruments for this purpose. Suburban densification options must also be extended.

**Improve integrated planning and management**

Far greater intergovernmental collaboration is needed for integrated planning, spatial frameworks, and access and availability of well-located land. While cities are responsible for planning development in their areas, national and (in particular) provincial governments must to take into account the various local government plans, such as city development strategies, spatial development plans, integrated development plans, precinct plans etc.). This is especially important when planning for the provision of social infrastructure (such as schools, health facilities, libraries, etc.) and economic infrastructure. Future development should be aligned with plans such as the Strategic Infrastructure Programmes (SIPs), and coordinating planning with other sectors and stakeholders should be a priority.

**Redevelop townships**

The majority of urban South Africans live in townships, where the focus should be on investing in public infrastructure, strengthening the transport links between townships and areas of economic opportunities, and improving public health and education. The Urban Network Strategy (currently being developed as part of the Neighbourhood Development Partnership Programme by National Treasury) is a good starting point for linking townships with other economic nodes and concentrating infrastructure investments. This kind of integrative approach should be supported, and public infrastructure investments across spheres and sectors of government should conform in order to strengthen the networks and improve the quality of life of the residents. As similar integrated approach is needed for providing good public health and education facilities and services in townships and other

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24 Lessons from programmes such as the Urban Renewal Programme and the Top 20 Priority Townships Programme of Gauteng Province, should be considered.
marginalised areas because health and education are provincial and national competences (with local government providing a critical supportive role).

**Develop a national policy on inclusionary housing**

Government cannot meet the demand for well-located housing alone, but needs to work in partnership with the private sector and key stakeholders. Inclusionary housing can result in greater integration and enable lower income groups to access housing and employment in higher income areas. An Inclusionary Housing Policy should be developed that incentivises property developers to include a level of affordable housing in their developments. Some private developers have (to a certain extent) started providing mixed income housing projects, in partnership with local government, and these initiatives need building upon. Generally, although these mixed-income projects tend to be relatively well located (i.e. they are on accessible routes to main sources of employment), they are mainly confined to lower/middle income areas of the city and rarely defy the traditional class geographies in cities.

**Longer term**

The focus could be on monitoring and review of policies where required, based on the implementation of various programmes, with the intention of advancing options for more integrated and inclusive human settlements. The NUSP should be complete and evaluated. Lastly, the concepts and ideas for human settlements need to continue to be well informed by developmental thinking and research, and partnerships and alliances with key national and international role-players.

**Key actors**

A host of actors all working together will be required to ensure that this policy lever succeeds in shaping the built environment within municipalities. They include housing and land-related public institutions, such as the National Home Builders Registration Council, National Housing Finance Corporation, National Urban Reconstruction and Housing Agency, Social Housing Regulatory Authority, Rural Housing Loan Fund and Housing Development Agency (HDA). The participation and integration of national ministries, provincial governments (particularly Provincial Planning Commissions), Offices of the Premier, and departments of human settlements, transport, environment, and economic development will be needed for the continued operation of the NUSP. Commercial financial institutions and development finance institutions are also important, as are grassroots movements that represent informal settlement residents, ratepayers, vulnerable groups such as the disabled, and consumer associations, professional bodies, think tanks and NGOs that focus on the delivery, policy research and advocacy of built environment. These resources should be harnessed in the formulation of the Green and White Papers and various other mechanisms.
POLICY LEVER 3: INTEGRATED URBAN INFRASTRUCTURE

Cities and towns that have transitioned from the traditional approaches to resource-efficient infrastructure systems that provide for both universal access and more inclusive economic growth.

Such a transition will require integrated urban infrastructure planning and management in order to deliver the key urban services of energy (including a metered supply to every user, energy efficiency and renewable energy); water and sanitation (including water efficiency, recycling and re-use); storm water drainage services (that form part of the water cycle in accordance with the Sustainable Urban Drainage Systems approach, not just an extension of road construction and management); solid waste management (including reduction, recycling and re-use); and transport and mobility services for people and goods (with an emphasis on mass public transit on bus and rail as elaborated before). An integrated urban infrastructure needs to be extensive and strong enough to meet industrial, commercial and household needs, and should also be planned in a way that supports the development of an efficient and equitable urban form and facilitate access to social and economic opportunities.

Integrated urban infrastructure results in:
- Universal access to basic social and other services, which supports equality and inclusivity.
- Environmental benefits, through protection of the ecological resources.
- Sustained economic development and job creation.

STATUS QUO

Current levels of capital finance are insufficient to match the projected infrastructure requirements. To get infrastructure to suitable standards, an additional R4-billion per sector would be required every year for five years in the case of water and sanitation, and for just under seven years in the case of electricity.

The increased roll-out of infrastructure to address the demands and meet the needs of population and economic growth will affect municipal operating account. Total municipal operating expenditure is expected to increase by 63% over 10 years.

The responsibility for implementing infrastructure plans lies with municipalities, although national departments are responsible for policy, legislation and standards.

Infrastructure is an essential bridge between rural and urban areas, and between the agricultural sector and other sectors of the economy.

To drive South Africa’s infrastructure programme, the Presidential Infrastructure Coordination Committee (PICC) was set up to co-ordinate the country’s infrastructure build and upgrade programme across all spheres of government and priority sectors of the economy, as well as contribute to social development and overcome basic services backlogs.

• **Strategic infrastructure programmes (SIPs):** The PICC is working on a plan involving 18 SIPs covering more than 150 specific infrastructure interventions countrywide (rail, roads and ports; dams, irrigation systems and sanitation; new energy generation plants, transmission lines and distribution of electricity to households; communication and broadband infrastructure; social infrastructure in the form of hospitals, schools and universities; and regional infrastructure).

• **The MTSP for Outcome 9:** A tension that presents itself is, however, the significant amounts of finance required to sustain the required levels of investment. The MTSF makes provision for a review of the infrastructure funding regime to address some of the challenges around coordination and integration.

**CHALLENGES**

1. **Lack of coherent local-level planning and delivery**
   Local governments are required to formulate integrated development plans and spatial development frameworks, which should ideally include comprehensive, integrated infrastructure plans. However, this becomes extremely complex because of different sector-specific national regulatory and policy frameworks and shared responsibility for regulation and funding between different spheres of government. Energy, water (and to some extent sanitation), solid waste management and transport are each separately governed by national policy and regulatory frameworks managed by national sector departments, often operated as a concurrent function at provincial and or local government level, with conditions attached to grants that complicates integration at the local level.

2. **Lack of funding for capital investment and maintenance of infrastructure**
   Funding is considered inadequate for cities to be able to deal with their infrastructure and service delivery challenges (backlogs as well as infrastructure for growth). Despite this, municipalities struggle to spend their infrastructure budgets. Storm-water drainage infrastructure funding is estimated to meet only 10% of the actual requirements, which could result in accelerated environmental damage and increased risk of food-related damage and disasters.

3. **Inadequate infrastructure limits the South African economy,**
   Unless electricity constraints are addressed the economy cannot grow at a rate of more than 3% per year. Similarly, transport and logistic infrastructure are unable to support the economy adequately if it grows at more than 3.5% per annum.

**POLICY PRIORITIES**

Investments in infrastructure are critical to address the backlog of basic services, particularly in townships and informal settlements, as well as for the economy. Forging a new economic path, towards an inclusive and dynamic economy, implies urgent investments in rail, water and energy infrastructure, alongside regulatory reforms that provide policy certainty. The supply of energy and water needs to be reliable and sufficient for a growing economy, and the responsibilities of municipal maintenance of distribution systems need to be appropriately allocated and funded.
Short-medium term

Institutionalise municipal long-term infrastructure planning
Infrastructure planning is by nature about long-term life cycles of highly complex socio-technical systems. It takes up to 10 years to bring large water resources projects, and power generation infrastructure projects on line. Asset lives for large-scale infrastructures are also long (50–80 years, but can be longer), and hence the operational burden is considerable. The long-term vision of each city’s planning and growth strategy should provide an overarching strategic framework for infrastructure planning, to which shorter-term sectoral and inter-sectoral plans can be factored. All projects and major capital investments (national, provincial and local) need to be spatially targeted and aligned to these municipal plans. The longer-term vision should have a concrete infrastructure component describing, among other things:

- How infrastructure investments will help to achieve broader social, equity and environmental objectives.
- How principles of differentiation will be applied and enable targeted investments (e.g. economic nodes, informal settlements, poorly serviced locations).
- What resources will be assigned through the PICC SIPS and related targeted infrastructure growth investments.
- How demand for resources (specifically water and electricity) will change, as migration and settlement patterns evolve and diversify.
- What environmental constraints will affect the required supply to meet this demand.
- How the required infrastructure investments will be financed, including capital and operating costs over the life cycle and recognising that a higher capital expenditure might ensure lower operating expenditure and environmental benefits.
- What institutional arrangements for the provision, operation and maintenance of infrastructure will be required, based on examples of effective models for municipal infrastructure rehabilitation and maintenance.

Consolidate and coordinate infrastructure funding
A perspective of urban settlements that integrates planning and management of infrastructure with fiscal instruments has been missing in the past, with (conditional) grants largely focused on specific sectoral interventions. For instance, Chapter 8 of the NDP highlights the need for a revision of the housing grant and subsidy regime, to achieve greater coherence and integration. This ‘separate’ trend is starting to be reversed, firstly through the introduction of the Urban Settlements Development Grant (USDG), and more recently through the amendments to the fiscal framework being suggested through the City Support Programme (CSP) which is a programme operationalised through the National Treasury. However, greater coherence and integration is required across sectors. Consolidated funding for infrastructure provides municipalities with sufficient autonomy in defining programmes and projects, but with specific performance indicators that are related to the long-term objectives. At the same time, a review of financing mechanisms and formulae is needed to enable investments in infrastructure that supports economic growth. Fiscal policy should also ensure adequate expenditure on rehabilitating and maintaining infrastructure, while taking into consideration the differences between municipalities and asset classes.
Strengthen partnerships and intergovernmental planning

Far stronger collaboration and coordination mechanisms are needed, to consolidate the integrated planning of various sectoral plans in a coherent way. Explicit discussion will be needed, on priorities and trade-offs in an integrated framework, as opposed to simply the ‘silo’ based priorities of the various sectors. The planning process for improved coordination should be strengthened, particularly around infrastructure provision. Amendments should be made to legislation and policy where necessary to clarify functions and align planning. Mechanisms should also be established to oversee and coordinate infrastructure investment decisions across government and facilitate engagement with the private sector and communities. This is especially important for the planning and monitoring of social infrastructure, where municipalities need to build stronger relations with communities and civil society in order to foster collaborative ‘place-shaping’ decisions to improve liveability, especially within informal settlements.

Develop infrastructure as a bridge between rural and urban areas

Transportation, communication and energy infrastructure is the backbone of urban-rural development. Good infrastructure provides access to urban markets, health and education facilities, and employment opportunities, thereby enhancing socioeconomic development. Furthermore, road and rail infrastructure enables local farmers to link up with food processing industries. National and provincial governments, working with local government, should invest in the development of good transport networks (road and rail) and ensure the alignment of strategic infrastructure projects with other major transport investments. Promoting access to information and communication infrastructure (such as fast broadband and mobile coverage) in rural areas is also critical for improving the rural-urban linkages.

Longer term

As PICC and SIPs projects reach the end of their first 20-year cycle, plans should be initiated for the second phase of long-term social and economic infrastructure development. South Africa should focus on diversifying the economic base. This should include building the capacities required to produce capital and intermediary goods for the infrastructure programme and sub-Saharan Africa. It should include resource-cluster development for the mining industry, combining production of capital goods, provision of engineering services, and beneficiation that targets identified opportunities. Longer-term, the country should lay the foundations for more intensive improvements in productivity, including infrastructure delivery and services.

Key actors

Multiple sectors and entities are involved in delivering infrastructure, from the primary roles of respective government spheres and sector departments to major construction and investment conglomerations. Infrastructure requires the highest level of joint work between the state and the private sector, with opportunities for smaller entities located especially within the social infrastructure sector. The departments for human settlements, transport, energy, environmental affairs, water affairs, national treasury, economic development, telecommunications and postal services, public enterprises and those responsible for local government form a cluster for managing the delivery of public service utilities. Integrated and collaborative intergovernmental planning for the cost-effective investment of public resources and the expansion of infrastructure within our urban and city regions is essential.
POLICY LEVER 4: INCLUSIVE ECONOMIC DEVELOPMENT

Cities and towns that are dynamic and efficient, foster entrepreneurialism and innovation, which sustain livelihoods, enable economic growth, and generate the tax base to sustain and expand public services and amenities.

The NGP, which is the backbone of our national economic policy, emphasises the importance of employment creation nationally through specific drivers. These include seizing the potential of new economies through technological innovation, investing in social capital and public services, and focusing on spatial development. Inclusive economic development is essential to creating jobs, generating higher incomes and creating viable communities and nations. More employment and improved livelihoods for workers and their dependents can break the cycle of poverty.

Inclusive economic development results in:
- The increase and profitability of enterprises, small and large, which form the backbone for economic growth and prosperity;
- People who have self-respect, daily routine, new skills and social networks, as they participate in productive work.
- Communities that are uplifted, through improved skills, services, and work and livelihood opportunities.
- Elevated national living standards, as economic benefits (and resources) spread out from cities and towns to rural areas.

STATUS QUO

South African urban centres generally have an inefficient spatial form but are also very diverse. National departments in the economic cluster and most state-owned enterprises (SoEs) have difficulty recognising and responding in a differentiated way to the diverse economic circumstances and prospects of different cities and towns.

Economic development has tended to remain marginal to the core municipal tasks of providing basic services. Municipal economic policies and local economic development (LED) strategies are often dominated by wishful thinking and piecemeal initiatives.

Many of national and provincial governments’ economic policies and programmes are fragmented. National development tends to ignore the economic plans and capabilities of municipalities, including of large, well-capacitated metros, thereby missing the opportunities to harness and leverage the concentrated capacity and investment in the towns and cities.

Numerous initiatives exist but are largely un-coordinated, un-sequenced, and do not address specifically the urban question and role-players. The range of programmes and actors at a national level alone demonstrate the complex environment in which towns and cities are to engage if were to adequately grasp their economic development role.

- **Key general policies, programmes and initiatives** include: the NGP (2009 – Department of Economic Development); the NDP (2009 – The Presidency); the Infrastructure Act (2013 – Department of Economic Development); PICC’s Strategic Infrastructure Projects (SIPs); the White Paper on Local Government (1998 – Department of Cooperative
Governance; the National Framework for Local Economic Development 2014-2019 (2014 – Department of Cooperative Governance); Treasury instruments (e.g. Urban Development Zones, Development Charges, Neighbourhood Partnership Development Grant; Integrated City Development Grant; the Jobs Fund) and economic-specific programmes (City Support Programme; Economic Regions Learning Network); Department of Trade and Industry policies and instruments (e.g. Industrial Policy Action Plan II (date), Spatial Development Zones, the National Informal Business Upliftment Strategy, White paper on SMMEs); public employment programmes (e.g. EPWP and the Community Works Programme – Department of Public Works); labour market services (the Department of Labour).

- **Provincial and local government** have numerous initiatives and platforms aimed at addressing issues of industrial development, increasing productivity and competitiveness, improving investment climate, and so forth.

**CHALLENGES**

1. **Local economic development has been neglected in many urban areas**
   Major investment projects – with the potential to create jobs – are often held up by simple bottlenecks in water, electricity or transport infrastructure, or inadequate local skills. Many municipalities barely communicate with the business community or other economic stakeholders (because they are preoccupied with their own internal activities), and also lack technical capacity for facilitating economic development. The spatial pattern of investment is somewhat haphazard, with investment driven where developers can access cheap land or infrastructure rather than planned from a socio-economic and environmental perspective. This is because municipalities are not equipped or determined enough to decide on the most appropriate locations for business and industrial development in their city or town. Part of the challenge is the disjoint, and sometimes contradiction, between national (macro) economic policy and local economic development planning. National industrial development strategies and strategic economic infrastructure investments are generally not pursued in consultation with even the largest metros, nor do they tend to consider local development plans.

2. **Informal sector dismissed or marginalised**
   Instead of seeing the informal sector as a source of livelihoods and a training ground for nurturing future enterprises, it tends to be dismissed as undesirable, marginal and survivalist, and therefore of little economic consequence. Cities are more inclined to restrict the activities of informal traders, rather than to help them to grow and diversify. There is insufficient experimentation with community-based enterprises and the social economy as a way to develop local skills and provide useful services e.g. in townships and informal settlements – recycling waste, renovating homes, installing cheap energy systems, and caring for children and elderly people. Policies need to accommodate informal economic activities, supported by a planning system that does not see the sector as a problem or ‘formalisation’ as the only solution.

3. **Different towns and cities face unique problems**
   Whereas the challenge for metros may be to recognise and strengthen their role in economic planning, smaller cities and towns face their own peculiar challenges. The national
importance of secondary cities for the country’s development cannot be ignored, for example, even if their economic size is small relative to the metropolitan areas. They are home to 40% of the country’s population and much of the country’s minerals and energy supply, and are an important conduit for services and goods to the rural areas. Their challenges include being dependent on one or key economic sectors (and so vulnerable to economic or policy shocks), poor municipal management, and weak relations between government and non-government organisations and between government and business. They often have weak strategic and spatial planning capabilities, inadequate municipal infrastructure and maintenance, which prevents them from expanding their economic base. Other types of urban settlements – e.g. small mining towns, university towns and so forth – also face unique opportunities and challenges. Municipalities with large rural populations can experience tensions between elected local councils and traditional leaders.

POLICY PRIORITIES

It is recognised that there is no magic solution to the unemployment crisis, and that both the government and the private sector have important roles to play, often best achieved by working together or through intermediaries.

Short-medium term

**Strengthen the economic role of municipalities**

Local governments, especially those of metropolitan areas, comprise a significant proportion of the national economy, and their economic role needs to be recognised and strengthened. Practical expression should be given to the directives of the White Paper on Local Government relating to the economic role of municipalities. In this way, urban authorities should be enabled to tackle unemployment and strengthen the local economy by taking on a more decisive leadership role and directing strategic policies and investments. Metros in particular should have economic development at the core of their agendas, creating internal systems (among senior politicians and officials) for strengthening linkages with other economic stakeholders (including core national departments, private sector associations, and civil society bodies) to understand their circumstances better, and to engage in joint problem-solving and practical ventures.

**Strengthen municipal institutional capacity in economic development**

Compared to other municipal functions, economic development requires different skills and competences, in particular organisational capacity to engage with external role players and champion local interests. Other capabilities needed include strategic leadership, economic literacy, networking, partnership-building and negotiation with wider interests, to ensure that job-creating investment is championed, while ensuring that proper balance is given to economic objectives alongside environmental and social considerations. Municipalities should consider appointing economists, project facilitators and people with appropriate business experience. The function should be located either within core municipal administration or in a separate agency with discretion and operational flexibility, and be outward-facing towards business organisations, investors, citizens and communities. Internal administrative structures and systems should be (re)configured to enable key land, infrastructure and administrative functions to support agreed economic development decisions.
The production structure and capabilities of small towns need to be strengthened, to allow them to play an increased role in local economic development. The potential ability of small towns to act as catalysts for rural economic development is intimately linked to the quality of available infrastructure and the local enterprise sector. Overall, if the interactions are well managed, small towns and rural areas provide the basis for economically, socially and environmentally sustainable regional development. Local government should consider using their various planning instruments (e.g. spatial development frameworks and related area-based plans) to link rural and urban areas. Provincial governments can use their spatial, economic, and growth and development strategies to promote regional integration, functional geographic areas and economic value chains. Provinces are also better positioned to strengthen the links between the different economic sectors to create the upstream and downstream value-chains.

**Support municipalities with building and using economic intelligence**

An essential ingredient of a successful economic strategy is an improved evidence base, and the ability to use it effectively. Economic intelligence is necessary for developing a robust understanding of the space economy, an awareness of the economic impacts of state behaviour, and in-depth knowledge of the local economy and its dynamics. Government should begin by packaging and using its own information-bases better (e.g. datasets from SARS, Stats SA, CIPRO, etc.). Detailed research and data gathering will help, ideally in partnership with local centres of research. Economic intelligence and awareness of external market opportunities, as well as of the city or town’s long-term development potential, are also important and ought to be sourced. Knowledge of good practice elsewhere will also help in drawing strategic lessons for the local governments.

**Initiate shared economic development strategies for cities and towns**

This holistic economic strategy should be articulated as a special section of the Growth Management Strategy, along with a medium-term plan expressed in the municipal IDP. Based on an understanding of the city’s distinctive strengths and weaknesses, it should seek to position the city in relation to key industries, occupations, markets and investment opportunities relative to other cities and regions within South Africa and internationally. National and provincial stakeholders will need to have differentiated supporting approaches. For example, the priority for long-established mining towns may be to diversify their economies by attracting new growth sectors, such as minerals beneficiation, environmental technologies or green industries, while large metropolitan areas may focus more on specialisation strategies.

Small and medium sized towns are important intermediary points that link and benefit both rural and urban areas through consumption, production and employment. They also link rural producers to the national and global economy, as they are where rural households purchase and sell their goods. Functional rural economies are equally important for the sustainability of these small and medium sized towns. The departments of rural development and land reform, and public works already have several small-town development programmes, which need to be integrated with the various rural development initiatives, particularly the land reform initiatives and the Comprehensive Rural Development Programme. Economic strategies and support need to respond to these different contexts and needs, including a comprehensive strategy for the development of
small towns. The development of a clear national Spatial Development Framework, which maps out the space economy and identifies economic potential and opportunities, will be a crucial part of this. Many provincial centres also need to reinvigorate their private sector, including supporting the informal economy.

**Strengthen roles and leverage partnerships with other economic stakeholders**
Municipal leadership needs to send out clear and consistent signals that economic development is central to their agendas. The municipality also should engage with external economic stakeholder to develop a shared understanding of the situation and joint problem-solving, through wider forums, according to different economic sectors (manufacturing, business services, property development, informal enterprises, etc.) or regular learning forums (e.g. an annual ‘state of the city economy’ summit). Given the perception by many municipalities that there are policy (MFMA) barriers to partnership, it will also be necessary to consider how exactly economic and partnership considerations can feature more strongly in major decisions concerning policy and implementation of municipal functions such as service delivery and environmental regulation. Different kinds of collaborative arrangements will be required, depending on the purpose (e.g. accelerate infrastructure delivery, support community-based enterprises or build specialised expertise for particular industrial sectors and clusters). Some may take the form of loose partnerships for sharing information and joint planning (e.g. particular infrastructure projects with specific state entities), while others may require a more formal arrangement where resource transfers are involved and new services are to be delivered (e.g. intermediary agencies to manage relationships and provide specialised support services for particular sectors). Entering into formal agreements could provide tangible evidence of sustained commitment and help to hold national, provincial and local agencies to account. Cooperation with neighbouring municipalities is also important where there are strong functional relationships between them.

**Improve relations between municipal councils and traditional authorities**
Most municipalities have both elected politicians and traditional leaders, and tensions often arise between the two institutions, particularly between the statutory rights system of land tenure and the customary system. This conflict is often the result of conflict between the traditional land administration system and municipal spatial plans, as elected governments need access to land to fulfil their responsibilities of providing infrastructure such as roads and sanitation. The tensions and uncoordinated land management systems compromise the linkages between rural and urban areas. A framework to guide relations between elected local government and traditional authorities on matters of land governance and the overall development of the municipal space is essential.

**Create the local conditions for supporting enterprise development and growth**
This could also take the form of removing barriers in the way of enterprise development. At local level, economic development requires available serviced land, essential physical and telecommunications infrastructure, labour skills, and efficient administration of building and environmental regulations. Combined with a conducive and safe social environment, these form the basic platform for attracting investment and enabling growth. However, municipalities do not have responsibility for all of these things and cannot deliver them alone. Therefore, municipalities need to be the champion of a common economic agenda,
working with the relevant organisations and stakeholders in order to avoid redundant, incoherent or fruitless effort and initiatives and develop joint action plans.

**Progressively improve inclusive economic infrastructure and services**
Municipalities should be aware of (e.g.) where suitable land and buildings for new development and redevelopment are available, including their ownership, size, condition and location. They should be able to use this to target particular well-located parts of the city, including ensuring that the infrastructure, physical environment and regulatory frameworks are conducive to accelerated (re)development. Cities should work closely (and seek formal agreements) with national departments and other state entities, responsible for providing new electricity sub-stations, broadband connectivity, bulk water pipelines, sewage treatment works, major port and railway improvements, and public transport, to coordinate planning and address capacity constraints in a punctual fashion. The same ought to apply to engaging key role-players on human capital development (health, education, training), labour market services (job search, advice, work experience) and enterprise support services (business planning, financial assistance, marketing) which are also crucial to developing the local economy. Key development planning documents of the city such as the IDPs and SDFs should clearly reflect these priorities and phasing.

**Support community-based enterprises and work**
With a large deficit of decent jobs in the mainstream economy, imaginative use of public employment programmes should support community-based initiatives and other ‘bottom-up’ activities particularly in townships and informal settlements. These programmes need to be imbied with a social enterprise approach in order to foster genuine entrepreneurialism and business acumen. As well as offering valuable work experience and a basic income safety net for marginalised groups, these programmes can provide useful services in poor communities, including food gardens, catering operations, environmental improvements, infrastructure maintenance, better security, and early childhood development. Community groups, churches, mosques and other local bodies can be involved in planning and delivering such projects, thereby strengthening local organising capacity, fostering community cohesion and encouraging local initiative. These shared productive activities may promote a sense of collective ownership of neighbourhood assets. The natural environment would also benefit from restored ecosystems, cleaner rivers and reduced air pollution.

**Support urban livelihoods as a core principle of inclusive urban management**
Progressive approaches to the informal economy should be adopted. Township panel beaters, hairdressers, cellphone repairers, artists, recyclers, waste pickers, mechanics, craftsmen, street traders and home-based industries all have a part to play in growing the economy. In the context of mass unemployment, the government needs to support all kinds of entrepreneurial activity, both directly and by not imposing undue restrictions on their operations. Government needs to develop understandings and policies for the informal economy that will enable municipalities to manage it more coherently and also help enhance the sector’s economic potentials. This affects various (mostly municipal) functions in terms of planning (zoning and bylaws), supporting infrastructure provision, all the way through to taxation, licencing and regulation. Informal trade and informality should also be considered in spatial planning policies. Furthermore, municipal land-use policies should
consider informal economic activities and find ways to accommodate the livelihoods to the greatest extent possible.

**Longer term**

**Build distinctive strengths and extend/link regional economic value chains**

In a competitive global environment, South African cities and towns need to develop more specialised activities and sources of advantage that other cities cannot easily reproduce. In identifying new and expanding markets, focus should be on building unique industrial strengths and distinctive physical assets in order to generate greater interest, investment and jobs. Local differences also need to be nurtured in a context of converging national cultures and more homogeneous consumption patterns. Upgrading the local economy to more valuable and productive activities is especially important for externally exposed (‘tradable’) sectors. For example, beneficiation of mineral resources rather than exporting raw materials, and agro-processing rather than simple food exports. The most effective strategies are likely to be those that build upon established local capabilities and relationships rather than imported ideas. The idea of differentiation may also relate to human-made assets such as research facilities and cultural amenities that promise investors and tourists a worthwhile experience. Developing stronger international networks and connections may be another necessary ingredient for cities to position themselves more effectively in global value chains. City economic strategies must also refer to neighbouring areas where there are sizeable cross-boundary resource flows and other interactions. Urban authorities should also accept some responsibility for supporting the surrounding region and rural areas on which they depend for natural resources, food and labour. This may take the form of policy guidance, technical support, capacity building and collaboration.

**Key actors**

Given the limited powers and resources of municipalities, collaboration is essential. Municipalities should take on a leadership role, as they have local knowledge and robust institutional networks and connections. Other partners include other parts of government (including national and provincial government, state-owned enterprises, etc.), the private sector, trade unions, community-based enterprises, and other economic interests.
POLICY LEVER 5: EFFICIENT LAND GOVERNANCE AND MANAGEMENT

Cities and towns that grow through investments in land and property, providing income for municipalities that allows further investments in infrastructure and services, resulting in inclusive, multi-functional urban spaces.

Both municipalities and private investors have a vested interest in land value remaining stable and increasing. For private investors, land value is the capital base for accessing further finance to invest in new property developments, which are in turn supported by the municipality through (e.g.) infrastructure, services and public transport. At the same time, property values reflect apartheid patterns of segregation and mono-functional use, which need to be addressed to promote spatial transformation.

Efficient land governance and management results in:
- Municipalities being able to strengthen their revenue base (mainly property taxes and rates), and thus provide poor people with access to well-located land, close to economic opportunities and social amenities.
- Sustainable urban form (compact cities) and land use.
- Spatial transformation and the creation of inclusive cities.

STATUS QUO

Many post-1994, low-income developments are found on the outskirts of cities where land is cheap, but also poorly located, far from economic opportunities and social amenities.

Municipalities have little control over large portions of undeveloped and under-used land in their area. Much of the land might be owned by state-owned enterprises (SOEs), national or provincial departments or the private sector (including mining companies). The lack of integrated data, makes it difficult to find out which government department owns or is responsible for land.

The main government initiatives are:
- Spatial Planning and Land Use Management Act, No16 of 2013 (SPLUMA): This Act provides a framework for spatial planning and land use management, specifies the relationship between the spatial planning and land use management system and other kinds of planning, provides for inclusive, developmental, equitable and efficient spatial planning at the different spheres of government, and promotes greater consistency and uniformity in the application procedures and decision-making by authorities responsible for land use decisions and development applications.
- Provincial planning legislation: Already enacted in the Northern Cape and KwaZulu-Natal), all other provinces are expected to pass their own legislation soon. The HDA is developing the Land Planning and Assembly programme, with the purpose of designing and coordinating strategies and support programmes to facilitate the release of integrated land and landed property for sustainable human settlements development. The programme also seeks to offer geo-spatial information services through research and innovative solutions to national, regional and local partners.
**CHALLENGES**

1. **State land must be disposed at ‘market-related’ value**
   Public land acquired during the apartheid era (often at a minimal cost) is now sold at ‘market-related prices’, which often makes well-located land too expensive for developments that would benefit the poor or promote a more inclusive and efficient urban form. The legislation governing the disposal of land by government and SOEs is confusing: Treasury Regulations indicate that land must be disposed at market-related value, while the Immovable Assets Management Act state that the ‘best value for money’ should be achieved (which includes considering factors such as functional, financial, economic and social return). However, the Constitution says that market value is only one of several considerations, yet in practice compensation tends to continue to be based almost exclusively on market value. The way in which SOEs operate also means that the profit motive and keeping their balance sheets healthy usually overrides social responsibility. [The issue is not just social responsibility but rather acting in ways that reinforces the long-term growth management strategies of cities and towns, as well as their own interests.]

2. **Tenure uncertainty and insecurity**
   In informal settlements, formalisation of tenure has been slow, and many people experience insecure tenure as a result, although some extent the anti-eviction legislation protects them. Tenure complexity is also related to a certain extent to whether or not land is urban or rural. Urban and rural areas are inextricably linked, with informal settlements in urban areas often serving as reception areas for new migrants from rural areas. Rural areas include communal (or traditional authority) areas where people’s tenure is less secure, they do not have registered land rights and they are therefore unable to use their land in the same way that their urban counterparts are, selling it, using it for collateral. This, arguably, places a severe constraint on the economic and social mobility prospects of such households. The democratic government’s efforts at reforms to address inequalities in access to land have been slow and difficult to implement. Overall the country’s racially discriminatory and fragmented land tenure system is proving difficult to dismantle.

3. **Inadequate land-use management instruments**
   Cities have limited ability to capture land-value improvements that result from public investments in transport infrastructure, or to increase other revenue as a way of increasing public transport funding, particularly for long-term operations. The current spatial and land-use management instruments also give cities only a relatively weak influence on actual investment decisions of (especially) the private sector.

4. **Slow land-use planning and management processes**
   Land-use planning and management processes are often slow, despite legislated timeframes. Many municipalities have large and well-developed urban areas but also traditional authority areas (often located some distance from urban opportunities), which makes developing coherent spatial plans difficult. The inclusion of traditional authority

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27 Ibid
areas within our city regions is a unique feature of the South African urban landscape, and the planning, management and the taxation of such areas need to be urgently examined. In addition, although municipalities need to raise the bulk of their income through rates, or property taxes, they have limited opportunity to capture benefits arising from public investment. For example, the Gautrain development led to sharp increases in the values of properties close to stations, but the valuation roll is only updated every five years, which mean that the municipality did not benefit from increased revenues as much as would be expected.

**Policy Priorities**

Several interventions can be made around strategic land governance to promote more efficient, effective and inclusive urban areas:

**Consolidate and simplify the legislation governing the disposal of state land**

The legal and institutional framework relating to land continues to be fragmented and ambiguous. A simplified and coherent piece of legislation is needed for managing the disposal of the state’s immovable assets that applies to all, including municipalities and state-owned entities (SOEs), that removes the current contradictions and gaps, and that does not allow selective application of legislation in order to support a profit motive only.

**Ensure legislative concepts are applied consistently**

Key concepts, such as market value, public interest and social responsibility, need to be applied consistently, in order to prevent the ‘cherry picking’ of legislation, especially by SOEs. The insistence of SoEs on obtaining market related prices for the disposal of non-core land should be urgently challenged. For example, the disposal requirement contained in the Government Immovable Asset Management Act (No. 19 of 2007) obliges the custodian to consider whether the asset can be used by another user or jointly by different users. This supports government's socio-economic objectives of land reform, black economic empowerment, alleviation of poverty, job creation and the redistribution of wealth, and clearly applies to all spheres of government, including SOEs. Market-related prices should not be allowed to override these principles. This requirement should also be consistently applied in legislation such as the PFMA regulations, the Companies Act and any other legislation which may be used for the disposal of land.

**Speed up land tenure**

Land tenure for the urban poor needs to be simplified, clarified and speeded up. For example, in informal settlements, municipalities should develop and implement an incremental approach to land tenure, which would include options, such as the recognition of limited tenure leading to legally secure tenure and later freehold tenure. Tenure rights of vulnerable people in rural areas such farm workers also need to be addressed in policy and in practice. Mechanisms for reducing costs around land registration and transfer need to be introduced for poorer people to ensure that transfers are concluded quickly and recorded properly in the formal land registration system. The delays in the backlog of the registration and transfer of RDP houses need to be addressed urgently.
Simplify land-use planning and management
Planning legislation needs to include mechanisms for improving spatial planning, improving community access to planning processes, and improving intergovernmental coordination around land management. Municipalities need to be supported to implement SPLUMA. The practice of using large tracts of peripheral land for low-income housing, the housing policy and funding mechanisms also should be reviewed, and greater attention paid to restricting the number of projects built far from well-located urban land. This practice should only be allowed under highly exceptional circumstances until the broader goals of urban compaction have been realised. The capacity of municipalities to manage their land needs to be assessed and mechanisms developed to address capacity shortfall more effectively. In this regard it is important to explore various innovative models such as citizen ombuds structures, citizen juries, or bodies comprised of public, private and government participants to oversee the speed of progress.

Promote land value capture
Greater attention needs to be made to developing mechanisms for local government to capture the accrued values of large-scale public investments such as the Gautrain. This will become increasingly important as transit-oriented planning and investment achieve greater traction across various urban jurisdictions.

Address the impact of Traditional Authority areas within predominately urban municipalities
There is growing evidence that households are opting to locate in traditional authority areas located in close proximity to urban centres and infrastructure not only to access land cheaply but also as a means of circumventing the payment of rates and service charges. A policy and strategy needs to be developed which addresses aspects such as planning, enhanced integration, management and taxation for traditional areas.

Improve municipal access to SoE and state land
State-owned enterprises (SoEs) remain major land owners in urban areas, and so appropriate policy shifts should be made to improve the management and release of non-core SoE land and state land in towns and cities. This includes, for example, the need for a reconceptualisation of public land in relation to supporting and promoting the public interest. In addition, greater transparency is needed. Any acquisition of state of SoE land must be located in the municipal strategic planning processes. This includes for example, the development of an integrated strategic land plan which would include the identification of SoE, state, municipal and privately owned land with a clear motivation of why and when the land is necessary for urban transformation purposes. The joint preparation of the integrated strategic land plan must be linked to the IDP, the SDF and any local SDFs.

29 Section 12(1) of the Spatial Planning and Land Use Management Act (Act 16 of 2013), requires that a municipality’s SDFs contains the following information: ‘(g) previously disadvantaged areas, areas under traditional leadership, rural areas, informal settlements, slums and land holdings of state-owned enterprises and government agencies and address their inclusion and integration into the spatial, economic, social and environmental objectives of the relevant sphere’.
**Improve intergovernmental relations for the acquisition or transfer of state land**

In order to circumvent the current fragmented approach, specific intergovernmental mechanisms must be put in place to facilitate the active participation of the state departments and the SoEs identified as strategic land owners by the municipality in such planning processes. Greater emphasis should be placed on using public-public partnerships between municipalities and SoEs to develop strategically located land. Approaches should be flexible to facilitate deals that benefit both parties but especially promote inclusive urban land access and secure tenure for the urban poor. The existing structures or mechanisms for managing and disposing of land both within SoEs and national departments need to be strengthened. This may include, for example, regional structures being established to facilitate acquisition or transfer processes. Greater transparency with respect to the internal structures, processes and procedures for property management within organisations such as Transnet should be clearly articulated to municipalities to remove any possible confusion or delays. The current non-core land disposal processes need to be revised to ensure that mechanisms are in place for municipalities to be better informed of a SoE’s intent to dispose of land. Greater transparency regarding the land holdings of SoEs and increased accountability to developmental local government is needed.

**Rethink the role of the HDA**

The role and powers of the Housing Development Agency (HDA) needs to be examined and amended in a manner that supports integrated urban development. An investigation into the challenges being experienced by the HDA needs to be undertaken to guide the interventions required to improve its ability in fulfilling one of its core mandates, the ‘fast-tracking of land acquisition and housing development services for the purpose of creating sustainable human settlements’.

**Address the fragmentation in public land information**

Consideration should be given to establishing a single national database of all public property, which would include SoE core and non-core and national, provincial and municipal property assets. The appropriate department for the housing and the management of the GIS linked database will need to be determined. This would be a massive and possibly an expensive undertaking but would support improved spatial planning and intergovernmental alignment. The following information about a land holding should be available at a glance: status (core or non-core), level of improvement, location within the urban fabric, extent, locational advantages and disadvantages, ownership and availability.

**KEY ACTORS**

As the custodian of spatial planning legislation, the Deeds office and the Surveyor General, the Department of Rural Development and Land Reform needs to play an active role in achieving the policy priorities in the land governance lever. However, the Department of Public Works needs to give urgent attention to resolving the blockages in the transferring of state land to other spheres of government while National Treasury and the Department of Public Enterprises needs to rethink the disposal of SoE land in a manner which contributes to the developmental agenda of government. Local government need to focus on optimising land value capture and supporting the progressive realisation of tenure rights.

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30 Section 2 Housing Development Agency Act No 23 of 2008
POLICY LEVER 6: EMPOWERED ACTIVE COMMUNITIES

Cities and towns that are home to socially and culturally diverse citizens who are actively involved in city life and committed to making South Africa work.

Cities cannot succeed without the energy and investment of their citizens. In fact, the very power of cities stems from their unique capacity to bring together a critical mass of social and cultural diversity. This conception of democratic-citizenship is at the core of the ‘active citizenship’ agenda advocated by the NDP.

Empowered active communities result in:

- Robust and sincere public participation processes.
- Remarkable innovation and productivity.
- Improved lives of people and their physical environment.

STATUS QUO

The majority of urban dwellers live in townships and informal settlements, which are characterised by insecurity, inadequate and insufficient public infrastructure, and low-end economic services with minimal industrial activity.

Many youth and children who drop out of school before matric, get involved in gang life and substance abuse, and fend for themselves after school hours because of the absence of quality and affordable childcare facilities.

Considerable public investments into poor neighbourhoods have not been a catalyst to improved living standards. These include the provision of free basic services, non-fee schools, clinics, social and child grants.

Government is already deeply committed to the co-production of various services at the local level through a variety of institutions, including:

- Safety: community police forums
- Education: school governing bodies
- Health: community health committees and linked networks of home-based care workers, community development workers, and social development extension workers.
- Ward committees: the development of ward-level service delivery improvement plans is another step of involving community members in the development and management of their wards, but this is a fairly new initiative.

CHALLENGES

1. The lack of adequate skills and experience within government and civil society

Most municipalities display limited internal capacity to engage meaningfully with communities, to build social confidence or to foster a sense of civic pride and ownership, while civil society groups have few practicable proposals about how to ‘solve’ the service delivery crises. The absence of purpose-built institutional mechanisms to foster local government-civic collaboration at the neighbourhood level (as opposed to ward-level interactions) further compounds the problem.
2. The lack of innovative, co-produced solution to service delivery dissatisfaction
The current model of service delivery is both socially and fiscally unviable, and does not encourage co-production of innovative solutions. Initiatives such as the iShack project (a partnership between the Stellenbosch Municipality, University of Stellenbosch and the Sustainability Institute) is a good example of a model that incorporates service delivery and social enterprise. Solving the widespread service delivery dissatisfaction will be difficult unless municipalities are able to agree jointly with local communities on how basic services will be provided, maintained and continuously improved.

3. The lack of understanding of government structures and operations
Another factor inhibiting active participation is lack of skills and avenues to access information sources and an understanding of the government structures and logics, and political opportunities. The relatively low level of education and training, poor standards of health and low life expectancy of many urban populations, particularly in the townships and informal settlements, affect public participation. Skills such as basic accounting knowledge to be able to engage with budgets (budget literacy), a basic understanding of urban planning and governance functions, and spatial knowledge are critical for community members to engage effectively.

4. The lack of forums to promote participation and social cohesion
In most instances, ward committees and broad public meetings are used as the only means of public engagement, and this is not enough to build effective mutual understanding and integration of people from different national and cultural backgrounds. Despite the legislative and policy provisions for encouraging and promoting meaningful participation at a neighbourhood level, government agencies have not fully used the available and possible avenues.

POLICY PRIORITIES
A key dimension of innovative and responsive delivery is community organisation and mobilisation. South Africa needs to have a framework that promotes active citizenry and ensures effective and inclusive systems for co-production in urban development.

Short-medium term

Complete the National Framework on Participatory Governance
The local governance and participatory system needs urgently to be reviewed and brought into line with the NDP’s recommendations to encourage properly funded, citizen-led neighbourhood vision and planning processes, related policies and the IUDF. The literature, experiences and policy innovations on public employment programmes, social enterprise and solidarity economies as a force for community development should be incorporated. The framework must further assist to strengthen the government-civic collaboration at neighbourhood, ward and municipal-wide level.

Develop models for civic education
Municipalities, in partnership with civil society and other partners, should explore models for training and equipping community members with the necessary skills to enable meaningful participation. Citizenship education and training (in planning, project
management, and budget, institutional and spatial literacy) is needed to strengthen community organisations. Each community activist and community works manager should be equipped with a range of hard skills in community organisation, management and planning. This will enable effective engagement with larger municipal planning systems to ensure that neighbourhood community visions are integrated and will help local government become sufficiently responsive to community needs and opportunities.

**Establish and maintain public participation forums at various levels**

Forums for dialogue and liaison should be established at neighbourhood and municipal levels to focus on urban design and management. Establishing such forums would enable a learning, reflective process, bringing together relevant stakeholders to assist them to share, understand and learn from their diverse perceptions, and thereby promoting social learning. It would further help local communities benefit from the skills, enterprise and international networks of new arrivals, and reduce xenophobia and migrant exclusion. For this, resources will need to be made available to build the capacity of ordinary citizens and social facilitators. The intention is to complement the ward committee system by activating citizen enrolment at the neighbourhood level, which, when aggregated, can enhance the efficacy of ward level representation. Lessons learnt from the existing forums (such as community police forums, community health committees) and methods that have been successful in other countries should be considered to develop sustainable engagement models.

**Build institutional capacity to engage**

Multi-stakeholder processes are complex and require particular skills to facilitate. Capacity should be built at local level for developing and implementing area-based management plans. This means that, at government level, capacity building should not only be limited to units/sections responsible for ‘coordinating public participation/stakeholder engagement’, but should be mainstreamed in the entire organisation. This would require partnerships with relevant non-governmental associations and academic institutions.

**Explore co-production mechanisms for finding solutions to local government services**

Government generally, and municipalities in particular, need to rethink their service delivery business models and value chains in order to work in dynamic ways with citizens and their organisations. Community-based organisations in turn will have to learn what it means to operate social enterprises that contribute to the broader good, but that are also expected to be competent, accountable and part of a larger institutional system. Therefore, public and private stakeholders (from grassroots thinkers to city officials) should be brought together to discover how they can work together and how top-down and bottom-up planning solutions can complement and enrich each other. This implies collaboration and participation between a variety of people from different backgrounds and levels of expertise.

**Develop a social media strategy**

In an era of widespread deployment of social media, especially among 18–29 year olds, it is important to develop a clear strategy on how social media platforms will be used to enhance all of the initiatives discussed in the IUDF. This will require partnerships with civil society and the private sector. Universities and colleges who study and expand these platforms should also be roped in in conjunction with the e-government work promoted by
the Department of Communications and the Local Government ICT Network that operates under the aegis of SALGA.

**Explore service delivery mechanisms for other social services**
The Constitution sets clear the powers and roles of the various levels of government for provision of various social services. Various service delivery mechanisms should be explored for social services that are not the mandate of local government, to ensure that cities are active role-players and partners in the provision of such services. This would be in addition to the current role of providing supportive services such as bulk services sanitation, water, electricity and roads.

**Longer term**
An open-source database on innovative practices in neighbourhood empowerment is needed and could be established through crowd-sourcing, perhaps organised around a dedicated Award for Innovating Neighbourhood Empowerment. Government should partner with non-governmental experts from civil society, business and academia to drive such an initiative. The social economy should be promoted. This would mean empowering and mobilising marginalised groups and communities to provide community goods and services by combining skills training with capacity-building to create locally based organisations. For this, government would have to be able to build capacity at the community level and manage the dynamics of such an approach.

**Key actors**
Promoting active citizens who participate meaningfully in the planning and development of their neighbourhoods requires strong collaboration between government, civic society, community groupings and research/academic institutions. National government has a crucial role to play in ensuring an enabling policy environment that allows local government and non-government stakeholders to develop innovative solutions to the service delivery challenges in a way that supports the social economy. Civil society will also be critical for the identification and initiation of initiatives to promote social enterprises.
POLICY LEVER 7: EFFECTIVE URBAN GOVERNANCE

Cities and towns that have the necessary institutional, fiscal and planning capabilities to build inclusive, resilient and liveable urban spaces.

The complexities of urban governance include managing the intergovernmental dynamics within the city, relations with the province and with neighbouring municipalities. City governments need to manage multiple fiscal, political and accountability tensions in order to fulfil their developmental and growth mandates.

Effective urban governance results in:
- Resilient, inclusive and liveable cities.
- The fostering of constructive collaboration across the intergovernmental system.
- Fiscal and institutional capacities able to meet the demands of urban growth.

STATUS QUO

Structural and institutional challenges affect the ability of local government to deliver on its mandate of socio-economic development. Overlapping responsibilities for local and district municipalities can lead to duplication and role confusion, which contributes to under- or non-performance.

Critical skill shortages exist within local government, e.g. in spatial economics, spatial planning, engineering and infrastructure management. Planned devolution of urban built environment functions to local government will require additional skills.

Municipal finances are complex and variable. Some of the issues are the mixed audit results and increasing gap between revenue and expenditure, which can threaten fiscal stability.

Since 1994, government has introduced reforms to facilitate an effective and responsive local government and legislation to allow for the assignment of core functions to municipalities:
- The Local Government Turn-Around Strategy (LGTAS), to help municipalities deliver on their mandates, particularly the provision of services and infrastructure.
- Targeted grants: the Urban Settlement Development Grant (USDG), the Public Transport Infrastructure and Systems Grant (PTISG) for bus rapid transit systems, and the Neighbourhood Development Partnership Grant (NPDG) primarily focusing on township renewal programmes.

CHALLENGES

Poor intergovernmental relations between the spheres affect urban governance. Collaboration between spheres and sectors is crucial to plan for and implement major
projects and investment decisions necessary to achieve government-wide and coordinated planning.

1. **Lack of structured and systematic engagement with the city leadership**
   Despite the importance of effective cities to the national population and economy, Cabinet members have insufficient structured or systematic engagement with the leadership of the country’s largest cities. Local government as a sphere is currently represented in extended cabinet and in national and provincial IGR forums through the South African Local Government Association (SALGA). The status quo is under review at national level.

2. **Weak long-term planning and spatial analysis**
   The five-year horizon of IDPs is too limited to address elements such as infrastructure expansion, disaster risk measures and integrated transport and human settlements necessary to overcome spatial inequalities. These elements require much longer time horizons. For example, most infrastructure investment will produce assets that have a 50–80 year life span. Given the cost and implications of these decisions, making the wrong ones can mean effective technological lock-in that precludes more innovative choices. There is a high degree of uneven capacity and approaches with regard to integrated long-term or forward planning. Much of our national development hinges upon the success of cities but few strategies and plans reflect this critical role, or little attention is given to the collaboration required for policy implementation. Urban governments use various levers to manage urban transformation, including a long-term development vision – e.g. Tshwane 2055, a long-term regional Spatial Development Framework (e.g. Corridors of Freedom, Johannesburg), Integrated Development Plans (all municipalities), Built Environment (Transport, Roads, Infrastructure Investments and Human Settlement) Plans, Service Sector Plans not included in the IDP, and measures to develop informal and small business economies in well located spaces.

3. **Lack of differentiation in approach**
   More targeted policy approaches and multi-layered planning is required to address the realities of significant regional socio-economic differences and disparities. For example, some of the policy implications of the current uneven and unequal settlement patterns demonstrate the need to prioritise institutional, service delivery and economic development support to the high growth cities and city-regions and the high-density settlement areas of the former homelands, which have large and growing populations but little economic activity and high rates of poverty. The application of differentiation between city, secondary city, smaller town, village etc., needs to be more nuanced without creating undue regulatory or policy complexity. This suggests that multi-jurisdictional, integrated approaches must be more responsive to targeted economic growth initiatives. Thus national and provincial sector departments and state-owned enterprises (SoEs) do not need merely to ‘align’ but to collectively respond to the differing realities of urban settlement challenges and differences.

4. **Poor audit results**
   The 2012/2013 Report of the Auditor-General revealed that ‘unfortunately, the bigger municipalities faltered in their crucial role of providing exemplary leadership to smaller
municipalities, as none of the eight metros obtained a positive audit opinion. Chief among the root causes of the poor audit results was the lack of capacity in local government, which affected its ability to account for the public resources it has to administer on behalf of society. ‘At 73% of the auditees, vacancies in key positions and key officials without the minimum competencies and skills continued to make it difficult for these auditees to produce credible financial statements and performance reports’. In order to fill this gap, 71% of the auditees depended on consultants to assist with financial reporting.

5. High debt levels in many municipalities
In 2012, national and provincial departments owed R3.5-billion to municipalities, with more than 74% standing at over 90 days unpaid and in some cases more than 1 year. Such non-payment of municipal bills can seriously compromise service delivery (affecting repairs and maintenance budgets the most, and significantly increases the cost of borrowing to municipalities (constraining revenue and expenditure management overall). Compounding the high debt levels, free basic services (FBS) also requires a far stronger system of checks and control, as access is arguably highly over-extended into thousands of households who are not eligible for FBS, yet mass indemnities (as has happened in metro areas) regarding services payments seriously exacerbates indebtedness levels. Spiralling indebtedness also requires a strong focus on municipal billing systems and revenue collection, as workable and efficient revenue collection systems are the foundation of sound administrations fiscally. Effective urban governance relies then, upon a well-managed and accountable institutional framework.

The reality is that the institutional framework for local government can foster viable, transparent, responsive and accountable municipal government if it is implemented properly. A wide variety of statutory rules and instruments provide the basic structure for accountabilities, and the fiscal framework. Nonetheless, there are some fiscal reforms to be considered that can more actively promote urban integration.

**Policy Priorities**

Current implementation of policy, planning and the associated institutional and fiscal arrangements is not yet strong enough in South Africa to counter the perpetuation of the inequitable and unsustainable growth patterns that currently lie at the heart of the ‘spatial paradox’ confronting South African cities. A great degree of ‘policy agility’ is thus required to respond to changing urban conditions and demands and overcome the prevailing inequalities. The key policy questions for the governance urban policy agenda are:

- How do we get much better returns on all place-based investments?
- How best do we improve urban management and governance to improve the capacity of the (local) state to reap the urban dividend?

**Short-medium term**

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31 Media Release, Office of the Auditor-General, August 2013
32 Ibid
Promote a stronger positioning of metro government
Governance arrangements and models should be clarified, to enable urban and urbanising municipalities to govern their powers, functions services and infrastructure priorities more effectively. Intergovernmental partners should assess the optimal institutional processes required to manage the implementation of sector legislation impacting on metro and urban municipal responsibilities. As part of the mandate to professionalise local government, metros and urbanising municipalities should be supported with capacity-building. The new five-year Programme of Support to Local Government needs to contain targeted measures to strengthen capabilities in spatial planning, project management, financial management, procurement practice, management of powers and functions, and small business and investment planning. More partnerships and collaboration with key stakeholders, international partners, state-owned enterprises (SoEs), the Municipal Demarcation Board, and other relevant agencies would contribute to improved access to key resources needed for urban development, while simplified public-private-community partnerships would enable better access to distinct expertise and assets of different project stakeholders in the development of local area infrastructure.

Metros need an appropriate functional authority to respond to the demands of urbanization. A time-bound, coherent programme for built environment functional transfers is required to clarify the objectives, form and sequencing of assignments in each sector, and specifically to reduce uncertainty currently associated with these processes. Considerable progress has already been made in clarifying intended functional assignments, but this has yet to be translated into practice. This requires intervention at policy, regulatory and procedural levels. At the policy level, consideration is required as to whether the functional reassignments will address the developmental challenges of urbanisation, or simply shift the authority for addressing them. Uncertainty exists in each built environment function in this respect. The empowerment of municipalities with respect to spatial planning and land use management functions needs to be accompanied by a substantive shift in the objectives of and manner in which these functions are performed – from a control oriented framework to one that facilitates rapid development, particularly to support poor households. Similarly, simply shifting responsibilities for the delivery of project-linked public housing will not address the growing financial, economic and spatial problems with this delivery model. At the regulatory level, detailed delegations need to clarify performance targets, financial arrangements and the norms and standards associated with delegated functions in order to provide a benchmark against which performance can be assessed and accountability exercised.

Strengthen intergovernmental and long-term planning
Intergovernmental and differentiated planning needs to be strongly positioned within the governance framework for local government, together with initiatives to build spatial and long-term intergovernmental planning capabilities for growth and development. Greater analytical capabilities within government need to be developed, in order to pave the way for evidence-based policy adjustments. Big data collection techniques should inform planning for targeted growth or decline projections for metros and intermediary towns and cities, and projects required investments in services and infrastructure over the medium to long term. An analysis framework should be developed to assess the multi-jurisdictional collaboration imperatives of the development plans of metros and other urban municipal
entities. Planning approaches should facilitate growth management strategies, to allow convergence between planning for development, service delivery and economic development. With regards to informality, aspects of informal settlements management and planning should be formalised, while municipal by-laws should be applied more widely across settlement areas.

**Improve fiscal management to meet the demands of urban growth**

The intergovernmental fiscal relations framework should provide for more targeted revenue enhancement and debt reduction measures for urban municipalities that are facing increasing demands for basic services and shelter. Measures should be introduced to facilitate improved conditional grant coordination for developing integrated and inclusive human settlements. Metros should have mechanisms that allow better use of the bond market (financial market) and development finance institutions (DFIs) to access long-term funding for public expenditure in infrastructure, housing etc. Fiscal incentives should be provided to reward effective institutional and fiscal management, and for practising ‘green economy’ building and environmental conservation practices, as well as reducing pollution, carbon emissions and toxic waste.

**Streamlining of national monitoring of municipal performance**

Consensus exists that current monitoring is fragmented and incomplete in providing adequate oversight of municipal performance, despite the extensive data sets that are already available. Efforts to reform the approach to monitoring require minimisation of transaction costs for municipalities (as data providers) and communities (as data users). National monitoring systems should complement system oversight of municipal performance, particularly through prioritising the provision of accurate, timely and useful information to communities.

Improved data analysis capabilities are required in the public sector to provide an early warning system for municipal performance failures. A more clearly sequenced system of sanctions and rewards is required to provide incentives for ongoing performance improvements by municipalities, rather than a reactive response to municipal crises. Fiscal incentives, for example, can provide a useful intermediate instrument to incentivise municipal performance. This can be complemented by regulatory flexibility that can be offered to better performing municipalities to enable them to innovate in response to their service delivery challenges. Positive inducements need to be complemented by a stronger, less-partial regime for intervention in order to eliminate incentives for sustained under-performance by some municipalities that discredits the local government system as a whole.

**Longer term**

A National Statutory Council should be created, to set standards for provincial and local data collecting and reporting that can inform planning and investment decisions. There should be greater differentiation in planning, fiscal resources and for built environment powers and functions in respect to the range of settlement types in South Africa. Urban growth, renewal and regeneration projects should be linked to credible long-term municipal growth and
development strategies. The impact of projects on the liveability, inclusiveness and resilience indicators for our towns and cities should be monitored. The regulatory structures in the Municipal Demarcation, Systems and Structures Acts that impact on municipal classifications, boundaries and divisions of powers should be amended, and so should the scope of the regulatory framework for intergovernmental regulations to facilitate frameworks for better collaboration and coordination of government-wide priorities. Fiscal and governance arrangements and reforms should continue to be monitored, while impact assessments should be conducted into how improved fiscal performance has contributed to urban growth and sustainability, and continue cycle of adjustment and reform accordingly.

**Key actors**

Effective governance spans the political and institutional roles played by actors across all of government, as well as public entities and stakeholders. They include administrative leadership and decision-makers (e.g. national government: key sector departments, COGTA, National Treasury, DPSA, provincial governments and Treasuries, and local governments); political leadership and decision makers (e.g. Metro councils and Mayors, Provincial Executive Committees, Cabinet Committees, Cabinet Clusters, Provincial and District IGR forums, The President’s Coordinating Council, The President’s Infrastructure Coordinating Council); public entities and decision-makers (Department of Public Enterprises, SoEs, Development Finance Institutions); government agencies (The Finance and Fiscal Commission); and other stakeholders such as representatives from the business sectors, civil society groupings, professional associations, academic and research institutions).
CONCLUSION

The IUDF has provided us with an analysis of the impact of rapid urbanisation across our spatial landscape, and argued the importance of dedicated policy and resources for urban development. It proposes seven levers for policy reforms in key areas that affect urban development.

However, while the IUDF largely provides an urban policy perspective, our understanding of the legacies of poverty and inequality left by apartheid provides a unique cause for a spatial transformation agenda that is all-encompassing – that is across towns, villages, cities and regions. In this regard the IUDF has been substantively informed by the NDP in its calls for spatial redress, improved spatial efficiencies and social inclusion.

Similarly, the concept of developmental local government, arising from the White Paper on Local Government (1998), is that municipalities are the places where a just and more equitable South Africa will be shaped – indeed, municipalities are the focal areas where ‘apartheid’s settlement geography must be confronted, where the trade-offs involved in addressing poverty and investing in growth must be made, where a new and more cohesive society must be borne’.

The IUDF conveys how the legacy of deep rural poverty and deprivation resulted in growing migration to the city to seek job opportunities, better access to services, and modern networks for transport and technology. In spite of many advances in rural development since the end of apartheid, the need for a managed response to differentiation is central to the transformation dialogue. The extreme difference between spatial areas is not only a legacy of apartheid but is now also informed by shifting demographics, such as the impact of migration patterns on different towns and cities, as well as the economic and performance profile of a given town, city or rural entity.

As the IUDF points out, by 2030 another 7.8 million people will be living in South African cities and by 2050 a further 6 million, adding enormous pressures to housing, services and infrastructure. Currently, approximately 63% of South Africa’s population and 64% of the youth, live in urban areas, which has major implications for the expansion of a labour-absorbing economy.

However, as migration is not linear, and population trends and economic performance may shift over time, codifying or regulating territorial definitions is difficult because of the many complex interactions between geographical spaces – such as the rural-urban continuum, the urbanisation of poverty, and the shifting nature of economic growth nodes and development zones. Thus the IUDF has sought to encompass a concept of ‘coordinated investments in people and places’ to underpin its vision for ‘liveable, safe, resource-efficient cities and towns that are socially integrated, economically inclusive and globally competitive, where residents actively participate in urban life’.

The IUDF has demonstrated that a range of factors continue to act as constraints to equitable urbanisation and integration of space and opportunity to reach this vision. Thus,
the central challenge for the IUDF has been to align the identification of challenges and the prevailing ‘stubborn’ structural elements. Examples included continuing racial segregation in human settlements, expanding infrastructure and service delivery demand, attracting and maintaining spatially ‘just’ economic investments, and the inherent tensions in land access and land use between existing property values and markets, and the state’s need for land for well-located, well-connected and inclusive developments.

The IUDF has sought to provide a roadmap to follow in the national quest for spatial transformation towards liveable, inclusive and resilient towns and cities. To fulfil this transformative vision, four strategic goals (Access, Growth, Governance and Spatial Transformation) were introduced and inform the priority objectives of the seven policy levers.

The IUDF policy development process was informed by the analysis and recommendations of the NDP in this area, and may be seen to be a policy agent thereof. After nearly one year of dialogue and research, the IUDF recommendations are now presented. Seven policy levers are proposed as the key drivers towards the desired vision and outcomes for urban development. Each lever describes the key area that informs the current position, and proposes a number of policy priorities for implementation over the short-to medium term, and then over the longer term. These proposals comprise the heart of the urban transformation agenda.

Together with the proposed Implementation Framework, the IUDF is now open to intergovernmental dialogue and for consultations with key partners, in order to refine and reach consensus on the agenda for urban transformation in South Africa.