Development of the Urban Development Component for a Second Economy Strategy

Overview Analysis

Urban LandMark
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Second Economy Strategy: Addressing Inequality and Economic Marginalisation

An initiative of the Presidency, hosted by TIPS
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Development of an Urban Development Component of a Second Economy Strategy

Background

This report is based on work undertaken towards developing the urban component of a second economy strategy, as part of the Second Economy Project, an initiative of the Presidency. Within this project Urban LandMark (ULM) was appointed by Trade & Industrial Policy Strategies (TIPS) to investigate the urban development component of a second economy strategy. The invitation was “To identify the priority interventions and processes required to build cities that are inclusive and efficient for poor people, as a contribution to the development of a wider strategy for ‘the second economy’”.

The task has focused on public investment in urban infrastructure and on the capacity of such investment to impact positively on the socio-economic integration of poor and marginalised urbanites.

Dr. Mark Napier of Urban LandMark oversaw this task. The project champion was Blake Moseley-Lefatola. The project was managed by Dr. Tanya Zack.

16 specialist consultants were appointed to conduct investigations and to prepare position papers and/or presentations that contributed to the conceptualisation and development of this draft report. The consultants, according to areas of work, are:

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- Seana Nkahle, SACN
- Xolile George, SALGA
- Yondela Silimela, City of Johannesburg
1. Problem

Both in research and in practice there have been many ideas and interventions aimed at restructuring cities. In South Africa various programmes have been implemented to combat apartheid city form and address the needs of the urban poor. Amongst these the big projects and flagship programmes have had considerable success. Post-Apartheid South Africa has witnessed massive state investment, and the poor have derived some benefits of property ownership and access to basic services from such investment. But integration at the level of land use planning and management in urban areas is not functioning effectively. And the impact of programmes in terms of economic upliftment of the urban poor has been marginal. This is despite direct transfers to the poor through housing and basic services.

To a large extent urban areas remain spatially inefficient and exclusionary. Overall city form –which is of a sprawling nature and poorly linked to public transport - does not enhance the accessibility of the poor to employment or income generating opportunities. The location of housing opportunities –at the outskirts of urban areas- limits the possibilities of this housing being used as an asset either through sale, subletting or through the incorporation of income earning opportunities on-site.

In addition the numbers of people living in informal circumstances –whether in backyard shacks or in informal settlements – or living in accommodation that is inadequate, such as in slummed inner city buildings, remains unacceptably high. The 2007 Community Survey released by Stats SA indicates 14.5% of households of a total number of households of 12 500 609, live in informal circumstances- i.e. 1 812 588 households. At a household size of 3.9 this translates into over 7 million people who are housed informally. This figure excludes other so-called formal, but inadequate accommodation types.

While state interventions to enhance economic opportunity for the poor have paid attention to local economic development interventions, employment creation and small business interventions, there is an increasing interest in the elevation of physical space and place in economic arguments for improving the circumstances of the poor. There is also heightened awareness of the dangers of not attending to these spatial elements. Where city form is inefficient, it disadvantages all city dwellers, but disadvantages the poor most intensely. Robbins (2008, p4) notes, “It is critical to note that literature on economic growth and urbanisation has traditionally tended to focus on narrow productivity gains accruing from denser labour markets and the like. Very little attention was paid to externalities of urbanisation in many urbanisation models… In recent times it has been recognised that urbanisation processes bring with them many negative externalities which can feed on each other if not accompanied by effective action from the state and other urban role players. Such externalities would include congestion, pollution, societal conflict and other forms of social distress. Authors writing about the persistence of an urban underclass in many developed country cities make the case that due to the fact that this underclass has to bear the brunt of the of these externalities, with little of the state attention that growth zones or more affluent neighbourhoods secure, they tend often be trapped as an underclass”. These externalities speak directly to city form and to the need for effective urban services that serve all urbanites and particularly the poor.
South African urban forms are apartheid creations and these exclusionary and fragmented spatial patterns persist. Experiences of urban investment, and in particular housing investment, that has been targeted at the poor, have illuminated the danger of exacerbating poverty in our programmes where housing or other infrastructure programmes are not tied to city restructuring. When poor people are provided with housing but not access to employment and therefore to the means to pay for services, maintenance of the housing or other living costs, they are exposed to being asset-rich and income-poor. Accessibility to employment is linked to spatial city form, which is in turn linked to transportation. Poor urban form fundamentally undermines the very purpose for the existence of cities – centres of production, consumption, information processing and government expenditure.

1.1 The need for strategically focused intervention

Two constraints overlay ambitions that seek to address the exclusion of the poor in urban areas. The first is limitations on state capacity- both in terms of human resources and in terms of financial resources. The second reality is the world energy crisis.

These problems suggest that it is critical that the economic inclusion of the poor in urban be addressed, and that state capacity be enhanced to do this, but that we are faced with a looming energy crisis which will demand that interventions be sustainable. **We do not have the luxury of addressing poverty first and pursuing sustainable development later.**

While there are notable exceptions and areas of particular strength, much of the state bureaucracy is struggling with problems of capacity, coordination and corruption. Furthermore the scale of the need for delivery of urban infrastructure is large and limited by fiscal constraints.

The existing problems of poor city form are likely to be exacerbated by the global energy crisis. Global oil resource constraints mean that the economic disadvantages of vast travel distances will worsen for all.

Put another way, given the severe challenge of economically including the poor in urban areas and low state capacity to do so, interventions must be strategic. **Public investment must be focused where the benefits of inclusion are maximized.** An additional key driver in such strategic direction should be the energy challenge that faces urban areas. Cities will have to change in the face of this crisis, and such change will have to focus on increasing the **efficiency of movement** and the possibility of income generation in urban areas.

The focus on overall city form- how space in urban areas is allocated and how it is connected by transportation- is crucial. This is because investment in urban infrastructure is not in itself poverty reducing but contributes toward poverty reduction when well targeted. Although there are obvious benefits to simply having access to services, and such access is critical, the economic benefit of access may be greater or lower depending on its location, its linkages with other urban services and its potential to unlock investment in other infrastructure or land uses. Similarly shelter is in itself not poverty reducing but can enhance income generation and promote asset building where it is well located. **The optimal poverty reduction benefit of urban investment lies in the nexus between city restructuring, shelter provision and the delivery of public infrastructure.**
is the fulcrum of spatial integration. Where housing and services are located matters, and matters fundamentally.

In infrastructure investment terms this requires that the focus be on densification and on mass transit as the driver of city restructuring. The delivery of this infrastructure needs to optimise labour intensive practices within social contracts that lever public, private and community resources.
2. A strategic response to inclusion – a focus on access to urban infrastructure

This strategy focuses on urban investment and on citizens as consumers of infrastructure in cities and towns. The focus is on enhancing the access of the poor to effective services in order to create the conditions for increased participation of the poor in the economy and in public life.

There are several reasons why investment in public infrastructure in the interest of poverty alleviation in South Africa is critical:

- The bulk infrastructure requirements for an efficient and sustainable urban form are not different for the wealthy or poorer sectors of the resident population. Efficient cities work better for everyone and increase the access of people to job opportunities as well as the access and mobility of employment opportunities and sites of production to labour. However the dependence of the poor on such efficiencies and on lower costs of accessing such public services, in order to access income generating opportunities, are greater.

- Bulk infrastructure in South African cities is reaching capacity in many places and key infrastructure for energy generation is inadequate. Well functioning and economically effective urban space requires that the necessary infrastructure web be in place.

- Public infrastructure provides the utility foundation to attract private investment in employment generating activities. This is a direct investment in job creation.

- The combination of extreme backlogs in bulk infrastructure provision and a post-apartheid focus on directing investment towards developmental, social and micro-infrastructure has meant that the country's ageing infrastructure is highly stressed. Ongoing investment in a capital web and bulk infrastructure - and the maintenance thereof – provides a basis within which the extension of services to the poor within that framework are relatively easily achieved and are not a dramatic exercise or cost.
3. Principles of an infrastructure-led investment approach

An urban infrastructure focus is thus appropriate in the urban component of a second economy strategy. The principles that inform the recommendations made within this project are elaborated in Annexure 1. These principles are focused on developing an approach towards urban public infrastructure that is:

- Focused on implementation.
- Differentiates between geographic areas and is tailored to specific contexts.
- Focused on transportation as the key lever of creating efficient urban structure.
- Focused on reducing poverty and on enhancing livelihood strategies of the poor.
- Creates opportunities for employment opportunities to locate in close proximity to one another-to benefit from agglomeration.
- Enhances state capacity.
- Provides predictability for urban investors and all users of urban areas.
- Focuses on investments that increase efficiency and therefore benefit the poor and wealthy sectors of urban areas.
- Are rolled out with an emphasis on devolution of responsibilities to reach local targets as efficiently as possible.
- Are implemented through labour based methodologies wherever possible.
- Are decided and implemented within a framework of community participation.
- Maximize opportunities for partnership approaches between the state, private sector and civil society.
4. Core programmatic recommendations

This strategic view translates into several possible programmes. The key programmatic interventions for using investment in public infrastructure in ways that can enhance the economic inclusion of the poor in urban areas are:

1. Proactive integration of pro-poor land use and transportation planning into municipal IDPs and budgeting.
2. Infrastructure-led upgrading of informal settlements.
3. Housing and land delivery focused on well-located sites and infill development in urban areas.
4. Development of transportation corridors and mass transit in metropolitan areas and large towns.
5. Establishment of an economic development programme focused round of large-scale public-sector area-based Special Integrated Presidential Projects, with associated ring-fenced funding.
6. Adjustment of various development instruments to smooth and speed up the passage of land development and the development and implementation of targeted incentives for private sector involvement in achieving inclusive development.

4.1 Municipal planning for pro-poor growth management

Recommendation: That each municipality develop a growth management strategy with an identifiable and measurable pro-poor element.

Given the argument that enhancing economic opportunity for the poor through urban investment requires that the correct relationships between city restructuring, housing provision and infrastructure development be created, the role of strategic and spatial planning - in particular at municipal level - is crucial.

National legislation provides for municipalities to undertake strategic planning through Integrated Development Plans. This policy and its implementation, although it can be read to elevate the function of planning to a strategic and integrative role in municipalities, has been preceded nationally by the roll out of subsidised housing. Housing policy and implementation programmes were in place well before integrated planning instruments were developed. Thus housing delivery has largely not been undertaken within a framework of integrated planning. In fact the planning for housing projects has to date been seated within housing departments of provincial and local government.

A key strategy to turn this around is to place the function of planning for housing and for infrastructure delivery within the strategic and spatial planning units of municipalities. Moreover, such units must be required to develop proactive plans for the delivery of housing and services to the poor within strategic planning frameworks that address city restructuring and desired growth areas as well as
proposed limitations on growth. Such plans need to be focused on transportation and on the links between public transport and land use. They need to address transport corridor development, densification and a range of housing and economic opportunities created with close proximity to mass public transport.

The requirement for this strategic planning which may be termed (as it is in the case of the City of Johannesburg) ‘growth management’ might be an add-on requirement or a requirement within the current IDPs of municipalities. In the latter case it may constitute a specific chapter in the IDP on sustainable human settlements (understood as wider than housing delivery). Either way a strategic plan with measurable targets and delivery dates needs to be developed. This must be linked to municipal budgets for infrastructure development.

The requirement is two-fold. In the first instance it requires that cities focus on where growth should be directed, given resource constraints and the impending fuel crisis. This will require attention to available resources and a focus on where growth will be incentivized and where it will be disallowed. The implementation of the strategy should be monitored and reported against using spatial and economic measures so that cities can determine the impact of the strategy on an ongoing basis. This requires that the strategy be translated into land use management instruments and applied in the development control and the assessment of applications within urban areas. The second element is a pro-poor element. Here cities are required, within growth management strategies to specifically indicate the spatial opportunities that will be created and enhanced for absorption of the poor. This requires that cities develop a logical and implementable strategy for how livelihoods of the poor will be supported spatially. This includes indicating where affordable housing, employment opportunities and economic opportunities will be located with respect to services and existing employment opportunities. The requirement is not housing specific but requires that plans pay attention also to the location and agglomeration of economic uses with a specific focus on how these will benefit the poor. This focus is not to the exclusion of the needs of the formal economy (for economic growth, for promotion of formal sector employment and economic development) but allied to it.

4.2 Infrastructure-led upgrading of informal settlements

Recommendation: That all spheres of government develop a coordinated strategy, implemented at local level for the progressive upgrading of informal settlements through an infrastructure-led process.

A second economy strategy must focus mainly on the poor. In this respect informal settlements constitute the largest component of possible urban intervention areas that will directly affect the livelihoods of the poorest and most vulnerable urbanites. In the interim, informal settlements are the primary reception points for the very poor into urban areas. Informal settlements provide low barriers to entry, low cost and high levels of mobility for the poor. These are important ingredients in supporting livelihoods in a context of low employment levels.

Formal housing provision cannot keep up with the pace and scale of delivery required to meet growing accommodation needs. Given financial, capacity, land scarcity and other constraints the Millenium Development Goal targets of slum eradication by 2014 are not achievable via conventional upgrading and housing
delivery programmes. There is a need for a new paradigm. The success of promoting access to employment opportunities, income generation and asset building relies on creating effective access for the poor to participate in urban living and to carve in the first instance livelihood strategies that are sustainable in urban settings. Informal settlements provide an effective platform in this regard, where they are often well located and should receive the benefits of recognition and servicing.

Informality is not a desirable state for human settlements, and formalization and inclusion must be the goals of state policy. But this does not equate with the criminalising of informal settlements, nor with wholesale removal or replacement. A paradigm shift away from regarding informal settlements as illegal, dysfunctional and in need of ‘eradication’ is required. A clear message is required. This message should focus on the importance of these settlements as reception areas and of well located informal settlements as viable settlements that need to be provided with the correct support and services in order to transform them into sustainable human settlements. The active upgrading of informal settlements on an incremental basis offers a housing programme that can address accommodation needs at scale and reach the bulk of the poorest urbanites in a progressive, fast tracked manner.

Much of the policy space to allow for this position to be implemented is already in place via the state’s Breaking New Ground (BNG) housing policy. However, this space needs to be appropriated in practice.

A key principle of a new approach is that informal settlements should be upgraded wherever possible and short term interim relief measures provided. The preferred approach is to avoid relocations, which are highly disruptive of social relationships and of livelihood strategies. The avoidance of relocation is also about maintaining high settlement densities where possible. This is important for creating efficiencies and sufficient scale for ensuring the viability of public transport and other services.

The foregrounding of informal settlements upgrading as a housing solution is premised on the conceptualisation of housing as being more than a top structure (shelter). While these are not unimportant elements, they are part of housing delivery rather than the lead. Infrastructure is argued to be the lead in to upgrading.

The upgrading of informal settlements requires a sophisticated approach which encompasses partnerships with the poor and with intermediaries. Skills development is crucial to the informal settlement upgrading programme: “If government has any intention to roll out its new Informal Settlement Upgrading Programme, officials have to be sensitised to the obligations placed upon them by the Constitution, and understand the demands of global competitiveness as subordinate to these obligations. This sensitization has to be informed by a deeper understanding of the spatial legacy of the apartheid city, of orderly development and of the market. It also calls for a deeper reform of urban planning beyond orderly development, so as to provide the tools to give South African cities a human face that is not contorted by repression and exclusion” Huchzermeyer, 2006, p10).

The direct actions required to give force to this position are:

1. Scanning and grading existing settlements: Those municipalities are given a directive to scan and grade informal settlements within their municipal...
boundaries as an immediate measure. Such top level scanning should indicate what ‘category’ existing settlements fall into in terms of being (a) well located and fully upgradeable (i.e. with full services and housing delivery) in the short term, (b) upgradeable, but only over a longer period and requiring interim relief measures and incremental interventions focusing mainly on initial infrastructure (which may or may not establish preconditions for full upgrading later), or (c) settlement relocation rapidly required due to immediate risks posed by such factors as flooding, hazardous waste, unstable slope or other reasons. This categorization should be fed into a system for prioritising the upgrading of existing settlements. Where safety issues have been highlighted (that are so hazardous as to prohibit upgrading at any future point) and require resettlement of the residents, an emergency plan for such resettlement should be developed.

2. A plan for the progressive upgrading of all settlements in categories (a) and (b) must be developed. The plan must be incorporated into municipal Housing Sector Plans (IDPs) and budget lines (MTEFs). Performance against this plan needs to be monitored.

3. Dedicated funding for the upgrading programme, which is to be an infrastructure-led programme should be sourced as a conditional grant to municipalities from National Treasury.

4. Blanket recognition of settlements within categories (a) and (b) to provide a measure of security to residents. This requires developing appropriate special zones for legally recognising informal settlements. It means mainstreaming these settlements onto the municipal cadastre and thereby providing settlements with the rights to access municipal services and municipalities the right to monitor and plan effectively within these settlements.

5. Fast tracking incremental upgrading/development relief: This focuses on those settlements in categories (a) and (b) and which are in need of servicing. These will be upgraded over time. Incremental development and interim relief measures should be provided in the form of interventions for fire protection, sanitation, potable water, access ways, solid waste collection, primary health care, storm-water / erosion controls, building materials replacement, education, and LED interventions. It is emphasized that the provision of these measures should not be conditional on either land acquisition nor tenure upgrading.

6. These interventions need to be provided within a partnership framework with community organisations and NGOs to enable the municipality to focus on its core competency of service delivery and maintenance. This approach is both essential for widening participatory development and the benefits thereof and for augmenting the state’s capacity in what is a highly complex exercise.

7. Progressively settlements should be upgraded to allow for high density, medium rise development attached to transportation corridors. This requires that the proactive securing of land for public transportation axes be prioritized.

8. Getting ahead of informal settlements creation and of slum conditions:
   • Proactive land identification and acquisition: On a prioritized basis local authorities need to identify and earmark and (at the appropriate time) service strategically located land for the future development of well structured informal settlements (e.g. near to future / emerging nodes).
   • Limit densification of existing settlements through negotiation with communities around service provision.
9. Create a ‘one pot’ funding stream at national level that is directed to municipalities for the roll out of infrastructure to prioritized settlements.

10. Implement alternative and incremental tenure forms. Progression to full tenure can occur on an incremental basis but need not be prerequisite for development or upgrading. Alternative forms - including occupancy certificates supported by effective land use zoning to protect the rights of communities to occupy the land - must be permitted.

11. Monitor and evaluate the programme: Performance and non-performance on delivery as well a funding flows need to be monitored and an effective system put in place to achieve this and to respond to non-performance.

4.3 Housing and land delivery

Recommendation: That the economic and social opportunities of housing be optimized and that the delivery of housing for the poor be focused on increased choice and linked to city restructuring in a holistic conceptualisation of housing, beyond the provision of shelter.

The 2007 Community Survey released by Stats SA indicates that between 1996 and 2007 the percentage of households living in informal dwellings decreased from 16.0% to 14.5%, while the percentage of households living in formal dwellings increased from 64.4% to 70.5% in the same period. This indicates an improvement in the housing conditions of a substantial number of poor and marginalised households.

However, a shift from an informal to a formal housing unit, as facilitated by the national housing subsidy or through the market, does not necessarily translate into a move between a ‘second economy’ status in which people may be trapped in conditions of social exclusion and economic poverty to a ‘first economy’ status of social inclusion and economic prosperity. The degree of economic and social mobility that households might derive from their housing is dependent upon many factors of which the actual dwelling is only one.

Housing stability influences employment and a study has shown that unemployment amongst recent migrants to urban areas is higher than that amongst persons who have resided in urban areas for a longer time. An inverse correlation between length of time in the city and the likelihood of being in informal employment has been found. This correlation translates loosely into a correlation between housing circumstances and economic opportunity – the likelihood of a combination of economic, social mobility and housing factors contributing to trapping people into ‘second economy conditions’ characterised by low wage, uncertain incomes and uncertainty of residential tenure. Coupled with poor access to education opportunity these conditions lay the ground for intergenerational poverty.

While housing in South Africa has not been defined in terms of two economies, it as been seen in terms of different income bands, as illustrated below. Traditionally the state and private sector have dominated different income segments of the housing market, as shown in the table below. Where these sectors have not
delivered, shelter needs have been addressed by the survivalist strategies of communities in unserviced informal settlements.

This strategy document paper understands second economy in housing terms to relate to conditions of insecure tenure, of inadequate servicing, of poor shelter conditions, of housing that is not readily tradable, of poor location relative to social, economic and engineering infrastructure, and of poor and inhibiting land use management. Ultimately a polarity between approaches that seek to address such marginalised housing conditions and middle or upper income housing in policy or practice may undermine the operation of the housing market and the possibilities for the poor and marginalised to access improved and economically prosperous housing trajectories.

The housing ideal, on the other hand, is characterised by a single economy in housing and by housing that is located where households want to be and that offers households the ability to prosper, and to progressively improve their housing conditions. In other words the goal is for housing that facilitates job creation, access to economic opportunity and to social development for the poor, within in a single housing market. This aligns with the vision of recent housing policy which indicates that the Housing Ministry is the Ministry of all housing in South Africa, rather than of low income housing. This conceptual shift is critical to breaking barriers between segments of the housing sector.

Figure 1: Housing costs and type

Housing constitutes an asset to individuals as well as to the public at large. At an individual level the asset value of housing lies in its value as a social asset – enhancing identity, security and offering shelter which can be inherited. The social networks within neighbourhoods as well as access to social facilities and services, enhances the building of community. Housing also offers the potential of income generation through home based enterprise, rental and other income earning possibilities. Finally housing plays a role in individual financial growth as it is a tradable asset and a foothold into the property market for households.
At the broader neighbourhood, municipal and society level housing plays a role in job creation through the construction industry. It also contributes to the sustainability of the human settlement, where housing is well integrated with the services and functioning of municipalities and the housing serves both to integrate individuals into community and as a point of engagement with governance structures for service delivery. Housing construction contributes to overall economic growth as it stimulates the demand for other goods. It also contributes to the municipal rates base.

Put another way, the asset value of housing is related to:

- The housing delivery system (job creation, empowerment, partnerships, community involvement etc.)
- The product (potential for sale, potential for upgrading, density, environmental sustainability etc)
- The location (access to economic and social opportunities, integrated development)
- The financing (subsidy mechanisms, other financing, small loans, cost of land, cost of house, cost of finance, and factors that impact on land pricing, including land use management, municipal regulation, etc)
- The settlement management (municipal administration, local area planning, governance and management)

These relationships are illustrated below.
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Figure 2: The asset value of housing

INDIVIDUAL ASSET

Housing construction contributes dramatically to economic growth due to the forward (furniture, home improvements, etc.) and backward (building materials, infrastructure, etc.) linkages involved. In addition, formal residential properties are a fundamental component of a municipality’s rates base.

Economic growth

The house as a social asset – something which provides an address, which can be transferred as inheritance, which gives shelter, was a fundamental underpinning of sustainable human settlements.

Social

The value of the financial asset is dependent on the functioning of the property market.

Financial

Job creation

Housing construction is a labour-intensive exercise. An increase in delivery can lead to substantial job creation. The potential for SMME development in the home improvements industry is also significant, especially given the nature of RDP stock in South Africa.

Economic

The house can function as an economic asset by supporting home-based enterprises and other income earning activities.

PUBLIC ASSET

Housing and sustainable human settlements become especially important as a mechanism for social inclusion and local level satisfaction, as well as overall city performance (financially, environmentally, etc.). This contributes importantly to social and political stability.

Source: Rust, 2007

But housing delivery statistics alone do not measure the quality of all of these dimensions of housing. Nor do they measure the performance of housing in terms of poverty alleviation (Charlton and Khato, 2006). As long as housing delivery remains quantitatively biased it cannot reach the goals of enhancing economic opportunity for the poor.

Importantly, housing does not equate with poverty alleviation. There are undoubtedly economic benefits to having shelter, but the link between shelter alone and economic advance should not be overstated. The aim of housing programme in enhancing economic access for poor persons must be to strive for well located housing that provides choice in housing typology, tenure and delivery form. The programme should also optimise the possibility of mobility through a housing market. This means a focus away from standardized products for all.

Moreover, different conditions and needs prevail in different parts of urban areas. Geographically tailored responses are needed and housing delivery needs to be part of the greater planning process and the planning for a range of services and facilities required in different parts of cities and towns.

The key geographic areas are historic townships (including backyard shacks), inner city, informal settlements, greenfields development and suburbs (densification, inclusionary housing).
Government efforts to distribute land and to house poor people need to keep their momentum, but more attention needs to be given to how through these efforts the poor are integrated into urban areas, and integrated into markets (housing markets, land markets, and urban economies generally). Land and housing remain a major asset redistribution tool for the state, but if people who receive such from the state are to benefit as intended, then maintaining the value of those assets for the people and for municipalities is essential. Otherwise we face the situation where households become asset rich, but remain income poor, and as a result often lose their grip on the property asset. Maximising the ability to generate income via the land/housing asset is an essential focus which needs to be embraced by the state (e.g. through encouraging the small scale production of rental stock by households and by enhancing home businesses). The other major factor is for government to take on the challenge of improving location and class integration, so that benefitting households are able to maximise their access to urban amenities and markets, which will in turn enhance their ability to earn incomes and become less poor. Attention to these issues will also create a more productive urban citizenry able to contribute towards the sustainability of municipalities and the economy more generally.

South African housing programmes since 1994 have been ambitious. They have achieved a great deal in terms of quantity. In the process quality has been compromised. In addition the emerging concern that housing should play a role in poverty alleviation and that the housing market needs to operate as a unified system have not been adequately addressed by policy or practice. While the economic benefits of housing are recognised, they are neither automatic nor inherent to the provision of shelter. They are only achievable where housing is conceptualised and delivered not as shelter but as the creation of integrated, sustainable human settlement. This recognition is also recognition of the limits of a housing programme, isolated from other state programmes, to create conditions conducive to poverty alleviation. Importantly, it points to the high risk of an isolated shelter provision programme to further entrench conditions of poverty and to further entrap beneficiaries within a second economy.

The new housing policy confronts these challenges. In order to ensure that the implementation of this policy does not revert to a concern with quantitative delivery, but achieves the desired aim of integrated human settlements, several aspects of the policy and of allied programmes need to be fast-tracked.

Broadly, if housing delivery is going to work in a way that allows poor people to have access to affordable housing in locations where they want to live, this requires that the value of housing as an asset be stimulated. This value is dependent not only on the housing unit but on all suspects of housing development and on the creation of integrated, sustainable settlements. It also requires the facilitation of the financial market at the lowest end of the property market and smooth flows of financial instruments and of housing options for different income segments. Addressing poverty alleviation and providing a launching point for economic development in housing requires that informal settlement upgrading be stepped up, that land acquisition for the development of well located low income housing be strongly established at local government level and that land use planning and management in the interests of enabling equity is implemented.

The interventions that should receive focused attention, in addition to the recommendations made around the prioritization of informal housings, are
concerned with actions that will address the whole housing environment, and those which should be tailored to specific geographic areas, as indicated below:

**Generalised interventions in formal housing environments**

**Capacitation:** The implementation of housing and land innovations at scale requires the capacitating of local government planning and housing units. The JIPSA initiatives to improve the numbers and skill levels of professionals in planning and design need to be fast-tracked as part of such capacity building programmes. Capacitation requires a combination of training interventions and systems interventions. In terms of systems it requires the re-engineering of municipal systems to simplify and shorten processes. In addition skills within municipalities should be augmented by skills within the private and NGO sectors, particularly with regard to the sophisticated and complex processes of informal settlement upgrade. A study into the professional skills development required for enhancing the access of the poor to the urban land market has found that there is a significant skills gap amongst planners and both the private and public sector in the areas of property economics and land finance. Furthermore, there is a need to enhance skills of municipal officials and councillors around the property market implications of planning regulations. NGO workers and municipal officials would benefit from internships and mentorships. There is also need to raise awareness and debate at a broad level about how to make land markets work better for the poor.

**Municipal accreditation:** Little progress has been made on the accreditation of municipalities-this needs to be fast-tracked as a matter of urgency both to scale up housing delivery and to speed up spatial restructuring of urban landscapes. Large municipalities meanwhile are attempting to align with BNG. Already, the cities of Johannesburg, Ekurhuleni, eThekweni and Tshwane have sought to redraft their housing strategies in line with BNG.

**Land use management:** Allied to municipal accreditation for housing development is the devolution of powers for land use management to local level. The current systems which involve both provincial and local government in much land use planning and management are inefficient and cumbersome. Metros particularly need to be empowered to undertake land use management. These systems need to be streamlined in order to speed up development.

**Housing Development Agency:** The NDOH’s policy on accessing affordable land for housing envisages the creation of a government-funded Housing Development Agency (HDA) that would proactively acquire land for housing.

While the acquisition of land for housing is crucial to accessing well located land particularly for the urban poor, and the initiative to upscale the acquisition of land through state mechanisms is important, there are several risks that need to be mitigated in order to ensure that land acquisition initiative is not counterproductive. These include:

- The NDOH, or any state an agency involved in land acquisition, requires access to precise information on land cost figures
- A land acquisition agency needs to be well-capacitated with sophisticated skills in identifying land and negotiating for land purchase
The activities of other national departments involved in land acquisition need to be coordinated.

A national level HAD must not undermine the existing role of strong municipalities in the acquisition of land for affordable housing.

The anticipated benefits of access to services, and employment and of reduced transport costs must be realized in the land purchase.

Benefits of land subsidisation must accrue to housing consumers.

State level land acquisition must not be seen to compete with the private sector’s top-structure development function.

Mechanisms for scaling up the acquisition of land need to be focused, to coordinate the activities of state actors and to facilitate rather than undermine land acquisition at a local government level, where, it is argued responsibility for housing delivery be coordinated with the planning for integrated settlements, through municipal integrated development plans.

Land development is also complicated by the opaque lines of responsibility for land. Currently various aspects of the responsibility for the acquisition and development of land for housing purposes falls within Department of Housing, the Department of Land Affairs and the Department of Environmental Affairs and Tourism. Roles need to be clarified as a matter of urgency in order to expedite development.

**Greenfields development**

The reduction in the prohibition period on selling RDP homes is important. However it is not sufficient as a mechanism for avoiding beneficiaries being locked into certain locations. The long waiting lists for housing, the limited choice of location and the dormitory nature of many state subsidised housing environments create conditions that trap people in certain locations and in the lowest end of the housing market. While any form of corruption in the sale of housing must be dealt with, the attempts of poor people to realise the asset value of their housing should not be criminalised.

**Enhancing access to title:** Delays in deed registration slow development processes considerably. These systems need to be streamlined.

**Existing neighbourhoods**

Rental and backyard rental: There is not sufficient rental stock available and this sector needs to be enabled to promote choice of tenure in the housing market. The enabling of backyard rental is critical for both the speedy provision of housing solutions for that requiring rental accommodation and for enabling the asset value of housing as primary owners are able to derive income form rental. The added social value of close networks for newcomers to urban areas (as described above) is critical to community building and to providing poor household with a foothold into urban systems.

Home-based enterprise: A large number of small entrepreneurs in townships and inner cities use their homes for business purposes. The enabling of the use of housing in this way, which stimulates its asset value is important in breaking economic barriers.
Inclusionary Housing Policy: A key innovation in promoting integrated settlements is the proposed Inclusionary Housing Policy. The (IHP) proposal envisages the imposition of a requirement on private-sector housing developers to set aside a stipulated percentage of new housing stock for affordable housing. The importance of developing integrated housing environments both to counter the apartheid city form and to provide linkage across different income groups cannot be underestimated in the development of successful national housing strategy. Its implementation requires sophisticated skills and the appropriate incentivising of private sector developers.

Inner cities

Inner city housing: Housing initiatives that promote inner city housing development and improvement are key to the upgrading of degraded inner city areas while simultaneously impacting on the restructuring of apartheid city form. These initiatives are to be encouraged through urban renewal programmes, the creation of Urban Development Zones and tax incentives for the development of low income housing in central locations. Social housing plays an important role in these environments and has been successfully developed in several cities. The challenge of dealing with overcrowded high density buildings that suffer slumlording in the context of poor land use management needs to be tackled aggressively to ensure that poor entrants to the city have access to affordable, decent housing units in inner city locations. This requires the consideration of public involvement in the development of social housing, of strategies that do not dispose of public residential assets in these environments and of proactive acquisition of buildings for redevelopment for low income residents in inner cities.

4.4 Transportation

Recommendation: To lower costs of transportation by improved planning, focused on transport-led corridor intensification.

Given the twin concerns at the introduction to this paper: the fuel crisis and the primary issue of urban poverty being ‘a poverty of access’, transportation is at the apex of spatial development strategies. Mass public transport must be proactively planned and implemented as the basis of capital web of infrastructure and facilities around which dense development fits.

The trends of increasing urban populations and declining household size, within urban spatial patterns of sprawl, is placing increasingly excessive demands on the existing transportation capacity. Transport network congestion will increase. The poor suffer more severely as a result of such congestion, being highly dependent on public transportation and choices. Proposals need to reduce the cost of transport, increase the accessibility to income generating opportunities and increase the efficiency of city form in order to promote greater access for the poor. Improved access works both ways, also increasing the access of centre of production to labour and the possibility of employment opportunities moving closer to labour sources. The strategies proposed are in line with Moving SA project- it is arguably an opportune time to revisit those proposals in the light if the energy crisis facing SA.

In summary they require:
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- Promoting the use of public transport as well as the more intensive development of land in order to support the use of public transport systems.
- Meeting basic transportation needs, and promoting the creation of employment and training opportunities, stimulating economic development by investing in infrastructure and facilities, and involving communities in the implementation of projects.
- Integrating land use and transportation planning so that these elements compliment each other.
- Densification of mixed land uses (especially along transport corridors) in order to shorten work trips and travel times, reduce travel costs, and facilitate the use of non-motorised transport.

The densification of transport corridors requires that such corridors be clearly defined by planning and transportation authorities to incorporate land use and transport needs. The metropolitan and urban based corridors and potential corridors would be clearly mapped. Associated development rights and trading of development (value capture strategies) must be designed to incentivise appropriate land use mixes and densification along these spines of access and mobility. These corridors are lines of increased access to public transport and increased mobility of public transport (not freeways).

The corridors should be the focus of high capacity plans (mass transit plans) and should incorporate minibus taxis within this framework.

Land use development must be focused and concentrated within corridors and concomitantly restricted outside of these areas in order to ensure densification.

Transit-oriented development and design should receive priority in nodal areas and along corridors. This includes sensitivity to high quality pedestrian environments, design for safety and lighting. Street design guidelines (incorporating safety design, street furniture etc) should be developed for SA roads. The implementation of these in priority areas should be undertaken using labour based job creation methods.

Non-motorised transport, especially for the youth should be encouraged. Bikeways and pedestrian-safe pathways should be developed and cycling programmes rolled out through schools. Non-motorised transport networks should focus on areas around schools. Proactive planning of cycle paths in cities should be encouraged, particularly in the face of a looming fuel crisis.

In addition a focus on the improvement of pedestrian pathways is crucial. A prioritized roll out of upgrading of pathways that carry major pedestrian flows should be undertaken.

The implementation of targeted transport vouchers for the poor should be investigated. In particular vouchers for job seekers and for people located in settlements that are a considerable distance from city centres and employment nodes, should be made available.

Within the requirements of their Integrated Transport Plans, each municipality should be required to develop and implement a public transport-based integrated plan with associated time frames and budgets. These mechanisms allied to or
incorporated in the growth management plans recommended above, should receive dedicated conditional grant funding as the key levers of sustainable settlement creation.

4.5 Large-scale area-based upgrading projects

Recommendation: That area based projects with a strong public works focus be rolled out by municipalities, with dedicated grant funding from Treasury.

The strong expansion of public works programmes, linked to EPWP initiatives, in the field of urban services is vital in both supporting job creation and rolling out essential services in urban areas. This focus may be directed through extension to the existing Neighbourhood Development Grant with greater emphasis played on longer term and larger scale projects that are institutionalized in area based social compacts. These should be located in major townships, major informal settlements and key urban nodes. Projects need to be focused on national priority urban nodes where the priority is defined according to economic benefit to the poor.

Within these projects a key emphasis needs to be on the investment in public space with a specific focus of securing access for the urban poor to trade and to participate in public life. Public space is the key interface between the informal economy and their markets. Public space in SA has not been designed with this in mind and in fact many municipalities actively keep the informal sector from using this space. The space needs to be negotiated in ways that allow the poor to have meaningful access and ensure that space is well managed.

Localised strategies need to be developed. This may require the development of units within municipalities, the crowding in of state institutional energy (as per the Alexandra model) or social compacts/SPVs for particular area-based initiatives.

This large scale programme should augment a roll out of small scale neighbourhood level initiatives in public space that are aimed at economic benefit for the poor. These every localised projects might for instance involve public space upgrading, creation of institutional mechanisms, development of trading space, or accommodation initiatives. They should be focused on livelihoods strategies that are tailored for specific, very localised areas. Localised solutions have the best chance of creating traction, of lasting social compacts and of sustainable operation. These should be developed in partnership with the municipality and local level organisations and leadership.

4.6 Development instruments

Recommendation: That development regulations and instruments be streamlined to smooth the delivery process and that instruments be designed to allow for well managed and productive hybrid and informal land use typologies in urban areas.

Land use management is an important component in enhancing the access of the poor to urban spaces. At the most direct level weakness in land use management systems hold up development and stifle all levels of economic activity.
The history and practice of land use management in South Africa is focused on orderliness and on separation of land uses and, historically, of racial groups. Under apartheid the majority of the population was denied ownership of and access to urban land for residential or business purposes. This created overlays of racial exclusion and inclusion in property-ownership patterns.

Currently South African land use management systems are fragmented, complex, and uneven. There are different land use management systems in operation (12 town planning schemes in City of Johannesburg and various township establishment procedures).

Land use management systems such as the DFA, while designed to fast track low income housing delivery, have been applied through the manipulation of legislative weaknesses and loopholes to fast track developments for the wealthy and to bypass municipal systems.

There is great unevenness of regulation in various settlement typologies. In low income and informal housing areas there is often an absence of regulation. Similarly inner city areas suffer sporadic rather than predictable application of regulations. Multiple authorities (such as provincial liquor boards) complexify essential aspects of land use management and control in these areas.

The answer does not necessarily lie in standardization. Recognition of varying settlement typologies and different economic needs and conditions across urban areas must be accommodated in any redesign of regulatory systems.

Land use management systems are typically poorly linked into strategic aspects of planning. They also poorly reflect the realities of many parts of urban areas where fluid, hybrid and disordered land use is accommodated in areas that are controlled by modernist regulations. Mixed messages or a lack of responsiveness in land use management fuels conflicts over land use (such as in backyard shacks, upgrading of informal settlement, rights of ‘migrants’ vs. longer standing residents). The operation of businesses within certain areas, such as inner city buildings, creates a significant challenge and cannot be assumed to be straightforward management issues. In fact the design and density of much of the built form in inner city areas calls for stronger rather than more lenient urban management.

The appropriation of public space for private use (e.g. taxis on public areas) is a common site of contestation. This is another way in which land use is taking place in a variety of ways that are not formally recognised.

A range of businesses operates in informal areas and in residential areas of historic townships, including crèches, motor-car repairs, spazas, fruit and vegetable markets, shebeens, night clubs, and food outlets. Defining what should be legal and what both is complex. But the ambiguity and a lack of understanding of informality and the survival strategies of the poor in urban areas which may not conform to a formal logic, is not helpful.

The positive response to informal activities, particularly in public space (Warwick Junction) has resulted in innovate solutions that have addressed a variety of management concerns and have enhanced livelihood strategies. In Warwick Junction for example the initiatives to deal progressively with informal trading has resulted in solutions being crafted for such issues as kerbside cleaning, childcare facilities, and pavement sleeping and ablution facilities. Public space that is used
by both wealthy and poor sectors of urban society should be targeted for particular point of participation by the poor - the creation of informal trading spaces in such areas (e.g. beachfronts) provides opportunity for economic interaction between rich and poor.

Increased access to land for the poor should incorporate but not be confined to land ownership. Many people in SA will never own land and cannot depend on the possible asset creation potential of land or housing ownership for their livelihood. Rather providing access to land for a variety of uses and through a variety of mechanisms which need to include security of access and use (not only through ownership) should be pursued.

Land use management is at the confluence of cities’ concerns for growth and development. A traders market may be cleared or regularized because it interferes with the private investment potential of an area. This act may however restrict income earning ability or access for traders to the space.

The rejection of past systems of over-control has also had the consequence of planning schools and planners avoiding regulation and control and of systems of land use management not being tackled. Planners have poor understanding of the property market and of how land use decisions affect this market.

Land use management and land issues span several departments. National level rationalization of functions and improved coordination in this regard is necessary.

**Land Use Management Bill:** Currently land use management operates in terms of outdated provincial level laws. The result is that local level powers to direct development, inhibit undesirable development and to integrate low income housing with other urban functions or housing typologies are not exercised with political or operational will. The importance of a sound land use management framework for housing development is that such a framework is necessary in order to enable and to channel development in ways that impact on spatial restructuring and on overcoming historical disadvantage. It is important to reform land use management in South Africa in order to empower local government to direct development in ways that promote equity, development and growth. The current land Use Management Bill has been acknowledged to be insufficient in its present form. The Bill needs to be reworked to improve the powers, roles and responsibilities it sets out and to ensure that it provides for a unified, rationalised land use management system in the country. This needs to be fast-tracked if it is to frame the spatial development of housing within integrated and sustainable human settlements.

We need a better understanding of ‘what’ to regulate. This cannot be removed from an understanding of the livelihood strategies of the urban poor and more data on this and the link to land use management is required.

The identification and zoning of land for development purposes, whether for housing, mixed use or economic generating activities cannot be removed form the market reality of land development. It will require highly skilled professionals. A cadre of public sector planners need to be trained in land negotiation and land market skills and to be spearheading land negotiations and deals around development rights – that will enhance the economic benefit of urban areas for poorer inhabitants – in proactive ways.
Access to the city should not be equated with access to land and housing – but may include access to use of and, to social facilities and to infrastructure.

The creative application of regulation and of settlement design to permit and optimize the economic use of property should be pursued in all new settlement and in densification of existing settlement.
Annexure 1: Problem statement for an urban component of the Second Economy Strategy

The problem statement which responds to this brief can be framed as follows.

A range of government departments need to mobilise around the common goals of a) creating sustainable human settlements and b) improving urban efficiency. The effective exclusion of the poor from full access to urban amenity is a spatial challenge (in that the poor are relegated to the outskirts of cities and towns) and a challenge for effective service delivery. The right to land and housing enshrined in the Constitution is the basis for the state continuing to prioritise the needs of the poor, but market factors such as land values and costs of extending infrastructure frustrate attempts to integrate the poor.

In spite of a focus on the poor being articulated in government plans, there is uneven political support for an explicitly pro-poor agenda in many urban areas and programmes focused on the poor often give way to other demands including flagship projects, maintenance issues and pressures of affluent development.

Part of the problem is that there is no clear direction from national government on urban land issues in relation to the poor. This means that no imperative is placed on local government as developmental organs to provide progressive outcomes in regard to spatial development.

A further problem relates to our knowledge of the factors that impact on exclusion, and the nature and scale of exclusion. There is a need for sound data to inform the policy direction and interventions in the urban economy.

Transportation is in many respects the key to unlocking access to the cities. The pivotal role it plays is recognized internationally in transit-oriented development approaches. The physical distance that poor people have to travel to access economic opportunity in the apartheid city is possibly the single greatest barrier to inclusivity. The costs of transport impact severely on people’s ability to look for work and to remain economically engaged. The place of public transport, of transport subsidies and of interventions in the taxi industry and routes need to be examined. In addition a role for transit-oriented land use planning in South Africa, and what the key interventions would be to catalyze such planning should be outlined.

This is closely linked with spatial planning. There are deep locational constraints to effective economic activity and to the integration of the poor – whether in a residential or economic sense, into the mainstream urban economy. This suggests a key role for spatial planning. Yet, while the spatial planning systems in South Africa comprise a seemingly coherent network of plans from the national level to localised planning and land use guidelines, there is little evidence of planning instruments and powers being employed at the local level to effect spatial changes that will enhance access and better enable people to generate incomes.

Access to land and housing remain problematic. By and large the poor continue to access urban areas on the periphery and in unregulated and unserviced spaces in more central areas. In order to deal with backlogs and increasing demand, government efforts to distribute land and to house poor people would need to keep their momentum, but attention needs to be given to how through these efforts the poor are integrated into urban areas, and integrated into markets (housing markets, land markets, and urban economies generally). Land and housing remain a major asset redistribution tool for the state, but if people who receive such from the state are to benefit as intended, then maintaining the value of those assets for the people and for municipalities is essential. As long as housing delivery remains quantitatively biased it cannot reach the goals of enhancing economic opportunity for the poor.
Otherwise we face the situation where households become asset rich, but remain income poor, and as a result often lose their grip on the property asset (e.g. when they are forced to move back into informal settlements after having received land or housing through state programmes). Maximising the ability to generate income via the land/housing asset is an essential focus which needs to be embraced by the state (e.g. through encouraging the small scale production of rental stock by households and by enhancing home businesses).

The other major factor is for government to take on the challenge of improving location and class integration, so that benefitting households are able to maximise their access to urban amenities and markets, which will in turn enhance their ability to earn incomes and become less poor. Attention to these issues will also create a more productive urban citizenry able to contribute towards the sustainability of municipalities and the economy more generally.

The correlation between human settlement conditions and housing, what reproduces them, and the second economy has to be spelt out. There is a particular challenge presented by the growth of informal settlements, as a spatial manifestation of peoples’ place in the second economy. The relationships in the informal settlements along the continuum of survivalist/livelihood strategies into the workings of the broader economy need to be articulated. To develop a second economy strategy, we need to understand and describe:

- Why and how informal settlements are locations of urban reception for socio-economic migrants.
- The role they play in the urban/second economy.
- How they interface with and through the workings of the state and the market to produce locations of hope.

However, they are also products of historical disparities in skills and resources (human and financial), inadequate state investment in the built environment, and possess insufficient finances or related incentives to make them viable places for private capital investment.

A second economy strategy needs to take on this complexity as the perpetuation of informal settlements has proved to be an intransigent problem which has not so far responded to well-intentioned state (and, to a lesser extent, private sector) interventions. At an implementation level, a second economy strategy also needs to grapple with the mechanisms and interventions required for a roll out of informal settlement upgrading as in current state policy.

Furthermore such a strategy needs to grapple with the blockages that face poor people in moving up a ‘housing ladder’. These include regulatory systems and the financing of housing (subsidy mechanisms, other financing, small loans, cost of land, cost of house, cost of finance, and factors that impact on land pricing, including land use management, municipal regulation, etc). The inhibitors to people using their housing asset to move from a second to a first economy need to be clarified and the actions required to intervene in these conditions must be foregrounded.

A state focus on urban services is important for satisfying social needs of the poor. The principle of state finance and management of basic infrastructural and social services is that this lessens the burden on households for meeting basic needs to free them to use their resources and income they are able to generate for livelihood purposes.

An urban component of a second economy strategy also needs to grapple with land cost and the factors that impact upon these costs. The tools available to the state to intervene in the land market and the implications of such action in enhancing access to the poor – as well as the trade offs that such action will imply – need to be better understood.

The role of individual title and of official recognition of settlements in enhancing poor people’s access and use if housing as an asset has been examined in research. The possible interventions that emanate from these understandings of titling need to be examined and clarified.
In terms of inner cities, the perpetuation of exclusion is stark. A recent study of land use management conditions in Hillbrow suggests that “by occupying space – sometimes illegally, informally or in other unregulated ways – the urban poor have succeeded in gaining a foothold in places that would otherwise be denied them. It is precisely in the space created by the absence of enforcement, institutional flux and ambivalence of the council regarding its responsibilities to the poor, that the poor have managed to access the city. The problem that flows from this situation relates to the living conditions that have resulted from this situation, the unstable relationships that have emerged between the actors involved in orchestrating these living conditions, and the gradual erosion of irreplaceable building stock.

Inadequate living conditions and unstable relationships are as much a problem for the urban poor as the municipality which seeks to fulfil their needs. While inadequate living conditions and unstable relationships might not immediately disadvantage the urban poor, these "could result, over time, in the deterioration of the urban stage on which they themselves are reliant for their livelihoods..." (SACN 2006: 2-27). In addition it should also be noted that, "many participants in the informal sector are often super-exploited because they fall outside of the ambit of... legislation and cannot access the legal system. Lack of access to proper health and education services, alienation from the often highly conspicuous wealth in cities, fear of eviction and a tendency to resolve disputes by violence due to lack of access to legal and policing services, undermines the quality of life of residents in the informal sector and perpetuates the cycle of poverty (SACN 2006: 2-27)" Silverman and Zack (2007).

The regulatory and financial constraints that limit the ability of poor to effectively use the assets and endowments (land) that they do have (including financial constraints) also need to be better understood. The actions that the state might take to remove or ameliorate such constraints need to be clarified.

At an area-based project and programme level the role and potential of cross-cutting urban state programmes such as urban renewal programmes needs to be examined in regard to its effectiveness in unlocking poverty and improving the access of the poor to urban opportunity.
Annexure 2: Parameters of an informing logic for the urban component of a second economy strategy

A strategic response

Given resource and capacity constraints the response must be strategic:

- Strategic targeting of public investment must focus on the fundamental transformative elements of cities. Municipalities need to consciously and proactively plan for such investment. Plans for managing growth and development in ways that are pro-poor and enhance efficiency of urban areas need to be developed. Infrastructure investment should be implemented within such plans.

- Public sector investment and incentives should focus on the development of an effective capital web in urban areas. This means a focus on building density and increasing mobility within urban areas. It also requires the identification and protection of land for transportation corridors and the progressive development of mass transit in these spaces.

- Strategic selection of spatial focus: crowd in investment in large scale area based urban development projects; infrastructure-led upgrading and recognition of well located informal settlements; leveraging off existing stock in inner city and existing residential areas through increased densification and infill development.

- Strategic use of development tools and incentives to direct energy to focus areas. This involves the state in encouraging the investment and development direction of multiple actors through its own planning and investment.

- Strategic partnering with community, NGO and private sector in order to implement programmes jointly but also to design and target state support in effective ways (such as the targeting of social grants and other benefits in ways that optimize the possibility of access to wider support groups and economic possibilities – targeting grants through groups, through public works programmes etc)

Informing principles

Implementation focus: To a large extent the project has concluded that the requirement of including the poor in urban areas in more effective and economically active ways do not require policy shifts. Rather they require that the means of implementing stated policy be instituted. This relates to the design and execution of implementation instruments, institutional arrangements and funding mechanisms.

Differentiation: A key principle in conducting an approach for optimal inclusion of the poor in urban areas is the principle of differentiation. This applies to the definitions of vulnerability and poverty as well as to the geographic expression of
vulnerability. Tailored approaches are required for different target audiences as well as for different geographic areas.

There is a hierarchy of urban spaces both at the scale of cities and towns and at the scale of neighbourhoods or precincts within one urban area. These areas have intra and inter-area economic relationships. The relationships between the second economy and urban space differs according to the nature of economic activity, levels of specialization and diversity within areas and the social structure of areas. Interventions need to be tailored for different areas. The geographies of poverty and inclusion and exclusion vary enormously for different areas. Tailored, localised responses are necessary.

Centrality of transportation: Transportation and in particular public transport is the key infrastructural lifeline and driver in urban areas. Proactive investment in a transport based capital web means that both existing economic energies in urban areas can be unlocked through the improved connection between the poor and places of employment, and that future settlements can be better located with respect to transportation infrastructure. Investment in transportation infrastructure and reduction in transport costs for the poor is the key challenge to enhancing the mobility of labour.

A focus on poverty and livelihoods: While the focus of this strategy is on investment in urban infrastructure, the delivery mechanisms and the choice of investment needs to be targeted at employment generation, access to income and asset-creation for the urban poor.

Economic agglomeration is important for innovation and productivity and dense urban settlement best serves these ends. The impact of such agglomeration is not automatically efficient or spatially desirable. This is why smart spatial intervention is necessary – to avoid the negative (congestion and grime) effects of agglomeration and to maximize the benefits (access, higher productivity, higher living standards). The extreme separation from economic and social opportunity (‘division’ in recent World Bank literature) present in informal settlements (slums) in which concentrations of poverty and minimal access to services and opportunity manifest, requires that special attention be paid to mainstreaming these settlements into the urban spatial fabric and economy.

State capacity: While state policy does not inhibit pro-poor development programmes, the implementation of these and the appropriate targeting of resources have been problematic. This centres on the capacity of state institutions to direct such implementation. The limits on state capacity relate to staff shortages, skills shortages, staff morale and poor planning and financial systems. Strategies to direct resources for more inclusive urban development cannot succeed without the reinforcement of state capacity. Such capacitation requires both attention to human resource development as well as to the improvement of systems of planning, administration and finance. The systems that guide public infrastructure can be enhanced through improved planning, financial regulatory instruments without requiring a large scale overhaul of systems.

Predictability: Private sector investment goes where there is predictability. It is vital to use state investment to unlock private investment. This requires that state messages be clarified and that state programmes are predictable and reproducible.
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**Principle of social solidarity**: This solidarity is built where there is shared agreement from different stakeholders, state, private, and community around a programme because it meets the various objectives of those stakeholders. You can then get cooperation. Social solidarity binds rich and poor. It is important that there be a defined social compact attached to programmes.

Equity is not a primary driver for the market. Efficiency is. Equity is a driver for community and an objective of the state. Programmes need to target the spaces where these objectives overlap and achieve efficiency and equity. This intersection can be achieved in well targeted public investment. Investment needs to target the places of solidarity and to be reinforced with a social compact around those spaces.

**Coordination and devolution**: Institutional coordination is necessary for effective infrastructural delivery. This remains a challenge in South Africa where institutional authority over implementation and funding is dispersed across spheres of government and between municipalities and entities.

Funding needs to be directed to the delivery point as directly as possible. Current development financing streams dissipate funding into several avenues before bringing them together at delivery point. This slows and complicates development processes as development agencies have to repackage finance. A dedicated conditional grant that is directed to municipalities for economic development-infrastructure led programmes is recommended. These programmes would include infrastructure led upgrading of informal settlements and area based upgrading and renewal programmes with an economic development focus.

**A pro-poor focus within a recognition of a whole market**: In housing the performance of the market is nuanced and findings show that in historical townships this market is a complex web of financial and social considerations around the asset value of poverty. Within the residential property market as a whole, asset-building requires that the residential property market be opened for such movement ‘up’ a ladder of accommodation levels and prices. This coincides with a principle of the state responsibility for an entire residential property market as indicated in BNG. It does not however mean that such intervention is uniform across the market segments. On the contrary, it is where the market does not operate to service accommodation needs – namely for the poorest urban dwellers – that the state’s most active interventions need to concentrate. This is in the upgrading of informal settlements.

**Revaluing of labour**: The acute need to stimulate job creation and skills acquisition requires a revaluing of labour in public infrastructure development. Labour-based construction processes need to be fore grounded in the rolling out the large public infrastructure programmes that are required to meet backlogs, densify cities and produce higher levels of movement efficiency.

**Active participation of the poor**: The inclusion of the poor in urban areas cannot be restricted to the queuing of people for resources. Recent xenophobic civil unrest in urban townships has highlighted the frustrations of the poor in awaiting service delivery in this manner. Coupled with the large scale of need, this system can easily translate into years of queuing and of impotence on the part of beneficiaries in carving a space for themselves in urban public life. A shift is required that places the poor in a more potent position in relation to urban investment. This requires the mobilisation of the poor in a social compact with the
state, private sector and NGOs in the implementation of infrastructure development programmes. It also requires a focus on faster delivery of progressive infrastructure as opposed to the delivery of more complete shelter opportunities that necessarily requires longer time frames. The full shelter alternative also poses several limitations in city restructuring and delivery mechanisms which are not as well suited to inclusion of beneficiaries in the delivery of the shelter and do not provide for residential choice.

**Partnership approaches:** The mobilisation of capacity of the state, private sector and communities requires that delivery mechanisms be more partnership-based.
Annexure 3: Key contributors

- **Doreen Atkinson**

  Prof Doreen Atkinson is a Research Associate at the Centre for Development Support (CDS) at the University of the Free State. She also has her own Karoo-based consultancy, the Heartland and Karoo Institute. She has a background in political science, local government and rural development. Key research topics include small towns, farm workers, and local economic development. Her current focus is on promoting co-ordinated development amongst the four Karoo provinces, as well as collaboration across district boundaries in the Karoo. She leads the Arid Areas Research Programme at UFS, which includes 10 postgraduate students.

- **Stephen Berrisford**

  Stephen Berrisford is a lawyer and town planner. These skills have paced him in a unique position with respect to analyzing land regulatory systems in South Africa. He has worked as a local government urban planner, and at national government level as a Director in the Department of Land Affairs. Since 2000 he has managed Stephen Berrisford consulting from where he has undertaken a wide range of international and local consulting with a particular focus on land use management and regulatory aspects of development.

- **Sarah Charlton**

  Sarah Charlton is an architect and housing specialist. She has experience in local government and has consulted widely in housing policy and in urban development research. Sarah is currently a senior lecturer in the School of Town Planning at Wits University. She is reading for her PHD and in this she has a special interest in informality in South African cities.

- **Cas Coovadia**

  Cas Coovadia as Managing Director of the Banking Council. Cas played a key role in the negotiations around the Financial Services Charter (FSC) and has been responsible for driving the implementation of the Charter, and acting as the Interim Secretariat to the Charter Council. He has also been responsible, at a strategic and policy level, for the banking industry’s initiatives in Low-Income Housing, Micro Finance, SMME Finance, Organised Business as well as lobbying and Government interaction.

- **Marc Feldman**

  Marc Feldman is an architect and former staff member of Planact. He is currently a principal at Development Works where his work has included a focus on development strategy in sub Saharan Africa and on participatory governance.

- **Clive Forster**

  Clive Forster is an urban planner and development specialist. He has wide experience in the implementation of large scale housing and development projects, having managed the Cato Manor urban renewal project and provided technical
support and project management services to the implementation of several other urban renewal and housing projects. He is also skilled in project evaluation and in the preparation of development policies and guidelines for implementation.

- **Ian Goldman**

  Dr. Ian Goldman qualified in agriculture and worked in rural development in Mexico, Zambia and the UK. In 1995 he returned to South Africa as a change management advisor in the restructuring of the Free State Department of Agriculture post the 1994 democratic elections. This was a major transformation process which Ian wrote up for his PhD in 2000. In 1998 Ian established Khanya-managing rural change, a developmental consultancy which has pioneered approaches to sustainable livelihoods and community-driven development in Africa. In 2005 Khanya was transformed into Khanya-African Institute for Community-Driven Development (Khanya-aicdd), and Ian became the first CEO.

- **Graeme Gotz**

  Graeme Gotz is a policy and strategy specialist in the City of Johannesburg. He spans the worlds of research, academia, policy development and practice in his interest in local government. He has studies and taught in public management and has written on issues of migrancy, developmental local state and poverty in South African cities. Graeme has authored the City of Joburg’s Growth and Development Strategy.

- **Firoz Khan**

  Firoz Khan is a lecturer at the School of Public Management and Planning at the University of Stellenbosch. His research interests and publications span globalization, economic restructuring, institutional reform, local economic development, development planning, urban development and housing. He contributed to the Breaking New Ground Housing strategy and presently provides support to national and provincial departments of housing. He is presently reading for his PHD on the developmental state and post apartheid shelter praxis. Firoz has teased out the elements that might constitute a conceptual framework for this project.

- **Michael Kihato**

  Michael Kihato is a lawyer and development planner. He has a fascination for urban planning law and is working towards a higher degree in this field. Michael works at Stephen Berrisford consulting where he has in gained experience in developing poverty reduction strategies, development programmes, policy and research in sub-Saharan Africa.

- **Nisa Mammon and Kathryn Ewing**

  Nisa Mammon is an urban and regional planner in private practice. Kathryn Ewing is an urban designer and architect in private practice. Their current planning and design work focuses mainly on making the public domain accessible to the majority of people to help create an inclusive city. Recent projects they have been involved in, among others, include: spatial development frameworks for resettlement, public and non-motorised transport planning and design, local integrated human settlement plans and public space upgrade projects. Both Nisa
and Kathryn are involved in research directly related to their practice of urban planning and design.

- **Lochner Marais**

  Prof. Lochner Marais is currently involved as a researcher at the Centre for Development Support (University of the Free State). Prior to this, he lectured at Vista University in Bloemfontein for seven years and in the Department of Geography at the University of the Free State for two years. Marais’s research and teaching activities are focused on the areas of housing policy, integrated development planning, and local economic development.

- **Mark Misselhorn**

  Mark Misselhorn is an urban planner and the Chief Executive Officer of Project Preparation Trust. PPT is an independent public interest organization that specializes in the preparation of projects for historically disadvantaged communities and special needs groups. PPT has both an urban and rural focus and works in the physical forms of development such as infrastructure as well as soft forms of development focusing on developing people. Mark is currently involved in a programme that is looking at the roll out of informal settlement upgrading. This is the focus of his talk today.

- **Karuna Mohan**

  Karuna Mohan is the general manager: organisational performance in the Office of the City Manager, Ekurhuleni Metropolitan Municipality. Karuna was previously executive director for local economic development in the same municipality.

- **Mathetha Mokonyama**

  Mathetha Mokonyama is employed by the CSIR as a researcher in passenger transport operations and transport studies. He has previously worked for the City of Johannesburg and in Consulting, mainly in the area of transport modelling. He is a civil engineer by training but later specialised in the area of transport engineering. He has been part of the development teams for the Gauteng “Global City” region transport model and the City of Johannesburg strategic transport model. His current research interests are in the area of dynamic systems modelling and passenger transport service design.

- **Blake Moseley-Lefatola**

  Blake Moseley-Lefatola is a local government specialist. He has worked in and with the Public Sector for 16 years. He is the former Municipal Manager of the City of Tshwane Metropolitan Municipality, and the Group Chief Executive of the AKANANI Group Holding Company.

- **Mark Napier**

  Dr. Mark Napier is programme director of Urban LandMark, a UK government-funded programme in South Africa which focuses on making urban land markets work better for the poor. He is an architect by profession and studied housing at post-graduate level at the University of Newcastle upon Tyne. Mark has also spent time in government, setting up a research unit in the national Department of
Housing, and before that was with the Council for Scientific and Industrial Research. He has researched and published in the areas of housing extensions, home based enterprises, environmental aspects of informal settlements, and land and housing markets.

- **Monty Narsoo**

Monty has played an instrumental role in the development of housing policy in South Africa, since the days of the national Housing Forum. Monty was Deputy Director General of the national Housing Department. He was also a founder of the South African Cities Alliance. He is currently an independent consultant and has recently undertaken a fascinating journey into the housing development issues facing smaller towns in South Africa. He is also a specialist on issues of governance and will focus today on governance and governability.

- **Herman Pienaar**

Herman Pienaar is a town planner. He has extremely in depth experience of all aspects of planning at local government level, having worked in these areas at the City of Jo’burg for many years. Herman has specialised as a strategic planner and is currently the director of Development Planning and facilitation in the City of Johannesburg’s Development Planning and Urban Management Department. In this role he has been instrumental in the development of an innovative planning tool for addressing strategic planning in the context of a highly unequal city. He will talk to us about that strategy.

- **Glen Robbins**

Glen Robbins is a part time research fellow at the School of Development Studies (UKZN) and a programme advisor to UNited National Conference on Trade and Development on local and regional economic development. His main research focuses on urban and regional economic development with a particular interest in the relationships between industrial policies and urban development. He has worked on research and consultancy projects on the economic dimensions of urban development with the South African Cities Network, national and local governments in South Africa and internationally and with the Cities Alliance, World Bank, UNDP and others. He previously worked for the eThekwini Municipality.

- **Lauren Royston**

Lauren Royston is a development planner by training. She is a consultant and partner at Development Works and a member of Leap, a voluntary association of urban and rural tenure practitioners. Currently she champions the social and tenure theme at Urban LandMark and is advising the Centre for Applied Legal Studies on the San Jose case in Johannesburg inner city on matters relating to the settlement agreement with the City of Johannesburg, the relocation and the permanent affordable accommodation options. Current consultancy work includes Development Works’ support to the national department of housing on housing planning as part of IDPs.

- **Kecia Rust**

Kecia Rust’s involvement in housing in South Africa spans a broad spectrum of policy areas. She has been instrumental in the drafting of key housing policy at
national, provincial and local spheres of government. Her work has taken her into a specialist interest in housing finance and she is currently managing the housing programme of FinMark Trust.

- **Caroline Skinner**

  Caroline is a Research Fellow at the School of Development Studies, UKZN. Her work in the last few years has been an iterative process between research and policy on the informal economy. She is currently finalising her PHD.

- **Kevin Wall**

  Dr Kevin Wall is a specialist on municipal infrastructure asset management. He has played a key role in the formulation of an Infrastructure Report Card for South Africa, as well as the National Infrastructure Maintenance Strategy. Kevin serves on the editorial advisory board of the Development Southern Africa (DSA) journal. Kevin was awarded The South African Institution of Civil Engineering 2006 Meritorious Research Award in 2006, in recognition of his research into infrastructure asset management.

- **Tanya Zack**

  Dr. Tanya Zack is a town planner. The focus of her research and practice is on housing and urban poverty. She has most recently been involved in the writing of best practice case studies, in evaluation of urban renewal projects, research into inner city land use management and research into the development of sustainable human settlements.

- **Paul Zille**

  Paul's early career as an economist included working for Lloyds Bank International UK and the Intermediate Technology Development Group UK. After returning to South Africa in 1991 he helped establish and implement the European Union's Programme for Reconstruction & Development in South Africa. He was a technical assistant to the national Pilot Land Reform Programme, and established the Land Reform Credit Facility at Khula Development Finance to support commercial bank lending to land reform initiatives. Between 2001 and 2007 he worked with ECIAfrica as Executive Director of the ComMark Trust and as Director of the Maruleng & Bushbuckridge Economic Development Initiative. Paul joined the Genesis ‘Business in Development’ practice as a partner in July 2007.