

South African
CitiesNetwork



STATE OF THE CITIES REPORT 2006



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FOREWORD BY THE MINISTER FOR PROVINCIAL AND LOCAL GOVERNMENT



The Ministry and Department of Provincial and Local Government welcomes the publication of the State of the Cities Report 2006.

This is a timely publication. It reflects on the five-year performance of the country's nine largest cities and the municipalities that govern them. It also anticipates new challenges that will confront these municipalities during their second term of government after the municipal elections in March 2006.

Over the last five years, South Africa's cities can look back with some satisfaction at what they have achieved.

Cities have worked hard at creating democratic and accountable government. This has involved the complete overhaul of the governance model that existed before 2000 when a new system of local government was introduced. Cities have also improved on their delivery of services to communities. Municipalities have extended water, electricity, roads and waste collection services to former township areas and upgraded infrastructure in the better-resourced neighbourhoods. Many cities have also taken on the task of promoting economic growth, by looking carefully at how both the first and second economies can be supported to become more productive.

At the same time, cities continue to deal with issues of poverty and the need for improved social development, rolling out free basic services to the poor, upgrading sports facilities and building clinics. Cities have also begun to address important environmental issues like the need to reduce energy consumption and manage their natural resources more effectively.

But many challenges still confront South African cities if they are to continue as engines of global connectivity and national growth. These challenges operate at three levels.

- **GLOBAL:** There are new pressures on cities to compete for investment. As foreign investors look for new sites, South African cities will have to offer increasingly sophisticated telecommunications and freight infrastructure, desirable quality of life and a pool of highly skilled workers. South African cities will have to compare favourably with other cities in other parts of the world.
- **REGIONAL:** South African cities are experiencing substantial population influxes as people move from rural areas and from other parts of the subcontinent. While urbanisation is a basic precondition for growth, it does not necessarily guarantee development. The challenges for the new century will be managing urban growth for economic advance, reconciling it with ecologically sustainable forms of development and reducing social exclusion.
- **LOCAL:** Cities are also experiencing new pressures as the process of devolution places increasing responsibilities on municipalities to deliver urban services, to meet national growth priorities and to ensure that each and every neighbourhood offers citizens a brighter urban future.

This requires cooperation between the cities, as well as a forum for sharing experiences and innovations. This thoroughly researched report from the South African Cities Network goes some way to fulfilling that function and providing a basis for discussion. It is my sincere hope that the report will be read with care by all organisations and individuals responsible for making cities better places and help provide us with the solid ground on which to base future initiatives.

Fholisani Sydney Mufamadi
Minister for Provincial and Local Government



FOREWORD BY THE CHAIRPERSON SOUTH AFRICAN CITIES NETWORK

If cities are running a marathon in their quest to build better living environments, profitable economies, and accessible amenities and achieve the urban ideal, then the 2006 State of the Cities Report can be seen as a water point on the route. We like to think that it is a place to pause and drink at the top of a steep hill, providing a view of the path we have travelled and a glimpse of the road ahead.

The SA Cities Network has tried to strike a balance in providing space for “cheer-leaders” – those who acknowledge just how much South African cities have achieved in the eleven short years since democracy – and “coaches” – those who are critical of the pace of progress, the quality of services and perhaps express a lack of confidence in the cities’ ability to deliver on their potential unless more drastic measures are taken.

At this watering station we need to take a moment to reflect on performance relative to other cities (both in South Africa and the rest of the world) and to each city’s own past performance. More importantly, we should take the time to consider the information on the route we face, the weather forecast and the state of our shoes before we plot our race plan for the road ahead.

I trust that this new edition of the State of the Cities Report provides sufficient information and clear analysis on past performance and future challenges to inform all decision-makers in the cities in their attempts to shape the urban environment so that it can accommodate both economic growth and social development in the run-up to 2010 . . . and beyond. We should be reminded of the fact that in urban development terms 2010 – despite all its symbolism as the end of a decade and the year in which we play host to the world – is not the finish line. It should be seen, perhaps, as another important stage point in the marathon, but the race for sustainability, productivity, inclusivity and good governance will continue.

As team runners in this marathon, government, the private sector, civil society and individual city dwellers should always be thinking about how to make sure that all members of the team make it up the next mountain in the best possible time. We need to optimise our investment in the cities to achieve the joint objectives of accommodating and fuelling economic growth while ensuring that everybody has access to basic services, amenities as well as jobs and income. Every urban resident should enjoy well-founded prospects for improved circumstances and a better quality of life in South Africa.

My thanks go to the SACN CEO and every staff member in the secretariat for putting this report together; to my colleagues on the SACN Board of Directors for their guidance on the content and key messages for the report; and to all those who are working to make our cities better places to live, work and play.

Andrew Boraine
SACN Chairperson

THANKS FROM THE CHIEF EXECUTIVE OFFICER SOUTH AFRICAN CITIES NETWORK



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We look forward to working with you all in improving our indicators of performance, establishing better data-collection systems and planning the content of the next edition of the State of the Cities Report.

Sithole Mbanga
Chief Executive Officer

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THE REPORT TALKS TO ALL URBAN STAKEHOLDERS, PEOPLE WHO LIVE IN CITIES AND TAKE AN INTEREST IN THE WELL-BEING OF CITIES

The State of the Cities Report 2006 provides a qualitative and quantitative analysis of South Africa's largest cities, highlighting the important role played by cities in driving the national economy and improving the lives of South African residents. It raises current debates about cities, provoking urban stakeholders to think in new ways.

This report follows on the first State of the Cities Report produced in 2004 (SOCR 2004). State of the Cities 2004 provided the first comprehensive picture of the major economic, social, environmental and governance realities affecting South Africa's nine largest cities.

The State of the Cities Report 2006 (SOCR 2006) builds on the important information and analysis contained in SOCR 2004. While the 2004 edition looked broadly at how cities were confronting the post-apartheid challenge in the ten years since democracy, the 2006 version examines a shorter time period between 2001 and 2006 and therefore has a sharper and more contemporary focus.

SOCR 2006 looks at what has been achieved in cities during the first municipal term of office under the new municipal dispensation brought into being by the Local Government White Paper, the Municipal Structures Act and the Municipal Systems Acts. SOCR 2006 provides detailed information and analysis of trends that have affected urban development over the past five years. But it also looks forward at challenges and opportunities likely to be posed in the years ahead.

Target audience

The report is aimed at a wide variety of readers. Firstly, it is aimed at municipalities, providing summarised city-specific comparative data and information. This is intended to assist municipalities in

good governance and the management of cities. The report is also directed at the provincial and national spheres of government and at state-owned enterprises with the intention of positively influencing the national Medium Term Expenditure Framework (MTEF) and Medium Term Strategic Framework (MTSF) processes. Finally the report also talks to the private sector, community organisations, trade unions and universities.

It provides decision-makers with a useful instrument for making strategic choices about cities. In short, the report talks to all urban stakeholders, people who live in cities and take an interest in the well-being of cities.

Structure of the report

The report is structured into six chapters.

Chapter 1, the introduction provides an overview of the contents of the report, helping readers to navigate the material.

Chapter 2, Dynamics of the urban system provides an overview of the role and importance of cities in the global and national contexts. Chapter 2 argues that we live an increasingly urban age. Soon the majority of people world-wide will be living in cities. In the context of globalisation, it is now cities, as much as countries, that drive economic growth.

These global trends are echoed in the national context, where there is evidence of rapid,



ongoing urbanisation. More than half of South Africa's population now live in cities and towns.

In a departure from conventional SOCR practice which has traditionally focused only on the nine South African Cities Network (SACN) member cities, this chapter looks more broadly at a range of other South African urban spaces. It embraces an additional 12 cities and towns, to provide an analysis of 21 key urban areas. In this respect the chapter acknowledges the 26 key urban nodes identified in the National Spatial Development Perspective which is being prepared by the Presidency and will be officially released at the end of 2006.

The chapter argues that these 21 key urban areas which occupy only 2% of the land contribute almost 70% of the national economy. These 21 key urban areas also accommodate large numbers of people living below the minimum living level. This suggests that strategic investment in cities can achieve two things simultaneously – help grow the economy, as well as address the considerable challenges of poverty, now increasingly located in cities.

Chapter 2 also explores the complex relationships between the cities, towns and rural areas. It provides a perspective on the nature of urbanisation and migration flows in Southern Africa and its implications for cities. It explores urban-rural economic linkages, urban poverty, and the implications of informality as an important element of the South African urbanisation process.

Chapter 3, Urban performance focuses specifically on the nine South African Cities Network member cities. It consolidates data on what the nine cities have been doing over the last few years. This chapter condenses, simplifies and updates material found in the SOCR 2004 report and its associated almanac, adding new information where this is available.

In order to organise a vast amount of quantitative data and provide a benchmark for comparison, Chapter 3 relies on the same analytical framework used in SOCR 2004: the productive

The South African Cities Network

The South African Cities Network (SACN) is a collaborative of South African cities and partners that encourages the exchange of information, experience and best practices on urban development and city management. It is an initiative of the Minister for Provincial and Local Government and nine city municipalities, in partnership with the South African Local Government Association (Salga) and national and provincial government departments.

The nine cities are

- Buffalo City Municipality,
- City of Cape Town
- Ekurhuleni Metropolitan Municipality
- eThekweni Municipality
- City of Johannesburg
- Mangaung Local Municipality,
- Msunduzi Municipality,
- Nelson Mandela Metropolitan Municipality, and
- City of Tshwane.

The goals of the SACN are to

- Promote good governance and management of South African cities
- Analyse strategic challenges facing South African cities, particularly in the context of global economic integration
- Collect, analyse, disseminate and apply the experience of city government in the South African context
- Promote a shared learning partnership between different spheres of government to support the governance of South African cities.

Further information on the work of the SACN is available at www.sacities.net.

city, the sustainable city, the inclusive city and the well-governed city.

INTRODUCTION continued

Analytical framework



While the data is by no means perfect, the statistics present a broad, high level perspective of urban trends and indicators, sourced from publicly and privately generated national data sets.

Chapter 4, Urban strategies focuses on what the different cities have tried to do in addressing the challenges of city management and development.

This chapter has emerged from an innovative process. This involved visits by the SOCR 2006 writing team to all nine

member cities, to find out at first hand about each city's particular strategy. This allowed the writing team to engage with officials who authored their respective city strategies and with city managers responsible for implementing them. These workshops offered municipal officials the opportunity to reflect critically on:

- Progress made by cities in the last five years – what has been resolved and is therefore no longer a priority?

- Ongoing challenges still facing cities – what issues have not been adequately tackled and will be the focus of future strategic plans?

This process was supported by a detailed questionnaire. The outcomes of these workshops were recorded and then validated at another set of workshops. In this way, city officials have played a critical role in devising the content for SOCR 2006. Material was also based on key city strategy documents and the outcomes of the Integrated Development Plan hearings.

Chapter 4 also utilises the analytical framework that guided SOCR 2004, looking at the productive city, the sustainable city, the inclusive city, and the well-governed city.

- The productive city examines how the nine SACN cities responded to the productivity challenges in four areas - economic development, second economy interventions, transport, and spatial planning.
- The sustainable city examines the extent to which sustainability strategies have been integrated into city strategies, the alignment between sustainability and urban services, and how cities are addressing both local and global sustainability concerns.
- The inclusive city provides a comparative description, analysis and evaluation of the strategy and service agenda of the SACN cities since 2000, focussing on: the roll-out of free basic services; approaches to housing; responses to HIV and Aids; the Expanded Public Works Programme; the challenges of creating an inclusive urban culture; and safety strategies.
- The well-governed city explores strategy formulation, implementation and monitoring; performance management; administrative restructuring; approaches to community participation and involvement; communication, marketing and branding; and the use of financial instruments to promote development.

Chapter 5 examines the **emerging strategic agendas** of national government and how these will influence South Africa's cities over the next five years.

The chapter is divided into five sections:

- The urban development agenda examines key urban policy documents that are currently being developed by national government; the significant grant funding flowing from national government to cities; the urban development tax incentives; and the emerging housing strategy "Breaking New Ground".
- The urban growth agenda focuses on the Accelerated and Shared Growth Initiative for South Africa and provides a critical perspective of what this means for cities.
- The urban fiscal agenda examines three relatively new initiatives – the Municipal Finance Management Act, the abolition of Regional Services Council levies and the new property tax arrangements. All these will place considerable responsibilities on municipalities to ensure sound financial management.
- The national urban service delivery agenda focuses on the implications and challenges of the establishment of Regional Electricity Distributors (REDs) for cities and the possible restructuring of water and sanitation services.
- The urban governance agenda examines the distribution of powers and functions between the national, provincial and local spheres of government and at the subsidy scheme. This section argues that the process of devolution will require careful inter-

INTRODUCTION *continued*

governmental dialogue and a possible rearrangement of subsidy mechanisms to allow municipalities to genuinely fulfil their mandate over the built environment.

Chapter 6, the Conclusion, presents ten key challenges confronting cities for the next five years, and a ten-point plan of action to address these.

The analytical overview of South Africa's cities is complemented by six stories about ordinary people. These illustrate that ongoing urban-rural linkages, informality, industrial growth, HIV/Aids, affordable housing and public transport are not only the concerns of urban-policy makers but the very stuff of everyday life for urban residents.

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Cities are centres of employment and production, and sites of technological innovation. They provide the spaces for social interaction, learning and creativity and often provide the nation with identifiable cultural symbols. Cities accommodate the most cosmopolitan populations and are places where new ideas are most readily accepted. They are the main points of interchange in the transport web across the globe. They embody the agglomeration benefits of proximity, increasing the possibility of interactions, and speed, increasing the efficiency of moving people and goods.

In the modern urban world, urban areas are the keys to a country's success in the global marketplace. Cities are the places where local and global cultures meet. The institutions that govern, shape and transform a society – such as government, finances, the legal system, education, health, and research – are located predominantly in cities. Cities accommodate the

South African cities host global events

All of South Africa's most recent global events were hosted in cities – the World Summit on Sustainable Development (Johannesburg 2002), the World Conference against Racism Racial Discrimination, Xenophobia and Related Intolerance (Durban 2001), the Cricket World Cup (Final in Johannesburg, 2003), and the Rugby World Cup (Final in Johannesburg, 1995). In 2010 the FIFA Football World Cup will bring the biggest global sporting event to ten South African cities.

Cities are gateways to opportunity, or parasites on the surrounding countryside, sucking in natural resources and young people. They are

CITIES ARE THE MOST PRODUCTIVE SITES IN THE NATIONAL ECONOMY AS WELL AS AREAS THAT ACCOMMODATE THE LARGEST NUMBER OF POOR PEOPLE

headquarters of the advertising and media industry and are the hub of the creative industries – including music, fashion and fine arts – in a country or region¹.

As entry points to and from the global community, cities are the spaces where the country meets the rest of the world, accommodating the busiest airports, sea-ports and the highest concentration of telecommunications infrastructure.

But cities can also be problematic: they have the capacity to exclude, to marginalise, to reinforce patterns of inequality, and to create insiders and outsiders. Cities that experience pressures on services can be characterised by badly managed urban growth patterns, environmental degradation, crime and unemployment. Precisely because of high levels of concentration and the interdependence of urban systems, cities are increasingly vulnerable to both natural and man-made disasters.

locations of great wealth side by side with deep poverty². In the developing world, these patterns are often stark, fuelled by rapid urbanisation, ongoing migration and increasing informality.

This chapter looks at urban change, both in the world and in South Africa. It illustrates the growing importance of cities in the context of globalisation – and the growing importance of cities in South Africa. It is precisely because cities are simultaneously the most productive sites in the national economy, as well as areas that accommodate the largest number of poor people, that cities are strategically important places for meeting the government's growth and development agendas.



Cities in a global economic context

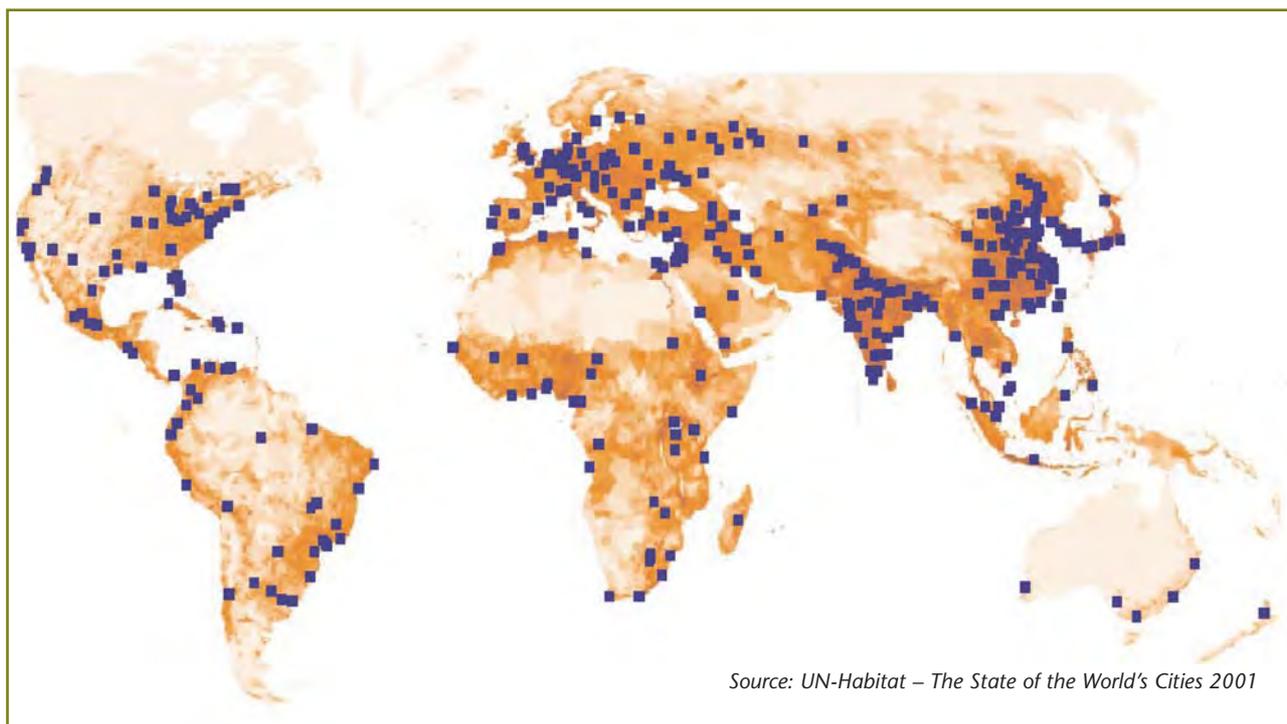
We live on an increasingly urban planet. Nearly 400 cities around the world have populations greater than one million, as shown in figure 2-1, and at least twenty of these have over 10 million inhabitants. These major cities are generally centres of command and control for business and government.

In the 1960s certain major cities were classified as ‘world cities’. They were centres of political and economic power, as well as having very large populations. At the time, world cities included New York, Paris, London, and Tokyo.

By the 1980s globalisation had been identified as a major influence on the world economy. Its impact was seen through increasing flows of trade, information, investment and cultural practices across the world, and in the multinational mobility of capital and labour. These changes in the world space economy, provoked urban theorists to identify a ‘hierarchy of world cities’ ranked according to the degree of economic power they exerted.

These cities were linked in a ‘global network of cities’ across which labour and capital were controlled internationally through the information revolution and by multinational corporations. “The result of this urban labour division was the appearance of service-orientated cities in the developed world; a higher share of manufacturing cities in the developing middle-income world; and informal-economy cities in the least-developed countries, only weakly connected to global networks”³. The Globalisation and World Cities Study Group (GaWC) measured the degree to which cities are connected by the presence of national offices and regional branches of multinational companies providing advanced producer services – accounting, advertising, banking, finance, law and management services. This analysis ranked the world cities into alpha (globally connected, ‘pan-regional’), beta (major regional centres), and gamma (minor regional

Figure 2-1: A world of cities – The 375 largest cities in the world, all with a population of over 1 million



Source: UN-Habitat – *The State of the World's Cities 2001*

THE DYNAMICS OF THE URBAN SYSTEM continued

centres), with the majority located in the developed world (see figure 2-2).

Using this measure, Johannesburg stands out as Africa's only world-ranked city, serving the continent and connected to the rest of the world. It is a hub in the regional network of capital flows and connectivity across Africa, as well as a connection to the global cities network.

While this breakdown is useful, it fails to provide a complete picture of urban global connectivity. A similar analysis of manufacturing activities would usefully illuminate the effects of globalisation on cities where the secondary sector continues to be of importance.

Since the 1990s, thinkers have been looking at the impact of globalisation on the traditional nation state. The removal of trade barriers, cross-global investment flows by multi-national companies, and opening up of domestic markets have weakened nation states as global economic actors. Countries remain important but are increasingly working as international assemblages or regional blocs, such as the World Trade Organisation, the G7 and G8 (and the various other 'G' groups), the European Union, the African Union, and the Southern African Development Community. The locus of economic productivity has shifted to sub-national level – to city level. In short, cities are becoming more important than nations⁴.

More recently, since the turn of the millennium, thinking has focused not just on cities but on the hinterlands of metropolitan regions – on the areas surrounding cities – and on the linkages between these different spaces. Regional economies that straddle these spaces can prove to be powerful units, consisting of "intricate networks of specialised but complementary forms of economic activity, together with large, multifaceted local labour markets"⁵. The most important of these are 'regional motors' of the global economy – they are 'global city-regions' (see figure 2-3).

Global city-regions consist of single, bi-polar or multiple metropolitan areas, functionally linked to their surrounding hinterlands, giving rise to a polycentric or multi-centre spatial form. Some analysts consider these systems more economically

Globalisation and connectivity

The world city network analysis emphasises connectivity across the space of both 'developed' and 'developing' world. The 'traditional' world cities of London, Tokyo, New York and Paris are in the same set of connections, to a greater or lesser extent, as the world cities of the Far East (such as Hong Kong, Seoul, Singapore or Shanghai), Latin America (Mexico City or Sao Paulo) or Africa (Johannesburg). In this analysis, connectivity is as significant as "command and control" functions of the world economy. An example is the reach of The Economist and Newsweek, two global weekly business magazines with editorial offices around the world in what is "a roll-call of leading world cities."

Source:

Taylor PJ (2004) World City Network – A Global Network Analysis. This map is based on a list of The Economist editorial offices in Taylor's book. It was then updated from the magazine, with Newsweek offices added to the map.



efficient, sustainable and equitable than either mono-centric urban systems or smaller dispersed settlements. Indeed, the European Spatial Development Programme, which was a model source for National Spatial Development Perspective being developed by South Africa's Presidency, promotes this type of urban formation to build regional economic competitiveness.

Figure 2-2: The globalisation and world cities study group inventory of world cities

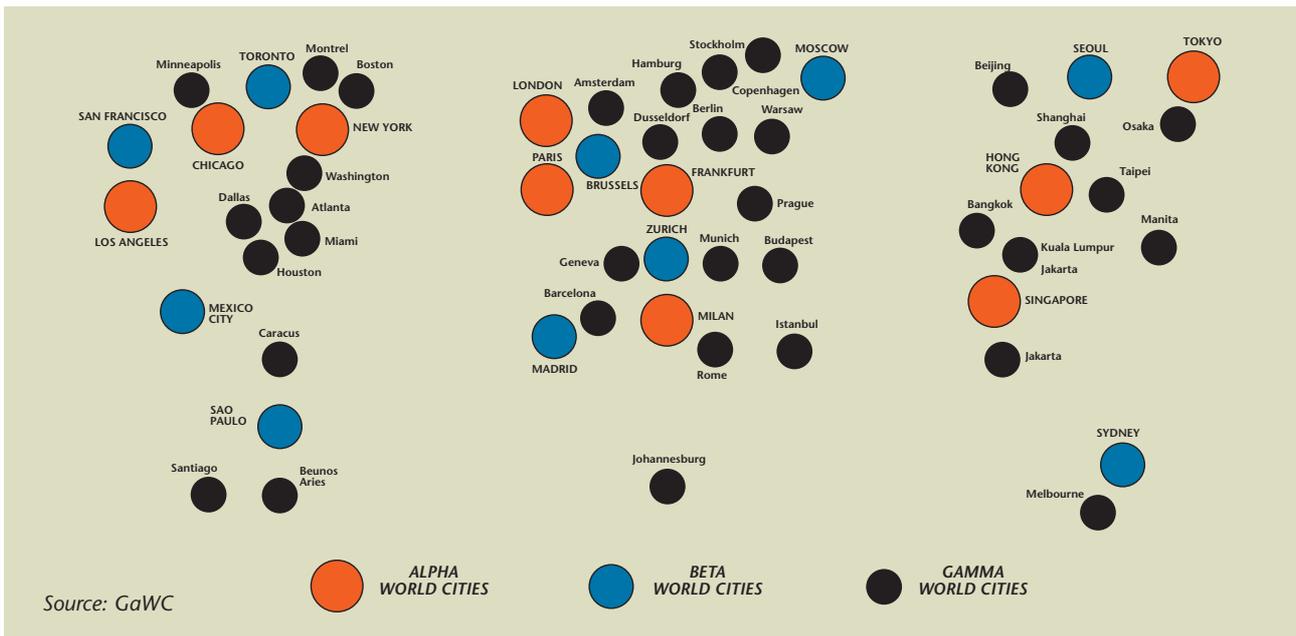
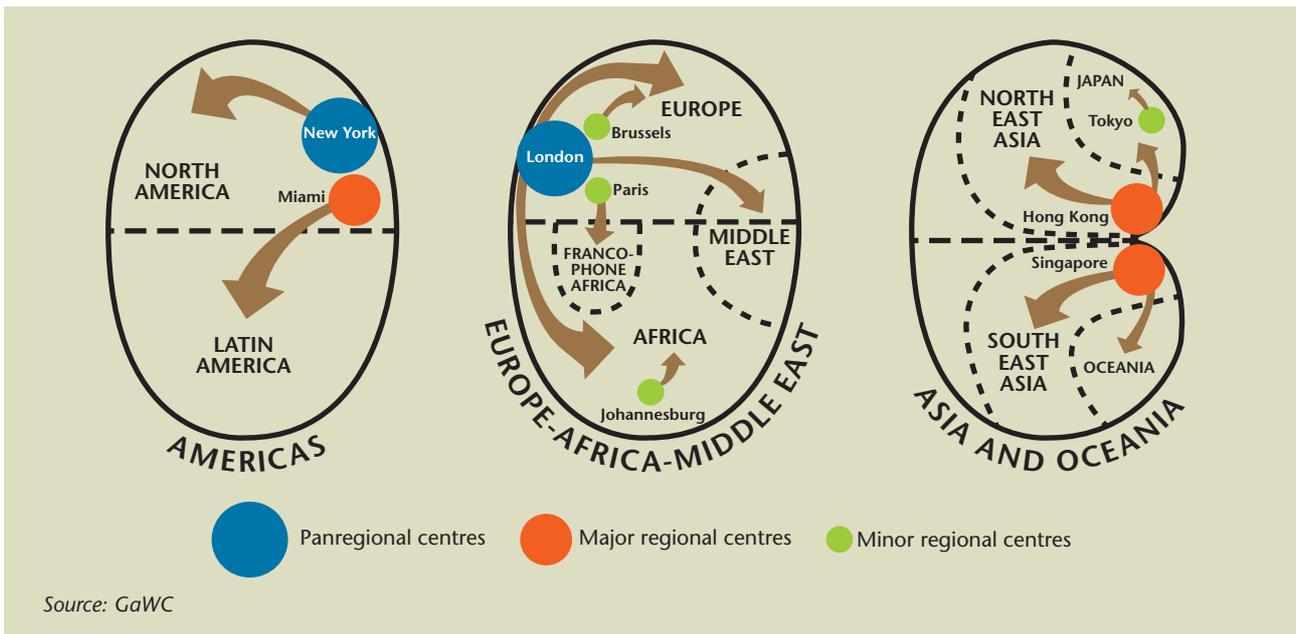


Figure 2-3: The globalisation and world cities study group's regional world cities



Instances of global city-regions in the developed world include the Randstad in the Netherlands (consisting of Rotterdam, Amsterdam, Utrecht and The Hague), Greater London and Greater Los Angeles. Global-city regions in developing countries

include Sao Paulo in Brazil and the Pearl River Delta in China. The Gauteng Government has recently adopted a development perspective on growing this largely metropolitan province

THE DYNAMICS OF THE URBAN SYSTEM continued



(consisting of Johannesburg, Tshwane and Ekurhuleni plus three mainly urban district councils) as a globally competitive city-region.

The key challenges for developing successful global city-regions include securing balanced economic growth and appropriate institutional governance arrangements to ensure effective cooperative decision-making among desperate groups. Successful city-regions seek to avoid wasteful competition between the cities and towns in the city-region system. This acknowledges that major development projects have to be coordinated effectively for the benefit of the city-region as a whole. This approach emphasises 'spatial coalitions'- meaningful partnerships with business, civil society and other sections of government – as valuable assets in fostering a competitive regionalism.

Cities without frontiers?

Administrative geography often hampers city government. Boundaries and jurisdictional demarcations often distract from how cities really function. The 'flows in space' of people, goods, services and capital pay little respect to municipal boundaries. This means that city managers and politicians need a deeper understanding of the functional geography of their cities, not just the administrative jurisdictions for which they are responsible.

The impact of the administrative mindset is particularly noticeable in mismatch of plans and programmes in adjacent municipalities, and between municipalities and provinces. Research for the Gauteng Global City-Region initiative found instances where development corridors along transport routes stopped at municipal boundaries, ignoring activities in the neighbouring municipality. Similarly, there were cases in Gauteng where municipalities were promoting the development of new or expanded international freight hub airports – all developed in isolation, with little consideration for national or provincial air-freight planning.

In 2005, the Department of Provincial and Local Government⁶ found that there was a national need for improving cross border and multi-nodal planning. Although this is often cast as a need for improved 'alignment', this should mean more than statutory or administrative compliance. It must be underpinned by a

The urban space economy

The urban space economy is the geographical distribution of economic activity, with its various connections, linkages and flows of goods, services, labour, capital, investment and disinvestment. It explains core-periphery effects, explaining how dominant, dynamic economic cores play major roles in a national economy. The urban space economy explains why businesses choose to locate close to one another.

It also helps describe economic impacts in areas of out-migration, where there is relatively low economic production but where remittances from emigrants are important injections into the local home economy. The study of the urban space economy looks at spatial relationships between individuals and organisations, and explores the economic reasons that underpin the formation, functioning, and development of towns, cities and their hinterlands.

South African cities – ordinary cities?

Not all urban thinkers believe that the global city network is a useful concept for thinking about cities. Because these theories have their origins in the 'global north', they tend to reflect the concerns of the developed world. By contrast, in the 'global south', developmentalist approaches have continued to dominate, although global city discourses have been influential in large cities such as Sao Paulo, Johannesburg, Shanghai and Mumbai.

Some urban theorists have argued that this 'north-south' dualism is problematic. They believe that global city approaches direct attention only to those parts of the city that are well connected to the global economy, whereas 'developmentalist' approaches focus attention only on the poorer, less successful parts of the city. Each approach only brings "a limited part of the city into sight". Most cities around the world – in the 'north' and 'south' – encompass both rapidly globalising economies and poor and marginalised segments. What is needed is a lens that brings both into view. This suggests a



shared approach to development, as well as the joint identification of comparative and competitive advantages of locations.

Urban policy makers will need to know about the functional economic geography of the city and its region, how the different components relate to each other, what the key sectors are and how they are linked to each other, and how the local economy functions across the lines on the map.

Strengthening this understanding and developing a common approach will also help address the dangers of competition between towns and cities within regions. "This can lead to waste and duplication of public resources, and promotion of growth at the expense of another locality. At the extreme, this can lead to a 'race to the bottom' as cities vie with each other to offer increased financial incentives, or abandon planning or land use regulations, to attract investment"⁷. The emerging duplication of proposed freight hub airports in Gauteng is a case in point.

Building successful cities needs government and its partners to think regionally and co-operate, with a common aim to build competitiveness in the context of a balanced development agenda. This approach has been termed 'competitive regionalism' and recognises that certain development challenges – including strategic economic planning, research and development, transport and communications infrastructure, and coherent investment planning by state-owned enterprises – can best be tackled with the cooperation of neighbouring jurisdictions and government structures⁸.

There are no successful regions without successful cities. Cities are of critical national importance.

Cities in the national context

Cities, and more specifically large cities, are the mainstays of most countries' economies⁹. They are the spaces in which the surplus is generated for the development of areas with lower levels of economic output. They offer the largest concentrations of customers and provide the biggest markets in the country¹⁰. They provide the key distribution functions in most national and regional economies and the global economy¹¹. The highest concentrations of higher education facilities are found in cities

South African cities – ordinary cities? (continued)

► move away from "perspectives which categorise cities as Global, Third World, Mega, African etc." and instead the need for "attentiveness to the diverse spatialities of 'ordinary cities'."

The 'ordinary city' approach emphasises the importance of local spaces – social as well as economic – and the need to strengthen the position of informal as well as formal enterprises. Thinking of cities as 'ordinary cities' shifts attention to strategies for economic growth which are broad-based, take advantage of diversity and have reference to social and political contexts: "growth paths which neglect social needs and redistributive agendas can come unstuck, as crises emerge or as reversals of globalisation, for example, expose serious social limitations"

There is plenty of evidence that strategic planning in South African cities is taking account of both 'global city' and 'ordinary city' perspectives – the two are not incompatible, but achieving a viable balance can be tricky. The test lies in constructing viable partnerships at all levels of government, private sector and community, to deliver on these agendas. "Securing growth at the same time as expanding service delivery in politically contested and resource-poor environments represents a great challenge for local governments. Electoral or popular support may be dependent on developing effective services, and increasingly, ensuring that private firms meet the needs of the poor. On the other hand, long term viability or national state approval may depend on promoting dynamic economic growth". Working through such trade-offs, and making the hard choices requires a high degree of mutual trust.

Source:

Robinson J (forthcoming 2006). Ordinary Cities: Between Modernity and Development. Routledge

(see figure 2-4). New ideas are generated and new industries are spawned in cities.

Cities are the engines of the national economy. The five biggest city economies in South Africa

THE DYNAMICS OF THE URBAN SYSTEM

continued

TABLE 2-1: Selection of functional urban areas with the biggest contribution to the national economy: Overview of socio-economic indicators

Functional urban areas	GVA total (2004)	Percent- age of national GVA	Total unem- ployment	Percent- age of national unem- ployment	Total popu- lation (2001)	Percent- age of national popu- lation	Persons under MLL (2005)	Percent- age of persons under MLL in SA	Household income for the area (2001)	Percent- age of total household income
Bloemfontein	26 168 496,21	2,14	163054	1,83	792 421,15	1,76	293 784,43	1,25	9 788 477 067	1,81
Buffalo City	14 730 296,29	1,21	186574	2,09	708 779,00	1,58	437 499,58	1,86	7 633 031 970	1,41
Cape Town	137 148 900,43	11,23	458357	5,13	2 898 907,60	6,45	718 254,31	3,05	67 089 105 178	12,40
Johannesburg	221 376 293,10	18,13	849544	9,51	3 479 723,00	7,74	865 573,06	3,67	90 721 886 154	16,77
Tshwane	112 293 408,88	9,20	370366	4,15	1 987 548,70	4,42	515 537,37	2,19	53 735 847 154	9,94
Ekurhuleni	86 392 597,19	7,08	503542	5,64	2 123 275,80	4,72	589 449,32	2,50	46 508 953 247	8,60
Emfuleni	15 138 933,60	1,24	215104	2,41	808 994,81	1,80	404 070,80	1,71	8 729 687 377	1,61
eThekwini	122 116 536,40	10,00	697351	7,81	3 099 212,60	6,89	1 046 053,10	4,44	44 948 366 009	8,31
Evander	8 039 545,02	0,66	4811	0,05	27 392,60	0,06	10 994,15	0,05	537 167 072	0,10
Kimberley	4 713 530,19	0,39	24616	0,28	132 396,25	0,29	64 895,04	0,28	2 191 456 135	0,41
Middelburg	7 717 917,27	0,63	16516	0,18	89 625,16	0,20	38 061,66	0,16	1 641 711 724	0,30
Midvaal	4 564 643,08	0,37	10951	0,12	78 656,19	0,17	22 063,76	0,09	1 554 743 452	0,29
Mogale City	6 747 314,96	0,55	50617	0,57	255 622,48	0,57	55 015,02	0,23	4 725 317 489	0,87
Nelson Mandela	35 920 783,70	2,94	233891	2,62	1 014 219,90	2,25	448 437,33	1,90	14 072 461 446	2,60
Nelspruit	6 317 488,75	0,52	3281	0,04	38 809,47	0,09	12 179,36	0,05	1 448 928 388	0,27
Pietermaritzburg	9 023 335,53	0,74	63077	0,71	325 560,21	0,72	169 285,26	0,72	5 666 386 368	1,05
Richards Bay	6 045 538,32	0,50	4478	0,05	43 769,16	0,10	17 600,49	0,07	1 839 700 320	0,34
Rustenburg	8 448 529,30	0,69	23882	0,27	149 142,51	0,33	38 181,31	0,16	3 299 894 516	0,61
Sasolburg	8 117 923,43	0,66	13572	0,15	73 600,91	0,16	21 913,65	0,09	1 242 431 859	0,23
Stellenbosch	4 707 061,78	0,39	7005	0,08	79 060,68	0,18	11 260,31	0,05	2 056 183 280	0,38
Witbank	6 098 903,22	0,50	19374	0,22	107 765,29	0,24	39 370,32	0,17	2 443 826 352	0,45
TOP 21 FUAs:	851 827 976,67	69,77	3919963	43,89	18 314 483,00	40,71	5 819 479,60	24,67	371 875 562 556	68,75
Grand Total RSA	1 220 888 208,88	100,00	8930803	100,00	44 977 826,00	100,00	23 584 395,00	100,00	540 837 757 084	100,00

Source: NSDP Spatial Profiles May 2006: GVA (2004 at current prices) and Minimum Living Level (2004) from original SOURCE: Global Insight: Ricon (Pty) Ltd. Regional Economic Explorer Version 2.0C (1900) as DISAGGREGATED AND RE-AGGREGATED with Mesoframe Version 1.1.

make significant contributions to the national economy (see table 2-1). These five cities – Johannesburg, Cape Town, Tshwane, eThekwini and Ekurhuleni create:

- 55,71% of the national Geographic Value Added (GVA) in manufacturing;
- 57,61% of the national GVA in construction;
- 61,32% of the national GVA in wholesale and retail trade;
- 68,48% of the national GVA in transport, storage and communication;
- 75,33% of the national GVA in financial, intermediation, insurance, real estate and business services; and
- 52,98% in community, social and personal services.

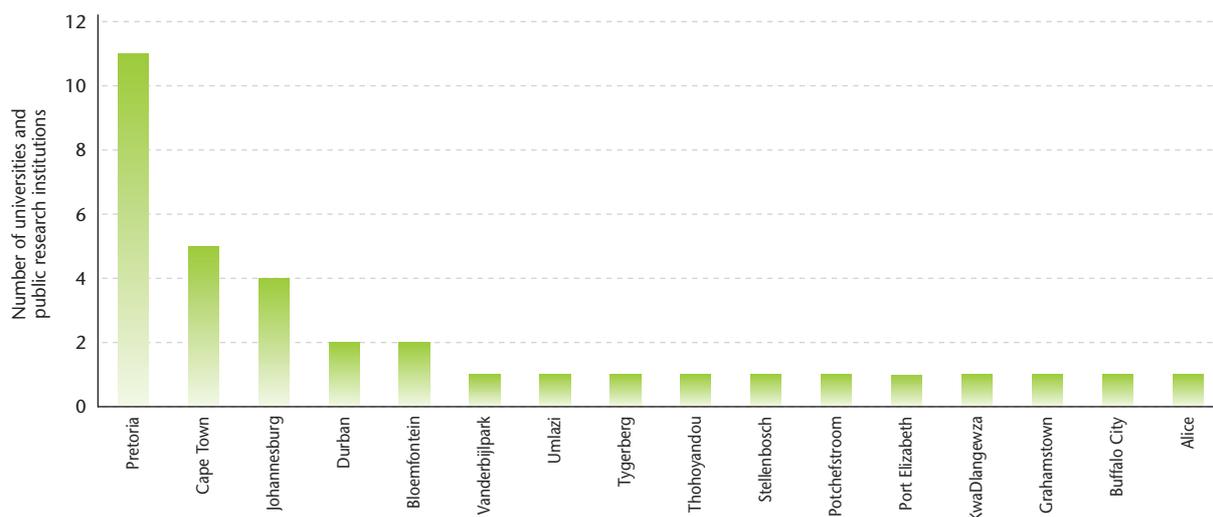
In the current South African milieu, cities are also key spaces for black economic empowerment because they provide many

employment opportunities and avenues for economic advancement. In 2001, the five biggest city economies provided 4 223 449 jobs, which represents 44,1% of the national number of jobs of 9 583 770¹².

A profile of urban South Africa

Research for the National Spatial Development Perspective (NSDP) in 1999¹³ showed that economic activity is, as elsewhere in the world, highly concentrated. The most recent update of the NSDP showed that 84,46% of the national population and 77,31% of people living under the Minimum Living Level (MLL) are located

Figure 2-4: Number of universities and public research institutions across South Africa cities and towns



Source: Council for Higher Education and Department of Science and Technology

Table 2-2: The 21 key functional urban areas of South Africa and their associated municipalities

Province	Municipality
Gauteng	City of Johannesburg
	City of Tshwane (Pretoria)
	Ekurhuleni (East Rand)
	Emfuleni (Vereeniging/Vanderbijlpark)
	Midvaal (Meyerton)
Western Cape	City of Cape Town
	Stellenbosch
Eastern Cape	Nelson Mandela (Port Elizabeth/Uitenhage/Despatch)
	Buffalo City (East London/King William's Town)
Northern Cape	Sol Plaatje (Kimberley)
Mpumalanga	Emalaheni (Witbank)
	Steve Tshwete (Middelburg)
	Mbombela (Nelspruit)
	Govan Mbeki (Evander)
KwaZulu-Natal	eThekweni (Durban)
	Msunduzi (Pietermaritzburg)
	uMhlathuze (Richards Bay)
Free State	Mangaung (Bloemfontein)
	Sasolburg
North West	Rustenburg

The Gauteng global city region initiative

The global city region is a new way of looking at urban Gauteng, not just as a collection of towns, cities, local governments and boundaries, but as a single conurbation with potential at the global level. This change of focus is important for establishing institutional relationships that will lead the growth and development of the city-region. Its rise within the hierarchy of world cities will be one measure of the success of an African urban renaissance.

Gauteng is the smallest, most urbanised and economically powerful province of South Africa. It contributes 40% of the South African Gross Domestic Product (GDP). It is also the most populous province with a population of approximately 9,5 million people. On current demographic projections, urban Gauteng will be home to 14,6 million people and the 14th largest urban region in the world by 2015. It also dominates the greater regional economy, constituting 9% of Africa's Gross Geographic Product (GGP).

Gauteng accommodates advanced producer services – accounting, advertising, banking, law and management services, important tertiary

THE DYNAMICS OF THE URBAN SYSTEM

continued



Figure 2-5: The 26 functional urban areas as identified by the NSDP

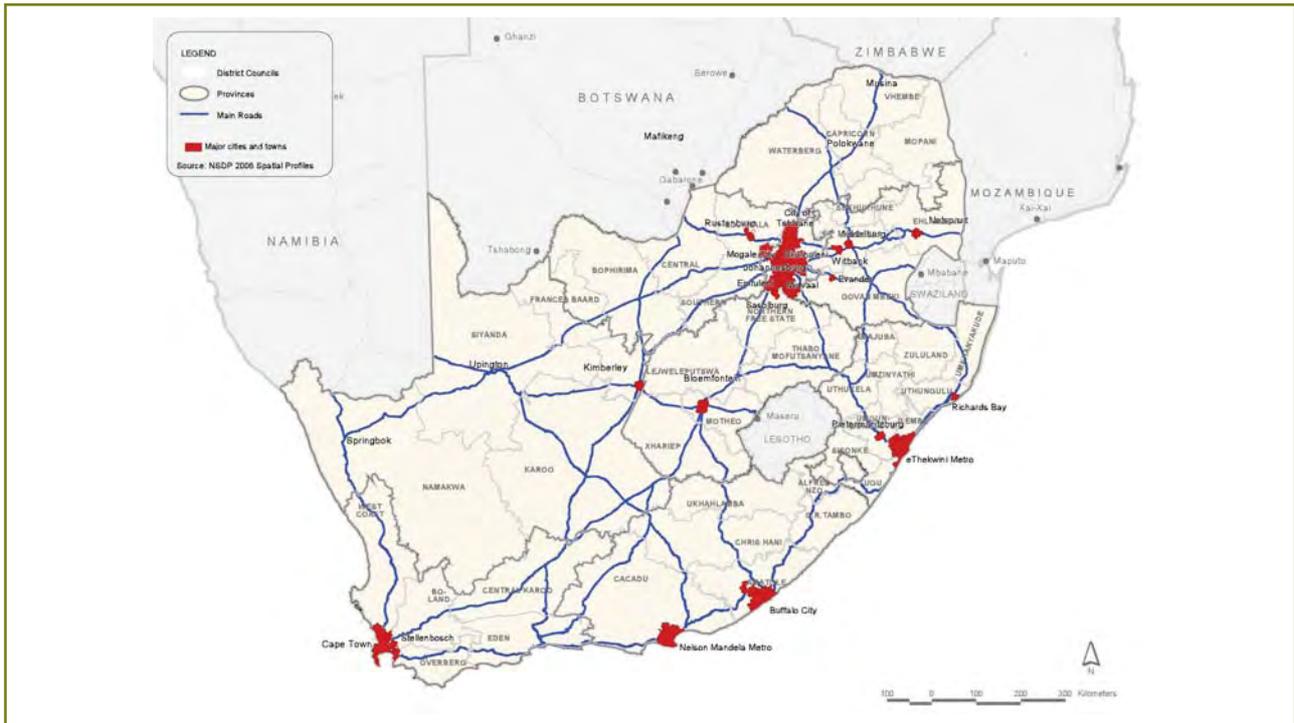
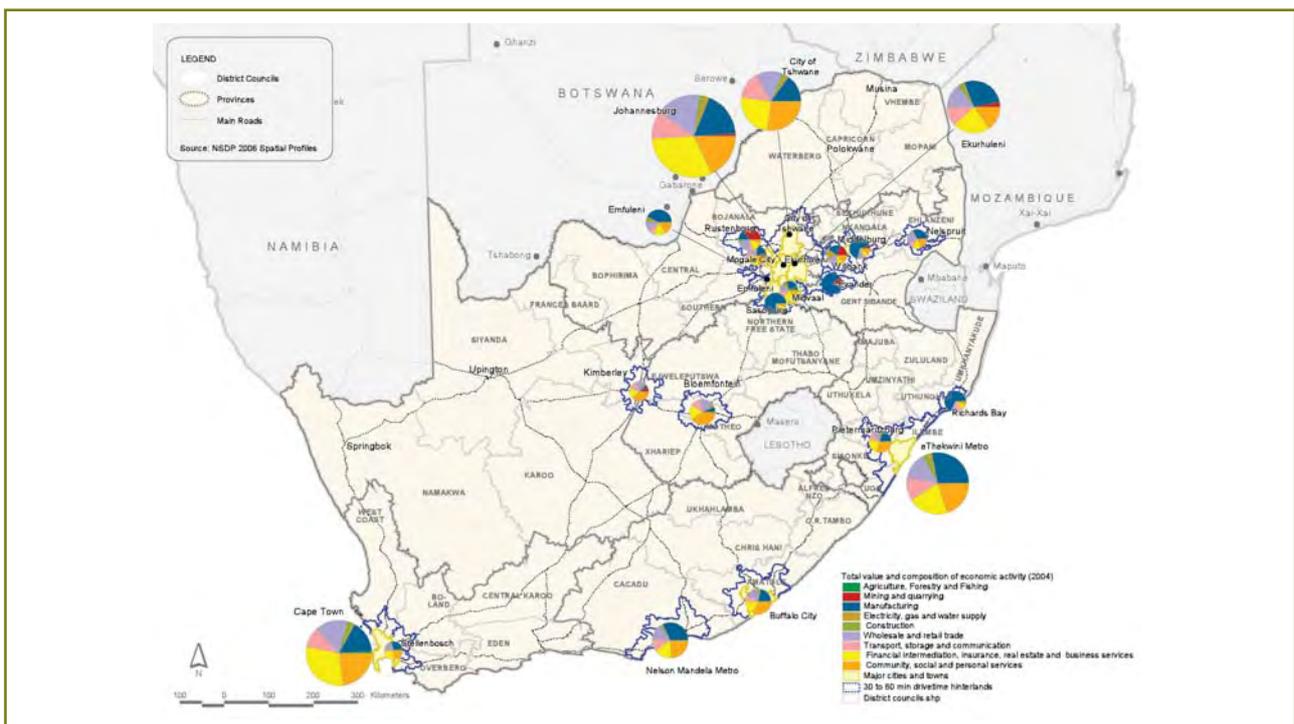


Figure 2-6: The 26 functional urban areas and their economies





The Gauteng global city region initiative (continued)

sectors in leading economic growth. The region is also a manufacturing centre within SADC and Sub-Saharan Africa. The international reach of Gauteng is highlighted by the presence of multi-nationals, including South African Breweries, Old Mutual, Anglo American and Didata, all of which are listed on the London Stock Exchange.

The Gauteng Global City Region (GCR) initiative emerged in 2004. The objective is to "build Gauteng into an integrated and globally competitive region where the economic activities of different parts of the province complement each other in consolidating Gauteng as an economic hub of Africa and an internationally recognised global city-region." (2014 Gauteng Growth and Development Strategy)

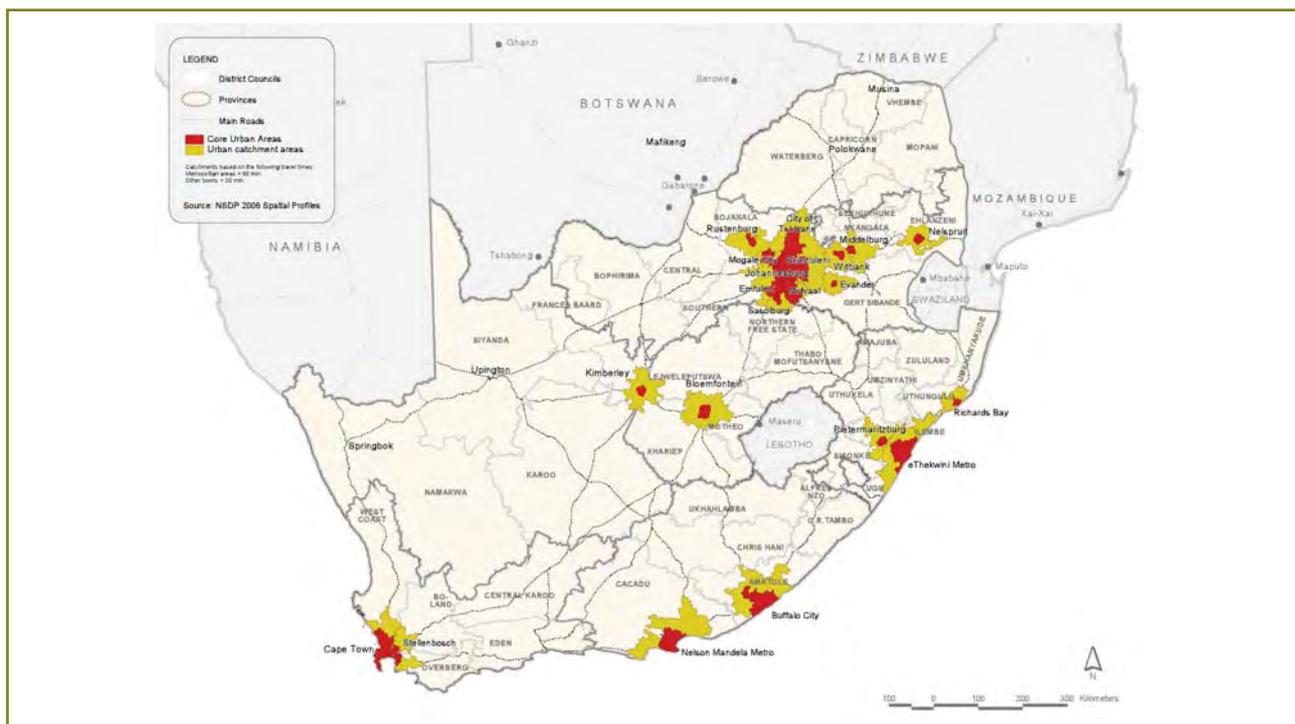
The GCR will replicate key success factors of city-regions:

- Clear leadership
- A vision and strategy
- Effective institutional relations
- Strong economic clusters, with a particular view to building new growth sectors
- Good telecommunications and business linkages
- 'Spatial coalitions' of partners working together – primarily government, business and social partners
- A balanced approach to development, that actively incorporates and seeks to spread benefit to the poor.

within 60km of areas that generate at least R1 billion of GVA per annum. While only constituting 31,24% of the national land surface, these areas generate 95,59% of the total national GVA.

Informed by the NSDP analysis (due for official release in late 2006), spatial profiles and geo-mapping, this State of the Cities Report has developed a related perspective on the urban

Figure 2-7: Key urban areas and their catchments



THE DYNAMICS OF THE URBAN SYSTEM

continued

Table 2-3: Typology of urban settlements in South Africa in the draft Urban Development Framework

Settlement type	Scale and settlement characteristics	Economic base	Institutional context
Metropolitan cities	Population over 1 million. Established formal core of industrial, commercial and suburban development. Formal townships, hostels, and backyards. Informal settlements with significant RDP housing on the periphery.	Huge economic base plus the core of economic potential. Highest concentrations and absolute numbers of urban poor.	Metropolitan government consolidates fragmented municipal history. Urban benefits not yet seamlessly applied to all residents.
Secondary cities	Population 250 000-1 million. Established formal core of mining, commerce and suburban development. Formal townships with backyards plus informal and traditional settlements and significant RDP housing on the periphery.	Economic potential varies from strong to weak according to sectoral base and geographical location. Rapid urbanisation and some of the most extreme levels of poverty.	Racially divided municipal history, now typically the core of a district municipality. Complex issues of planning and cross subsidisation.
Large towns once in 'white' South Africa or old homeland capitals	Population 25 000-250 000; Typically former colonial administrative centres, the hubs of mining and industrial areas, but also old homeland capitals. Limited formal suburban stock, formalised townships now extended with RDP housing and informal settlements.	A few are booming, but many are in severe decline. A relatively small, but crucial elite population, in most cases employed in the public sector, offers limited rates base. Majority impoverished without land or urban economic livelihoods.	Municipal capacity is stretched, institutional systems are often non-existent. The urban councils are poorly equipped to deal with the complex urban-rural interface of the districts.
Small towns providing crucial access and service functions	Population 2,000 to approximately 25 000. Typically a small commercial, administrative, farming or tourist node. Small, generally ageing formal housing stock and a former township, spatially integrated over the last decade with the 'old' town through RDP housing and informal settlements.	Save for a few small locally significant activities, the economies are in most cases struggling and weak. Work is scarce and prospects for employment of educated youth virtually non-existent.	Municipal and other public services are in most instances weak or non-existent. Councils are virtually incapable of assisting communities. Services offered by the private sector reserved for the few inhabitants with a stable income, often a pension or grant.
Displaced dense settlements on homeland boundaries	Population up to 400 000. Consolidated dense informal settlement in traditional land characterised by absence of formal industrial or commercial activity.	Often depicted as 'rural' these large non-agricultural areas are characterised by a virtual absence of a modern urban economy and services. Out-migration or split urban rural lifestyles are common.	Prior to 1994 there was no urban administration. The introduction of local government post- 1994 co-exists with traditional leadership control; capacity is weak.

Source: DPLG and the Presidency (2005)

space economy and has identified the 21 most important functional urban areas¹⁴ that make the highest contribution to national GVA (see table 2-2).

These 21 functional urban areas and their key cities and towns cover only 2% of the South African land surface but account for almost 70% of the national GVA¹⁵. (See figures 2-5 and 2-6 and table 2-1). These cities also accommodate 41,7% of the total population of South Africa, and approximately 24,7% of persons living below the MLL as shown in table 2-1.

Global policy perspectives on city development

Over the past thirty years new policy perspectives have emerged in response to the new urban world in which we live. These have been articulated by the United Nations Human Settlements Programme (UN-HABITAT) which promotes "socially and environmentally sustainable towns and cities with the goal of ➤

These 21 key towns and cities contribute:

- 79,13% of the national GVA in manufacturing;
- 69,79% of the national GVA in construction;
- 74,20% of the national GVA in wholesale and retail trade;
- 80,96% of the national GVA in transport, storage and communication;
- 85,77% of the national GVA in financial, intermediation, insurance, real estate and business services; and
- 66,78% in community, social and personal services.

Financial and community services, and wholesale and retail trade feature as strong sectors in the 21 key cities illustrating that they play important roles as regional service centres.

The functional urban areas also play a critical role in relation to their hinterlands (see figure 2-7). An analysis of surrounding catchments (estimated at 60 minutes driving time for metropolitan areas and 30 minutes for the other centres) shows that:

- The catchments hold many people living below the MLL especially near metropolitan centres. For example 11,39% of the national population living below the MLL live near Johannesburg, and 15,71% live near eThekweni.
- Mining and quarrying, and agriculture fishing and forestry are more prominent in the catchments than in the functional areas. For example, while the Rustenburg core functional urban area contributed 2,6% of national GVA in the mining and quarrying sector, this together with its catchment contributed almost 22% of the national GVA in mining and quarrying in 2004.

Typologies of urban areas

While the overlapping boundaries between the urban and the rural has made it difficult to define settlements, there have been some efforts to differentiate various spaces in South Africa. The unpublished draft Urban Development Framework, for example, uses three indicators to define various settlement typologies: population size tied up with function, strength of the economy and the institutional situation in the municipalities in which the space is located (see table 2-3).

The European Spatial Planning Observation Network (ESPON) programme takes a different approach. Rather than separate out the various categories of settlement type, ESPON proposes an

Global policy perspectives on city development (continued)

- *providing adequate shelter for all". This is expressed in two major international documents – the Vancouver Declaration (1976) and Habitat Agenda (1996) – which stress:*
- *The interdependency of rural and urban areas. Cities and towns are engines of growth contributing to the development of both rural and urban human settlements*
 - *The goal of providing adequate shelter for all in sustainable human settlements*
 - *The vital role of urban areas in economic growth with the potential to maximise the benefits and to offset negative consequences of globalisation*
 - *The importance of well-managed towns and cities in adopting participatory and rights-based approaches to development, articulated in the Local Agenda 21 programme established in 1995.*

The Millennium Development Goals (MDGs) adopted in 2000, amplify these ambitions, and set objectives to make urban areas more productive and sustainable. In particular, they highlight the plight of the urban poor and slum dwellers on the global scale, pointing out that "close to 900 million people live in urban slums, an estimated one billion lack access to adequate water supply, two billion do not have access to adequate sanitation and four billion live without adequate wastewater disposal". The UN Millennium Project to achieve the MDGs set specific objectives to make cities more productive, address basic needs and include the urban poor in improving economic growth:

- *Improving security of tenure for slum dwellers*
- *Upgrading slums and improving housing*
- *Expanding city-wide infrastructure and effective service delivery*
- *Creating urban jobs through economic empowerment*
- *Providing alternatives to slum formation.*

Source:
UN-Habitat: Mandate Overview.
<http://www.unhabitat.org/declarations>
Cities Alliance Annual Report 2004

THE DYNAMICS OF THE URBAN SYSTEM

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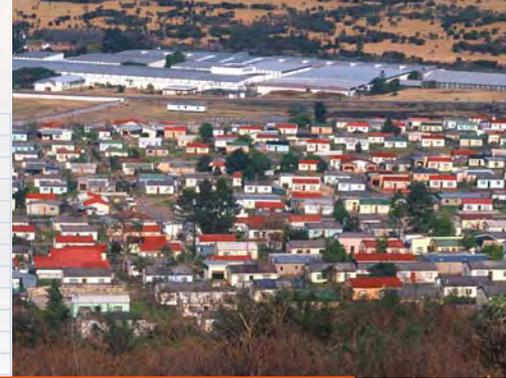


Table 2-4: A classification of 21 key urban spaces/places in South Africa

Name	Nature	Size	Stretch and role	Official place name or municipality
Core urban regions	Diverse economy with high GVA in most, or all economic sectors, especially private sector services and retail. Spatially the economy is clustered in a polycentric fashion with a multiplicity of nodes with increasingly specialised roles.	More than R75 billion GVA per annum	Provides gateway to global economy. Provides national and supra-national, continental cultural, educational and innovation functions.	Cape Town Ekurhuleni eThekweni Johannesburg Tshwane
Major urban areas	Diverse economy, but with areas of national economic significance in a few sectors, typically manufacturing, public services, or mining. While the economy is spread over a region it is often concentrated in a few nodes and their immediate surroundings. This is in most cases tied to the previous apartheid city development model.	Between R9 and 75 billion GVA per annum	Provides similar functions as the core areas, but typically does not extend beyond the provincial boundaries.	Mangaung Buffalo City Emfuleni Nelson Mandela Bay Msunduzi
Significant urban service centres*	Economy in most cases dominated by a single sector, but with steady movement into other areas. This is typically either mining or manufacturing and is dependent on easy access to a natural resource, or combination of resources. Often the single sector was more prominent in the past. In some cases the economy is in a downward cycle, with the service and retail function keeping it alive.	Between R4,5 and R9 billion GVA per annum	Is often of national economic significance in terms of GVA generated, but has less impact on the immediate surroundings. Often it stands out as an island in a sea of relatively low economic activity.	Evander Kimberley Middelburg Midvaal Mogale City Mbombela Richards Bay Rustenburg Sasolburg Stellenbosch Witbank

* These are not the only major urban service nodes, but other places like George, Polokwane, Newcastle, Klerksdorp, Potchefstroom, Umtata and Mafikeng could also classify as well if the GVA-requirement is lowered.

urban-rural continuum with the intention of strengthening of the linkages between these spaces. This typology emphasises regions as opposed to settlements and the interconnections between the various spaces located in particular regions

The 21 key South African towns and cities fall into three categories: core urban regions, major urban areas and significant urban centres (see table 2-4). This classification is based on the role of the space in wider regional economic development. The classification looks at:

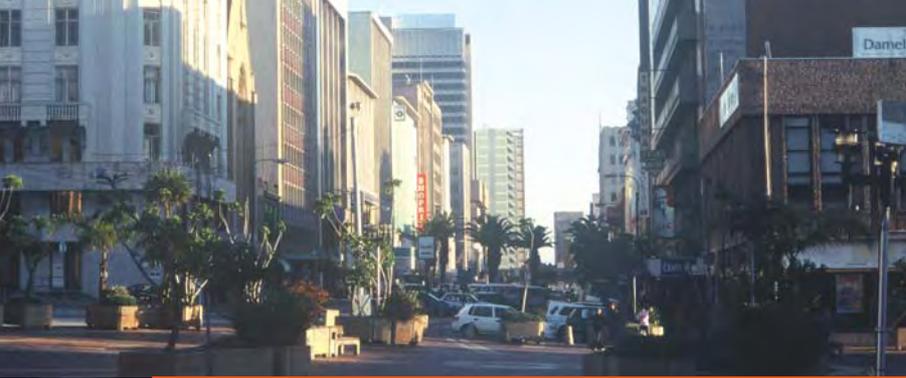
- the size of the economy in the settlement. Only towns and cities with GVA in excess of R4,5 billion per annum are included;
- the nature of the economy. Is it based on a single resource,

- or export harbour-driven, or is it diverse, including both manufacturing and services;
- stretch, meaning the footprint and role of the settlement in a wider region, if any.

This categorisation focuses on key contributors to the South African economy and excludes small towns in predominantly rural settings.

Urbanisation

The movement of people in complex and unpredictable ways has given rise to fuzzy definitions of urban and rural in the South African context. There are three key drivers of



The National Spatial Development Perspective 1999-2006

The National Spatial Development Perspective (NSDP) is one of the most important documents in understanding urban development in South Africa. It originated in 1998 in the Presidency as a tool to guide public infrastructure investment and development spending. This stemmed from a deep concern that post-1994 government expenditure was not helping to eradicate the apartheid space economy.

Work on the NSDP in 1999 introduced a set of principles based on the concepts of “need/poverty” and “development potential” to describe the national space economy. The NSDP argued that the Government’s key social objective of poverty alleviation would best be achieved by focusing economic growth in economically sustainable areas with proven development potential. In areas with little or no potential, the focus, beyond providing the constitutionally mandated minimum services, should be on “people and not on places”. This would involve high levels of development spending on social investments, such as human resource development, labour market intelligence, health and social transfers. This kind of “development spending” would enable young people, especially, to gravitate to areas with potential once they had matriculated.

The explicit spatial nature of these principles led to a mapping of the South African space economy to provide a high-order indication of the location of potential and need in the country.

In 2002, the NSPD was updated and was approved by Cabinet in 2003.

In 2005 a further update of the NSDP began, incorporating 2001 Census data as well as provincial Growth and Development Strategies and municipal integrated development plans. The update also included new analyses and mapping techniques providing a more nuanced reading of the South African space economy. This revealed that the metros and secondary cities had:

- *high levels of concentration of economic activity;*
- *high levels of population concentration; and*
- *large numbers of people living below the Minimum Living Level (MLL).*

The bulk of districts in the country had relatively low levels of economic activity and high levels of people living below MLL.

The starkness of this picture was further demonstrated by the fact that 77% of the country’s geographic value added product (GVA) is generated in just 26 localities and nearly 58% in the three metropolitan areas of the Gauteng City Region, Cape Town and the Durban/Pietermaritzburg conurbation. As for poverty/need, the more detailed analysis highlighted the persistent socio-economic divide between urban and rural areas; former black townships and former white suburbs in the cities; and the former Bantustans and former ‘white’ South Africa.

The emerging updated 2006 NSDP builds on the picture of the space economy and principles of the 2003 version but is more explicitly tied to government’s stated objective of achieving and sustaining a 6% economic growth rate. It provides signals on how to address the challenges of the disparities in the space economy with a focus on maintaining and growing the economy in locations where the bulk of national GVA is currently generated.

This strategy is supported by the belief that through investing in these areas the bulk of those living in poverty in South Africa will also be reached given that the broader areas (60 km radii) in which the 26 nodes are located are home to 77% of all people living below MLL in the country (more than 18 million), 84% of the total population, and 95% of the national economy.

THE DYNAMICS OF THE URBAN SYSTEM

continued

urbanisation: natural population growth in cities, permanent migration from rural to urban areas and the reclassification of areas from 'rural' to 'urban' as a result of urban sprawl¹⁶. But these processes are by no means simple. Unlike historical patterns of urbanisation in Europe, most developing countries today are seeing far more complex movements than a once-off journey from the country to the city. Statistics SA, for instance, notes that 67% of the migratory movements in the rural northeast of the country in 2002 were of a temporary or circular nature¹⁷.

These seasonal, weekly and daily commuting patterns create a series of fluid and often very costly linkages between a range of spaces. Some of these movements are less a function of choice than the result of continuing patterns of incompleteness, where settlements lack the full range of amenities that cities can offer¹⁸. While this intricate movement pattern is necessary for survival, the persistence of a system of migration by which millions of people move in and through a mix of urban, rural, quasi-urban/rural spaces inhibits the building of lasting, formal relations or shared ways of living in any of these places¹⁹.

In spite of this circular migration, urbanisation is proceeding rapidly in all regions of the developing world. In 2005, for the first time in human history, more people were living in urban than in rural areas. This is set to increase to 60% by 2030, with 4,9 billion of a total population of 8,1 billion living in cities²⁰. This contrasts sharply with the figure in 1840 when less than 4% of the world's population was living in cities²¹.

It has been predicted that 90% of all future population growth will be in cities, and the bulk of this will be in cities in the developing world²². This has prompted many countries to adopt policies to stem the rate of urbanisation: the number of developing nations with these approaches rose from 54% in 1996 to nearly 75% in 2003²³. In developed countries exactly the opposite happened: the percentage of countries with these policies fell from approximately 50% to 25% in the same period²⁴.

In Africa it is predicted that the percentage of people living in urban areas will have increased from 39% in 2003 to 54% in 2030, which is nearly four times as high as the 15% in 1950²⁵.

Typology of regions developed for the European Union by the ESPON programme

- *Regions dominated by a large metropolis (one large metropolis dominates a not too densely populated rural area).*
- *Polycentric regions with high urban and rural densities (many large cities dominating a dense pattern of medium and small sized towns in densely populated rural areas).*
- *Polycentric regions with high urban densities (where the presence of cities is still significant but within a less dense rural area).*
- *Networks of medium and small towns (regular network of towns scattered in rural areas with medium density).*
- *Remote rural areas (regions where accessibility to cities is less developed).*

Source:
ESPON (2002: 15)

The estimated annual continental urban growth rate is 4%, twice as high as that of Latin America and Asia. In Africa, this increase is taking place in spite of low urban economic growth rates in most parts of the continent, giving rise to the urbanisation of poverty²⁷. UN-Habitat, for example, has estimated that 72% of all urban residents in sub-Saharan Africa live in informal settlements²⁸.

Urban poverty

Perceptions about cities can be misplaced. Statistics of per capita income can give the impression that all urban areas are performing well and that those living in urban areas are comparatively well off. As always, generalisations hide specific realities. An analysis of the 21 key urban centres shows concentrations of deep poverty. Across these 21 centres which are the most important contributors to the national economy there are 5,8 million people living below the minimum living level (MLL) (see table 2-1).

This is 24,7% of the national total population in this category.

The metropolitan municipalities carry the greater proportion of people living below the MLL. eThekweni has over 1 million or 4% of the national total of people living below the MLL; followed by Johannesburg with over 865 000 and 3,7% of the national total; Cape Town with over 718 000 and 3%; and Tshwane with over 500 000 and 2% of the national total.

Migration

The 2001 Census showed that South Africa had an urbanisation level of 56,25%²⁹, but with wide variations among the country's four population groups. Indians are the most urbanised at 97,49%, followed by the whites at 89,87%, coloureds at 86,78% and Africans at 47,47%³⁰. Levels of urbanisation also vary substantially between the nine provinces (see table 2-5). Only three provinces – Gauteng, the Western Cape and the Northern Cape – have levels above the national figure, with Limpopo Province the lowest at 10%.

While the popular impression in South Africa is of large numbers of people moving to urban areas, fuelled by images of burgeoning informal settlements, recent evidence indicates a more nuanced picture.

Data for the period 2001 to 2006 supplied by Statistics SA (2006) shows that 3 million South Africans migrated from one district or metropolitan municipality to another over this

Table 2-5: Urbanisation levels for the nine provinces in South Africa (2001)

Province	Urbanisation level (%)
Gauteng	96
Western Cape	90
Northern Cape	80
Free State	75
KwaZulu-Natal	45
North West	41
Mpumalanga	39
Eastern Cape	38
Limpopo	10
South Africa	56

Source: Statistics SA (2006)

The stepping stone effect

Small cities with less than 500 000 inhabitants and intermediate cities with between 1 and 5 million inhabitants, not mega cities (cities with 10 million or more people) will continue to absorb most of the urban population around the world well into the future. They are often the first places where the social urban transformation of families and individuals occurs. By offering economic linkages between rural and urban environments, they can provide the first step out of poverty for impoverished rural populations and a gateway to opportunities in larger cities.

Source:

State of the World Cities 2006, UN-HABITAT

period³¹. Nationally a total number of 44 million people did not migrate in the last five years. The number of migrants is less than 1 in every 15 South Africans.

Of the 53 district and metropolitan municipalities, 19 experienced a net in-migration of people, while 34 district or metropolitan municipalities experienced a net out-migration (see tables 2-6 and 2-7).

All the Gauteng and Western Cape district and metropolitan municipalities experienced a net in-migration of people between 2001 and 2006. No municipalities in the Free State district municipalities experienced net in-migration. Only one each in Limpopo, Northern Cape and Eastern Cape, and two each in KwaZulu-Natal, North West and Mpumalanga experienced net in-migration. In most cases the movement was to municipalities with either a strong metropolitan area or secondary city.

Primarily, the pattern is focused migration towards Gauteng and the Western Cape, the two

THE DYNAMICS OF THE URBAN SYSTEM continued



Table 2-6: Migration figures for municipalities experiencing the greatest in-migration of population between 2001 and 2006

Ranking	Name of municipality	Province	Net in-migration	Total population in 2006	In-migration as percentage of total population in 2006
1	Ekurhuleni MM	Gauteng	140 252	2 384 020	5,88
2	City of Tshwane MM	Gauteng	137 685	1 926 214	7,15
3	City of Cape Town MM	Western Cape	129 400	2 952 385	4,38
4	City of Johannesburg MM	Gauteng	120 330	2 993 716	4,02
5	West Rand DM	Gauteng	42 674	732 759	5,82
6	eThekweni MM	KwaZulu-Natal	27 277	2 978 811	0,92
7	Eden DM	Western Cape	22 983	419 334	5,48
8	Bojanala Platinum DM	North West	20 168	1 182 913	1,70
9	Boland DM	Western Cape	18 770	595 564	3,15
10	Metsweding DM	Gauteng	18 560	183 304	10,13
11	West Coast DM	Western Cape	17 211	256 400	6,71
12	Overberg DM	Western Cape	14 965	182 864	8,18
13	Umgungundlovu DM	KwaZulu-Natal	13 149	931 729	1,41
14	Waterberg DM	Limpopo	11 694	613 539	1,91
15	Nelson Mandela MM	Eastern Cape	6 715	1 073 114	0,63
16	Southern DM	North West	4 914	584 956	0,84
17	Ehlanzeni DM	Mpumalanga	2 465	919 503	0,27
18	Siyanda DM	Northern Cape	1 504	212 011	0,71
19	Nkangala DM	Mpumalanga	1 452	1 034 098	0,14

Source: Statistics SA (2006)

predominantly metropolitan provinces in the country. The rate of in-migration as a percentage of the total population is much higher in the municipalities in these two more urban provinces (between 3,15 and 10,13%) than in the more rural provinces (between 0,14 and 1,91%). Very high rates of in-migration in Metsweding (10,13%) and Overberg (8,18%) may also indicate a stepping-stone effect as people move incrementally towards the metropolitan centres.

Amongst the twenty district or metropolitan municipalities that experienced a net out-migration of people between 2001 and 2006 are five of the seven district and metropolitan municipalities in the Eastern Cape, three of the four district municipalities in Limpopo and two of the four district municipalities in the North West province. The three district municipalities that experienced the largest net out-migration in absolute numbers in this period were all in the Eastern Cape, with Chris Hani District Municipality losing 8,51% of its population.

Feminisation of migration

Within the complex picture of rural and urban migration movements in and to South Africa there has been a growing awareness of increasing female out-migration from rural areas in recent years. The removal of movement controls with the advent of democracy has allowed women to join their spouses in urban areas. For example, many vacant factories in Jeppestown in Johannesburg have been tenanted by women whose husbands live in nearby hostels.

Women are travelling more frequently for formal or informal work – 55% of temporary female migrants in the Statistics SA's Migration and Urbanisation survey (2006) gave "work/looking for work" as the reason for their relocation. When moving to urban areas these women



The single largest movements of people between 2001 and 2006 took place between the metropolitan municipalities in the Gauteng province, and more specifically from Johannesburg to Ekurhuleni (50 260 people) and in reverse (41 961 people). Other movements of more than twenty thousand people took place from:

- Amatole and Chris Hani to Cape Town (40 214 people and 30 626 people respectively);
- Bojanala Platinum and Capricorn to Tshwane (34 283 people and 25 563 people);
- Johannesburg to Tshwane and Cape Town (21 364 people and 21 038 people);
- Sedibeng to Johannesburg (20 986 people); and
- Capricorn to Ekurhuleni (20 178 people).

There are gender differences within these statistics indicating that more women are moving to and from urban areas. This has been termed 'the feminisation of migration' and has interesting consequences for both urban and rural areas.

Urban – rural economic linkages

Despite a growing awareness of the links that between cities and rural areas, discourses in the development field are still characterised by an urban and rural duality³². This runs against the growing appreciation of rural production as a function of urban consumption and vice versa, and of the importance of urban remittances for sustaining rural livelihoods³³. A rural home-base often provides a place to recover from an unsuccessful attempt at being absorbed into the urban economy³⁴. Research has also shown that for many it provides a socio-cultural grounding – "home" – a status it often retains for life³⁵. Cultural practices, fashions and new vocabularies also migrate freely between the two, resulting in an increasingly similar set of lifestyles. In fast-developing countries of Southeast Asia a new "partially urbanised countryside", which is something in between urban and rural, has emerged³⁶. People inhabiting these urban/rural life-worlds have been referred to as "multi-spatial households"³⁷.

The two sets of spaces are linked, because "... the major markets for agricultural surpluses are in urban centres, most agricultural inputs come from organisations in cities, workers seek employment in towns as rising agricultural productivity frees

Feminisation of migration

► *tend to be employed in less skilled jobs – particularly domestic work. However, they tend to move shorter distances than their male partners and return home more often.*

At sub-provincial level, small towns emerged as key development nodes, attracting people – particularly women – who do not return to rural villages. This pattern can be seen particularly along transport routes. Work on migration patterns to and from Bushbuckridge in Mpumalanga has shown that the N4 route between Johannesburg and Maputo in Mozambique plays a significant role. Destinations along this road include industrial and mining towns like Middelburg and Witbank which provide employment for men, but also for women.

These movements result in:

- *A continued stream of remittances to rural areas, given that women migrants are more likely to remit than men;*
- *Increases in the working-age female population in urban areas, but in lower-skilled jobs and in the informal sector;*
- *A tendency towards risky behaviour. Low earnings may push women migrants to rely on survivalist activities like transactional sex, which increases their risk of contracting HIV.*

Sources:

Statistics SA (2006) Migration and Urbanisation in South Africa
 Singh, G. (2005) Patterns of Migration, Settlement and Dynamics of HIV/AIDS in South Africa, for SA Cities Network
 Lehohla, P. (2006) Studies reveal the circular nature of urban migration. The Star Business Report May 4, 2006

rural labour, and many of the social, health, educational, and other services that satisfy basic human needs in rural areas are distributed from urban centres"³⁸. The ESPON Programme in the EU notes that urban and rural areas are "... connected economically, politically, socially and physically through issues such as housing, ► 2 – 24

PEOPLE BUILDING THE CITY



SAMSON MABELE, A GOAT TRADER IN ALEXANDRA, FIGHTS TO HAVE THE GOAT TRADE ACCOMMODATED IN URBAN AREAS

It's a busy afternoon at the end of the month in Samson Mabele's yard in 9th Avenue, Alexandra. Fourteen families live on the plot. Mabele, a giant of a man, has to duck to get inside his two roomed brick house which, he shares with his wife and a chandelier. Around his house are various wood-and-iron shacks, some freestanding brick rooms and a traditional thatched mud-brick dwelling all organised neatly around a common access drive.

The yard is also home to thirty sheep and goats, which spend their days in an open-air pen and their nights in a roofed shed on either side of Mabele's home.

Two elegantly dressed men drive up in their white Volkswagen Jetta. They have come to buy goats to slaughter over the weekend. They stand at the pen and study the goats carefully selecting two animals and settling on a price – R950 for the big one, R650 for the smaller one.

Mabele's assistant, leaps over the kraal fence and wrestles the smaller of the two goats to the ground. With one fluid movement he heaves the bleating goat over his shoulder and into the open boot of the Jetta. He then repeats the process with the second goat. The bleating starts up again as the larger of the two goats is laid on top of the smaller one in the boot, but the goats soon settle down and two satisfied clients drive off. Goats are famously obliging.

Samson Mabele, who has been selling sheep and goats for fifteen years, is one of eight livestock traders operating in Alexandra. But Mabele's business is of ongoing concern to the environmental health officers of the Johannesburg council. Since 1998, the council has served repeated notices on Mabele instructing him to remove his animals.

The most recent notice, which Mabele received in February from the Section 59 Council Executive Committee, suggests that

Mabele's business is inconsistent with the vision of Johannesburg as a "world-class African city." The letter states that "The culture of indigenous blacks of slaughtering of animals for ancestral rituals has resulted in the previous government allowing blacks to live with slaughter animals in the black townships to the detriment of health and the environment".

The suggestion that Mabele's business is unhygienic enrages him. He says that his neighbours do not complain "not one, because my kraals are clean. You can come every day and see that my kraals are clean. Even the inspectors from the metro say it's clean."

However, according to Joel Masetle, the Environmental Health Manager for Region 7, where Alexandra is located, the keeping of livestock is a big problem. Livestock cause traffic disruptions if allowed to roam free. There is a problem of space in areas designed for residential purposes only. Animals relieve themselves anywhere, polluting streams and rivers. Animal excrement contains E coli bacteria. There is the possibility of increased respiratory conditions through airborne diseases, or worsening asthma. Smells can bring flies. There are also objections from the community with people complaining about goats tipping over refuse bins or eating their gardens and vegetable patches, says Masetle.

The Johannesburg council acknowledges that there is a long history of livestock in urban areas, largely associated with cultural practices of appeasing the ancestors. According to Masetle,



these practices cut across tribal boundaries and are very common. Masetle recognises that traditional slaughtering is a business, which cannot be eradicated. The approach should rather be to educate people about conditions to make it more acceptable.

But for Samson Mabele there is no alternative but to ignore the various notices instructing him to move his animals to a rural area. Goats and sheep are his livelihood and his clientele is overwhelmingly urban, with customers living in Soweto, Tembisa, Diepsloot, Alex 'town', Bramley, Hillbrow and Jeppesstown. "How can I go to the rural areas when I stay here and my customers are here?"

Mabele has made repeated efforts to legalise his business. He has a sheaf of letters that he has written since 1995 to Nelson Mandela, Tokyo Sexwale and the Johannesburg authorities – and their replies, directing him to the Department of Land Affairs, instructing him to identify an available piece of land and referring him to someone else. But vacant land near Alexandra is hard to find. There is huge pressure in Alex to use every available hectare for housing.

THE DIVIDE BETWEEN TOWN AND COUNTRY, RURAL AND URBAN IS NOT CLEAR CUT

Mabele has tried to organise other livestock traders in Alex to discuss with council officials how animals can be accommodated. He agrees that the business should be regulated.

According to the council's Masetle, Region 7 has developed a strategy – in consultation with livestock keepers, the Departments of Agriculture, Land Affairs, the SPCA, the Johannesburg Metro Police Department, veterinary services, municipal housing, environment, and health divisions – to balance the needs of livestock keepers and the City of Johannesburg. But this has not been implemented yet.



In the meantime, Samson Mabele has leased some land for himself – on a temporary basis – in Bramley View, a decayed industrial area just outside Alex. Sheet and goats occupy one kraal, pigs another, and Mabele's pride – a herd of six cattle – stir restively in a third.

Piles of lucerne from a farm in Brits and big bales of grass which Mabele buys from a smallholding in Linbro Park create a jarring contrast with the dense housing nearby, the freeway in distance, the new industrial parks and the electricity lines overhead, evidence that the divide between town and country, rural and urban is by no means clear cut.



PEOPLE BUILDING THE CITY



TOBIAS MKHIZE WORKS WITH BOVINE HEAD COOKERS TO IMPROVE ENVIRONMENTAL HEALTH IN DURBAN'S INNER CITY

On the neatly scrubbed wooden serving board sits a chunk of meat, flanked by a small pile of salt and a couple of chillies. Only when you look closely do you notice the long curling eyelashes, soft cheek and thick lips that identify this meal as part of a cow's head. Welcome to the Bovine Head Cookers Market in Durban.

It's about 10:00 am and forty customers are enjoying a meal. Customers are sitting on wooden benches at long communal dining tables, covered with plastic tablecloths, each provided with a set of sauces and condiments. Behind them, on the outer edges of the open-sided shed, the grisly business of preparation is under way. The heads, which arrive frozen in municipal plastic-bags, are severed but otherwise intact. Here they are deftly skinned, then chopped into pieces with meat cleavers. The meat is then boiled in big pots.

It's a messy business, generating all sorts of waste. Yet the market is clean and orderly – the result of a joint effort between iTrump, the municipal agency charged with regenerating eThekweni's inner city, and the traders.

It wasn't always this way. Before the head cookers had proper facilities, they used to set up business on the pavements nearby. For many passers-by it was a problem seeing heads displayed on the pavement, and having blood splashing all over. Pavements became greasy and slippery, there were offensive smells and a lot of vermin – particularly rats. Waste water from the cooked heads was being poured into the stormwater drains, ending up in the sea near the beaches.

Then the municipality stepped in and decided that they should be helping the head cookers rather than harassing them. Tobias Mkhize, Senior Environmental Health Practitioner at the city's Environmental Health Department, says: "We do not see the question of informal traders as a problem. For us it's a challenge and an opportunity . . . and for the traders it's a business".

Mkhize headed up the Bovine Head Cookers Task Team. A study investigated the impacts of the practice on the environment, and on the health of the people. "We understand that the informal economy is here to stay, and that is of great use. So we asked ourselves how could we be able to talk about their issues, how could we look at their issues positively?"

A new site was found only one block away from the original location, along the same route that commuters use on their way to town. The traders were each given their own cooking area, concrete counter and chopping table. Their paraffin stoves were contained within a low three-sided concrete shelter, designed to minimise fire hazard. Waste water from the cooking process now drains into a grille-covered channel that runs the length of the market. This in turn drains into three conservancy tanks which the council empties every month. A specially designed filter separates out the fat and hair, allowing only fluids to enter the sewers. "We can now see how much damage was caused by polluted waste water being chucked into the stormwater drains. On these lines we are winners. Our sea is no longer polluted and we are reaping the environmental benefits," says Mkhize.

Customers start arriving at the head cookers' market from about 5:00 am on their way to work. That means an early start for the thirty head cookers, most of them women. One of them is Khombisile Mhlongo, who has been trading on the streets of Durban since 1988. "Bovine heads are not easily found," says Mhlongo, and can be



sourced from only a limited number of butcheries, some as far afield as Verulam and Pinetown. Head cookers hire men to collect heads from these butcheries by taxi.

Uncooked heads cost between R45 to R50. Mhlongo cooks about 8 heads a day, each one yielding 10 to 14 pieces of meat. At R7,00 per piece, income adds up to between R70 to R100 per head. From this must be deducted the transport costs of getting heads from the butcheries, the cost of cooking fuel and water charges. And then there is the cost of overnight storage for Mhlongo's stoves, cutlery and crockery. At closing time, each night she packs these into large wooden crates to be transported to storage spaces nearby. She pays R10 a week for storage space in Ark Street, and R7 per day to the 'barrow boy' who wheels the load through the streets to and from the store.

Beef heads are a delicacy amongst African men, particularly reserved for fathers, and prepared with ritual. Traditionally women in rural areas would not be involved in the preparation of heads. But now these urban women prepare them, and anyone eats them. "Everyone is buying, even white people," says Mhlongo.

paying any rental yet. Nevertheless, the facility, running for five years now, has been an import pilot project for a local authority engaging proactively with a range of previously unsupported informal activities in its midst. "But we learn," says Mkhize.

WE DO NOT SEE THE QUESTION OF INFORMAL TRADERS AS A PROBLEM

"Business is good. But the facility could do with improvements," says Mhlongo. Electricity supply would be one. Mrs Khawula, the chairman of the head cookers committee says that "the drainage gets blocked, and then overflows causing flooding and bad smells. Traders occupying the outermost stalls get wet when it rains. The water bailiff system has proved to be problematic," says Mkhize. Few traders want to buy water at 50c for 25 litres from the person allocated the task of selling water in the market, when they can access it free from the taxi ranks.

There are also ongoing negotiations about rent. Rentals for street traders are generally R10 – R35 per month for an open space, R25 – R35 for a space with a shelter over it. But this has proved hard to enforce and the Bovine Head Cookers are not



THE DYNAMICS OF THE URBAN SYSTEM

continued

Table 2-7: Migration figures for municipalities experiencing the greatest out-migration of population between 2001 and 2006

Ranking	Name of municipality	Province	Net out-migration	Total population in 2006	Out-migration as percentage of total population in 2006
1	O R Tambo DM	Eastern Cape	95 737	1 677 914	5,71
2	Amatole DM	Eastern Cape	83 514	1 708 126	4,89
3	Chris Hani DM	Eastern Cape	65 846	773 505	8,51
4	Sekhukune DM	Mpumalanga	62 575	936 016	6,69
5	Capricorn DM	Limpopo	53 242	1 087 685	4,89
6	Vhembe DM	Limpopo	31 405	1 241 013	2,53
7	Mopani DM	Limpopo	29 075	937 041	3,10
8	Central DM	North West	27 664	713 675	3,88
9	Alfred Nzo DM	Eastern Cape	27 610	579 583	4,76
10	Lejweleputswa DM	Free State	26 023	694 609	3,75
11	Bohlabela DM*	Limpopo & Mpu	25 469	694 746	3,67
12	Umzinyathi DM	KwaZulu-Natal	24 448	425 625	5,74
13	Ukhahlamba DM	Eastern Cape	23 196	297 540	7,80
14	Thabo Mofutsanyane DM	Free State	21 985	717 822	3,06
15	Zululand DM	KwaZulu-Natal	21 333	769 971	2,77
16	Bophirima DM	North West	16 352	426 431	3,83
17	Umkhanyakude DM	KwaZulu-Natal	15 587	555 618	2,81
18	Gert Sibande DM	Mpumalanga	14 988	851 892	1,76
19	Uthukela DM	KwaZulu-Natal	13 865	585 690	2,37
20	uThungulu DM	KwaZulu-Natal	12 600	809 710	1,56

* *Bohlabela District Municipality was disestablished under boundary changes in March 2006, and incorporated into the Mopani and Ehlanzeni District Municipalities.*

Source: Statistics SA (2006)

employment, education, transport, tourism and resources³⁹.

The flows between these two spaces include:

- The transfer of people, such as commuting and migration;
- The flows of goods, services and energy;
- Financial transfers through trade, taxes and state disbursements;
- The transfer of assets, including property rights, allocation of state investment and capital; and
- The flow of information, including technical information and social ideas⁴⁰.

Relations between urban and rural spaces are not always positive. In many cases growing inequality between urban and rural spaces is often a short-term outcome, illustrated by China's and India's buoyant cities and impoverished rural villages⁴¹.

Although there is a better understanding of urban-rural linkages, the size of the link is unknown because many transfers cannot be quantified and many are unrecorded.

Informality in South African cities

Urbanisation processes in South Africa are often seen as informal. Informal activity is associated with the illegal, extra-legal, unregistered. It is untaxed and often conducted in places where it is not allowed⁴². This type of definition carries a pejorative, modernist judgement in which the formal is seen as the norm – the right – and that which deviates from this norm, as wrong⁴³.

Over the last two decades attitudes towards the informal have changed, with the acknowledgement that the sector includes positive, often highly ingenious, coping strategies by the poor⁴⁴. This is due to greater appreciation of diversity and recognition of different cultural life-worlds, leading to more sensitive definitions of what is acceptable and what not⁴⁵. This also entailed an interrogation of modernist, colonial views to test their continued applicability. So for instance certain family and community survival methods may be acceptable in one culture, but regarded as nepotism and bribery in another⁴⁶.

Together these trends have meant that definitions of what is permissible have become far more flexible. But, together with this greater acceptance and appreciation of different cultures and survival techniques, has come a greater degree of ambiguity, as authorities tolerate some activities more than others. All too often authorities do not act consistently: they might allow unregistered provision of labour but will prohibit informal street trading⁴⁷.

Over the last two decades informality has been on the rise in cities throughout South Africa, largely as a result of the freeing up of urban spaces after decades of apartheid. This informality takes three forms:

- unregulated and unlawful land use, settlement establishment and unauthorised housing;
- unregulated small- and micro-enterprises; and
- casual labour, unregistered employment, moonlighting and multiple jobs⁴⁸.

Table 2-8: Categories of informal work arrangements

Category of informal work	Definition
Informal sector	Own-account workers, unpaid family workers, domestic servants and individuals working in production units of between 1 and 10 employees.
Informal employment	Informal wage workers and unpaid family workers who may work in the formal or the informal sector. They lack a contract, health and pension benefits, and social security coverage.
Informal enterprises	Defined by the nature of regulation in each context: the availability of a licence, and the payment of licences, taxes and fees.
Informal economy	Includes both private informal workers and the informal self-employed as well as employers in informal enterprises.

Source: Bivens and Gammage (2005: 9)

Urban versus rural development?

Cities are the engines of rural development in an environment of strong urban-rural linkages. Improved infrastructure between rural areas and cities increases rural productivity and enhances rural residents' access to education, health care, markets, credit, information, and other services. On the other hand, enhanced urban-rural linkages benefit cities through increased rural demand for urban goods and services and added value derived from agricultural produce.

Source:
State of the World Cities 2006, UN-HABITAT

Cities with their huge populations and abundance of public space have provided ideal settings for informal activities, most of which are located in the retail and services sectors⁴⁹. This process of informalisation has not been a peripheral event, but has increasingly become the norm, largely as a result of the sheer numbers of the urban poor involved⁵⁰. This process is no longer limited to the illegal invasion of land by new arrivals to the city or areas populated by the poor: the whole fabric and being of the South African city is subject to different degrees of informalisation, formalisation and attempts at re-formalisation (see table 2-8).

THE DYNAMICS OF THE URBAN SYSTEM continued



Table 2-9: Informal employment as percentage of total employment in five countries

Country	Year	Informal employment in millions	Percentage of total employment
Egypt	1998	6,5	40,1
El Salvador	2002	1,7	69,1
India	1999	360,2	92,1
South Africa	2003	2,7	22,5
Russia	2002	9,5	14,4

Source: Bivens and Gammage (2005: 9)

Table 2-10: Highest educational qualifications of formal and informal workers in South Africa (2003)

Highest level of education	Formal workers	Informal workers
None	4,1	12,3
Grade 0-3	2,8	7,4
Grade 4-6	8,7	16,8
Grade 7-9	17,4	29,1
Grade 10-12	43,4	29,3
Diploma	12,8	2,4
Degree	8,9	1,2
Total*	98,1	98,5

** Totals do not add up to 100% because of rounding errors and because a small portion of the sample did not indicate their education levels*

Source: Bivens and Gammage (2005: 12)

Table 2-11: Informal land occupation in urban areas as a percentage of all housing (2000)

Region	Percentage
Sub-Saharan Africa	51,4
East Asia and the Pacific	41,2
Latin America and the Caribbean	26,4
Middle East and North Africa	25,9
Eastern Europe and Central Asia	5,7

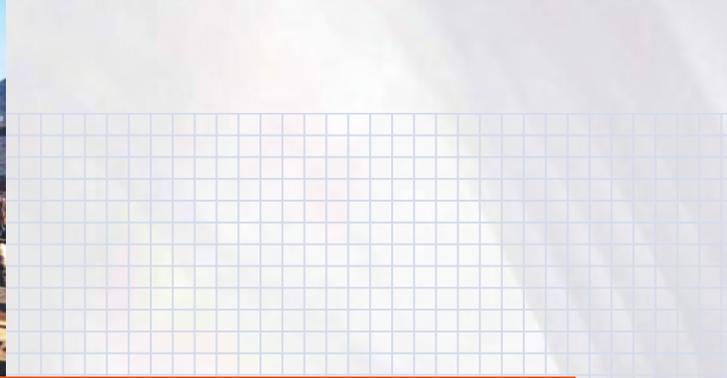
Source: High Level Commission on Legal Empowerment of the Poor (2006: 11)

Four different theories have been offered as to the causes of informality.

- The 'lack of growth hypothesis': growth in gross domestic product (GDP) will lead to growth in formal employment, and that a rise in informal employment must be the result of sluggish GDP growth.
- The 'jobless growth theory': growth alone is not good enough, but that the extent of the growth must be well in excess of productivity growth, to off-set the labour-shedding outcomes of the latter.
- The 'growth from below' theory: small- and micro-enterprises have simply been more successful in fast-changing times than larger companies through greater flexibility and adaptability.
- The 'period of adjustment theory': the informal sector is a result of inertia – the time it takes for old industries to adapt to new conditions, as well as for workers to shift from one industry to another, with some unable to do so and moving into the informal sector⁵¹.

Understandably, data on the scale and extent of informal activities is not readily available. But some macro-data from Statistics SA (2005) suggests that on a national level the informal sector constitutes 25% of total employment or around 3 million people, and that this figure has remained constant since 2000. Bivens and Gammage⁵² have a slightly different perspective. They argue that formal employment growth in South Africa exceeded informal employment growth in the period 1999 to 2003 and that the informal sector is smaller, with 2,7 million workers in the informal sector, amounting to 22,5% of total employment. Table 2-9 provides a comparative analysis between data for South Africa and a selection of other developing countries.

Incomes earned by workers in the informal sector are low. A study conducted South Africa in 2003



found that 75% of the workers in a sample of informal workers earned less than R1 000 a month⁵³. Skills levels of those in the informal sector are below those in the formal sector (see table 2-10).

Informality is very visible in the case of housing, despite huge advances made by government. There are 2,4 million households living in informal settlements in the country⁵⁴. A large number of transactions in land and housing take place outside the normal procedures resulting in unreliable housing datasets. Table 2-11 illustrates the extent of informal land occupation in urban areas in different regions of the world.

Some urban thinkers view the informal sector as a triumph of the poor over adversity, others as an unfortunate reality. Others again see it as a hindrance on human development. From a city finances point of view it has serious implications because people involved in informal activities typically do not pay taxes, and therefore do not contribute to the maintenance and development of the city. While this does not immediately disadvantage those in the informal sector, it could result, over time, in the deterioration of the urban stage on which they themselves are reliant for their livelihoods. Often informal settlement speeds this process by occupying spaces of high ecological value, or by creating a negative impression of the quality of city leadership in these places⁵⁵.

Many participants in the informal sector are often super-exploited because they fall outside of the ambit of labour 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. This is aggravated further by their lack of access to credit, as they have nothing to offer as collateral. People in the informal sector often depend on private micro-lenders who exploit them even further.

The process of engaging with informality is a relatively new phenomenon for many municipal governments. In 2000, Durban Municipality (now eThekweni), which has pioneered

approaches to collaborating with street traders, adopted an "Informal Economic Policy". This policy recognises the right of informal enterprises to exist of as well as the need to support and manage the sector. This includes participation by informal traders in the planning, budgeting and performance monitoring processes of the city. This has had many positive impacts and has helped prevent conflicts around trading spaces⁵⁶.

The City of Johannesburg has responded in a different way in its efforts to manage the obvious desire of thousands of its people to live in well-located areas. This has come into sharp focus in the inner city, where the municipality's use of by-laws to close illegally occupied and unsafe buildings has been criticised on grounds of individuals' rights to shelter.

The Western Cape Provincial government has made provision for an "Informal Residential Zone" to be included in all municipal zoning schemes, and which ceases to exist as soon as the settlement is upgraded⁵⁷.

Municipalities have generally been slow in responding to informality. One reason may be an unwillingness to suppress informality as it is seen as the only recourse for the poor. Another may be a lack of capacity, or a wish to understand more about it before responding. It could also be that city administrations see the problem as one of skills development, which is the concern of the national and provincial spheres. Other writers have argued that it is a case of "state-withdrawal" by governments who tolerate the informal sector, but are not interested in changing the lives of those trapped in it⁵⁸.

Informality calls for changes to the existing regulatory framework, especially in the areas of land use and land development. The clear call

THE DYNAMICS OF THE URBAN SYSTEM

continued

from government for the eradication of the 'two economies', with the informal squarely located in the second, means that city governments will have to find ways to assist the informal in making the transfer to the first⁵⁹. The High Level Commission on Legal Empowerment of the Poor argues that this can be achieved by "turn(ing) formality itself into a viable and attractive option for the poor". The process of recognising informal activities will require a host of reforms in other arenas, especially the legal environment and "must be based on empirical evidence of practices in the informal economy and developed with a clear understanding of local environments, systems, and needs"⁶⁰.

Conclusion

Notwithstanding the importance of cities in South Africa and the challenges that they face, there is no dedicated legal or policy framework that deals explicitly with cities. Rather, policy and legislation is directed towards municipalities, within the national framework for local government. There is also no dedicated ministry or government unit in the national or provincial spheres prioritising cities.

Given the importance of cities to the nation, this lack of a dedicated focus is notable. Other countries have acknowledged the importance and special circumstances in their cities through targeted legislation. For example, Brazil, with 82% of its population living in cities, enacted the federal City Statute in 2001. This empowers city authorities to develop a 'concept of the city' through a local Master Plan, and to intervene in local land markets to address social exclusion and spatial segregation. The Netherlands has a Major Town Policy which lays emphasis on economic and infrastructural potential, integrated with social renewal. It is applied in rundown city areas and urban districts with special needs.

The many complex issues that cities face – like competing in the global economy, providing and maintaining high quality services to millions of people amidst huge urban poverty, high levels of crime and enormous levels of environmental degradation – are often neglected in policy or legislation. There is also no special provision for intergovernmental collaboration between municipalities and provincial and national sector departments even though these municipalities are key

contributors to provincial and national economies. This absence is likely to hamper urban progress and constrain the development of the nation.

But two important urban policy documents are being developed: The Urban Development Framework which first emerged in 1997 is being re-conceptualised in the face of ongoing, rapid urban change; and the Presidency is putting the finishing touches to the National Spatial Development Perspective, due for release towards the end of 2006. These documents will help to guide urban development in the future and are eagerly awaited by urban practitioners.

In the meantime urban policy-makers and practitioners should start thinking about the South African space economy in new ways – not as a set of isolated cities circumscribed by administrative municipal boundaries, but as a set of interconnected spaces characterised by dynamic flows of people, goods and movement. This will require a new regional perspective as well as institutional organisations that can foster productive co-operation on matters of mutual concern – regional economic planning, transport infrastructure and mega-projects. This will help to overcome destructive competition between cities and build productive co-operation within city-regions.

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- ¹⁰ Sutherland op cit
- ¹¹ Sutherland op cit
- ¹² Census 2001 data, Statistics SA
- ¹³ McCarthy op cit
- ¹⁴ *This was done using the innovative and much finer grained geo-analysis platform (Mesoframe Version 1.1, CSIR, 2006), initially developed for use in the Department of Trade & Industry's Geospread Project, and also used in the 2006-NSDP review. The "most significant functional urban areas" were determined by through a combination of: central place indices (a weighted index of central place facilities developed by Prof M. Geyer, (2005) at the University of the North West); an index based on the household income profiles of the area; and actual land-cover (see map entitled "Administrative and Functional Context of South Africa, Geo-spatial Analysis Platform and NSDP Spatial Profiles, 31 May 2006").*
- ¹⁵ *In addition to the 21 key cities and towns identified in this report, functional urban areas such as Klerksdorp, Carletonville, George, Welkom, Newcastle and Paarl also make significant contributions of between R3 billion – R4,1 billion Rand of GVA/annum (based on 2004 GVA at current prices) to the national economy.*
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- ²³ United Nations 2003:14, as quoted in Statistics SA, 2006: 21
- ²⁴ United Nations 2003:14, as quoted in Statistics SA, 2006: 21
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- ³⁷ Adell 1999: 3
- ³⁸ Rondinelli 1983, as quoted in Adell 1999: 13
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- ⁴³ see Watson, V. (2006 forthcoming) *Responding to informality*. Chapter of forthcoming book on the first ten years of planning in post-apartheid South Africa
- ⁴⁴ see Lyons op cit and Rogerson, C. (1997) *Globalisation or informalisation? African urban economies in the 1990s*, in C. Rakodi (ed.) *The urban challenge in Africa: Growth and Management in large cities*. Tokyo: United Nations University Press
- ⁴⁵ Simone, A. (2004) *For the city yet to come: Changing African life in four cities*. Durham: Duke University Press.
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- ⁴⁶ see Simone op cit and Watson 2006 op cit
- ⁴⁷ High Level Commission on Legal Empowerment of the Poor 2006
- ⁴⁸ Lyons op cit
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- ⁶⁰ 2006: 3

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The changing nature of cities is important to all urban stakeholders, but urban flux is often difficult to read. This chapter puts numbers to these changes and provides current statistical information about how South African cities have performed. Relying on the same conceptual framework that informed the 2004 State of the Cities Report, and using the 2004 report as a benchmark, it provides a commentary on:

- population dynamics;
- the productive city;
- the inclusive city;
- the well-governed city; and
- the sustainable city.

Population dynamics

Population estimates provide a critical basis for the analysis of patterns and trends. Since no official population statistics exist for the cities, estimates were developed. The 2005 population estimates provided in the almanac are based on Statistics SA's mid-year provincial estimates for 2005¹.

The HSRC's population estimates for 2005 presented here, differ notably from those produced by other organisations, such as the Bureau of Market Research (BMR)², Development Bank of Southern Africa (DBSA)³, Quantec (for 2004)⁴, Global Insight (for 2004)⁵, and the Demographic Information Bureau's work done for the CSIR⁶.

Most of these estimates for 2004/2005 are shown in Table 3-1⁷. The figures in the last column, under "HSRC (mid-year)" are those used in this report. Despite problems, these figures are valid and are defensible since they are based on official 2005 mid-year population estimates.

Because of difficulties in comparing 2001 with 2005⁸, populations trends are indicated for the period 1996-2005 instead of 2001-2005. The population estimates for 1996 and 2005 are illustrated in figure 3-1.

From figure 3-2 it is clear that the populations of the nine major cities in South Africa have grown considerably since the mid-1990s at an average annual rate of 1,92%. This growth has been much slower than the growth experienced during the preceding 50 years (3,45% per year over the period 1946-1970, and

Reliability of the data

The last State of Cities Report relied heavily on the 1996 and 2001 census data, supplemented by a variety of other sources such as Statistics SA's Census of Construction, reports by the Regional Services Councils, Treasury's database on local government, Global Insight's figures on Gross Value Added, All Media Products Survey (AMPs) data, information requests from the National Ports Authority, the Airports Company of South Africa, and from municipalities.

This chapter follows a similar route, but because the next full census is only in 2011, other techniques were used to update the data. Some new sources of data have emerged since 2004, such as the Financial Census of Municipalities and the Non-Financial Census of Local Government, while others no longer exist. Statistics SA provides annual provincial population estimates, an annual Labour Force Survey (LFS) and General Household Survey (GHS), but these are provided on a national basis. Statistics SA provided some of the local government data and assisted in analysing current LFS and GHS data for the nine SACN cities.

Nevertheless, since the 2001 census, no new official demographic and economic statistics have been produced at a municipal level. As a result, data had to be created or sourced from organisations which produce their own figures based on various sources. Where possible, researchers worked with official statistics.

3,09% per year over the period 1970-1996). Declining city population growth rates coincide with declining national population growth. South Africa's total population increased from 11 415 925 to 21 794 328 in the period 1946-1970, and then grew to 40 583 570 in the period 1970-1996. By 2005, the population reached 46 888 200. With annual national growth rates over these periods of 2,73% for 1946-1970, 2,42% for 1970-1996 and 1,62% for 1996-2005, it is clear that the city population growth rate has



Table 3-1: Some city population estimates for 2004/2005

Municipality	Population numbers for 2004 or 2005 as estimated by the organisations indicated					
	2004			2005		
	HSRC (mid-year)	Quantec	BMR-derived*	DBSA		HSRC (mid-year)
			Low	High		
eThekweni	3 190 214	3 128 954	2 914 520	3 266 956	3 331 870	3 161 844
Johannesburg	3 221 601	3 225 404	2 845 527	3 642 926	3 714 118	3 295 088
Cape Town	2 923 637	2 984 884	2 811 280	3 069 455	3 130 392	2 969 458
Ekurhuleni	2 494 502	2 508 719	2 266 233	2 806 919	2 861 745	2 528 303
Nelson Mandela Bay	1 117 521	1 054 356	943 812	976 731	1 016 687	1 100 320
Tshwane	2 018 181	2 004 012	1 199 337	2 184 489	2 227 463	2 040 517
Subtotal: Metropolitan cities	14 965 656	14 906 329	12 980 709	15 947 476	16 282 275	15 095 530
Buffalo City	775 441	743 096	694 670	675 596	703 295	765 343
Mangaung	707 094	655 334	641 848	654 560	667 703	705 156
Msunduzi	561 590	568 769	374 359	554 315	565 481	565 196
Subtotal: Other major cities	2 044 125	1 967 199	1 710 877	1 884 471	1 936 479	2 035 695
Total: All nine cities	17 009 782	16 873 528	14 691 586	17 831 947	18 218 754	17 131 225

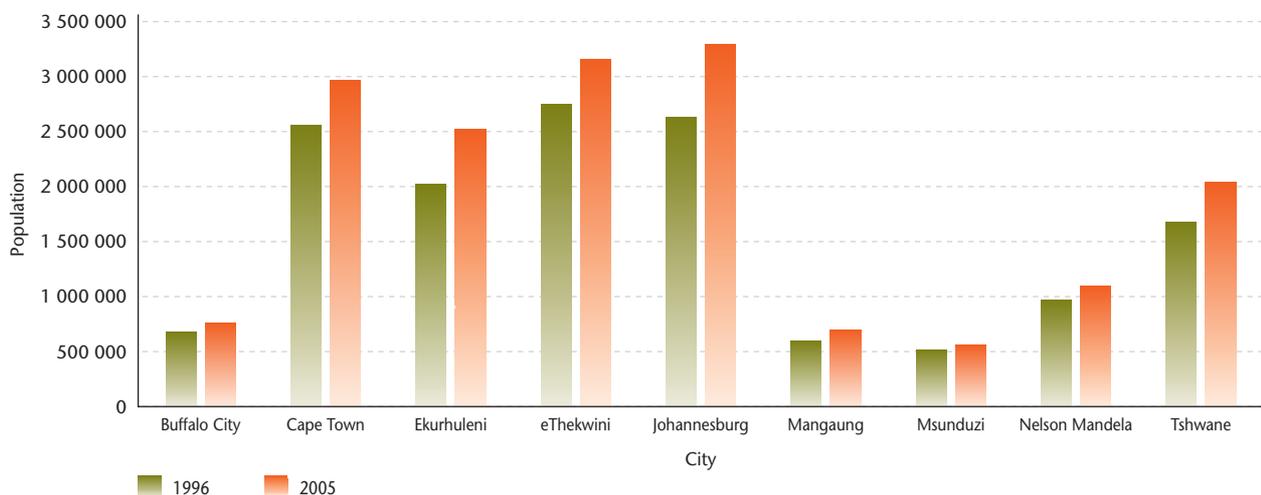
**The figures for Buffalo City, Mangaung and Msunduzi were derived by the HSRC (using GIS techniques) from the population estimates for the relevant magisterial districts that had been produced by the Bureau of Market Research (BMR)*

been consistently higher than the total population growth rate for the country.

This is partially confirmed by the inter-provincial migration analyses presented by Statistics SA (2005)⁹, which indicates that

“Gauteng, Western Cape and KwaZulu-Natal had a positive net migration rate” during the period 2001–2006. The Statistics SA estimates suggest that the major metropolitan areas in these three provinces have experienced a positive net in-

Figure 3-1: City populations (1996 and 2005)



URBAN TRENDS AND PERFORMANCE

continued

Figure 3-2: National and city population growth. Average annual growth rates for 1946-1970, 1970-1996 and 1996-2005

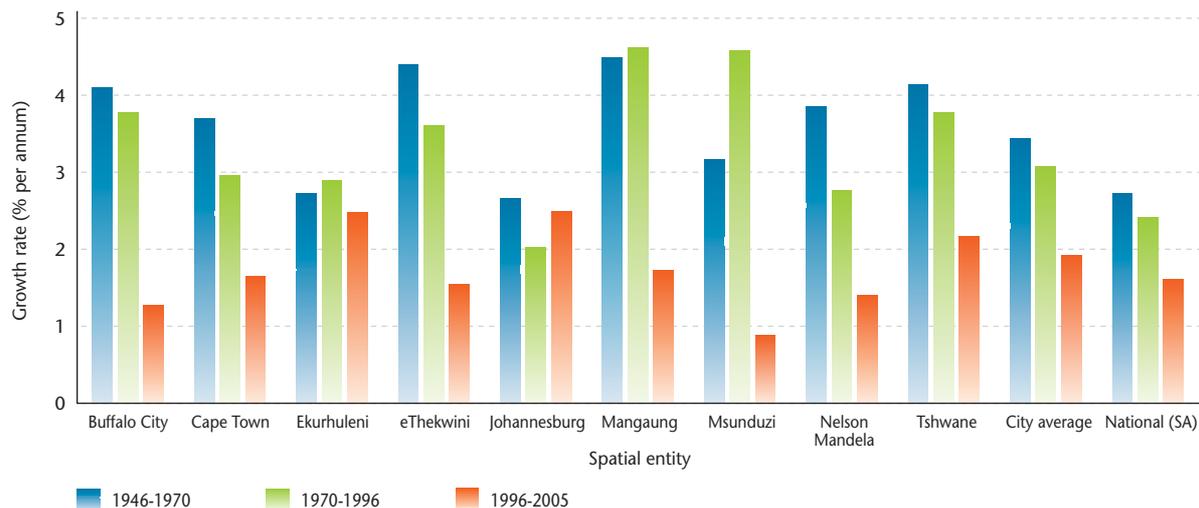
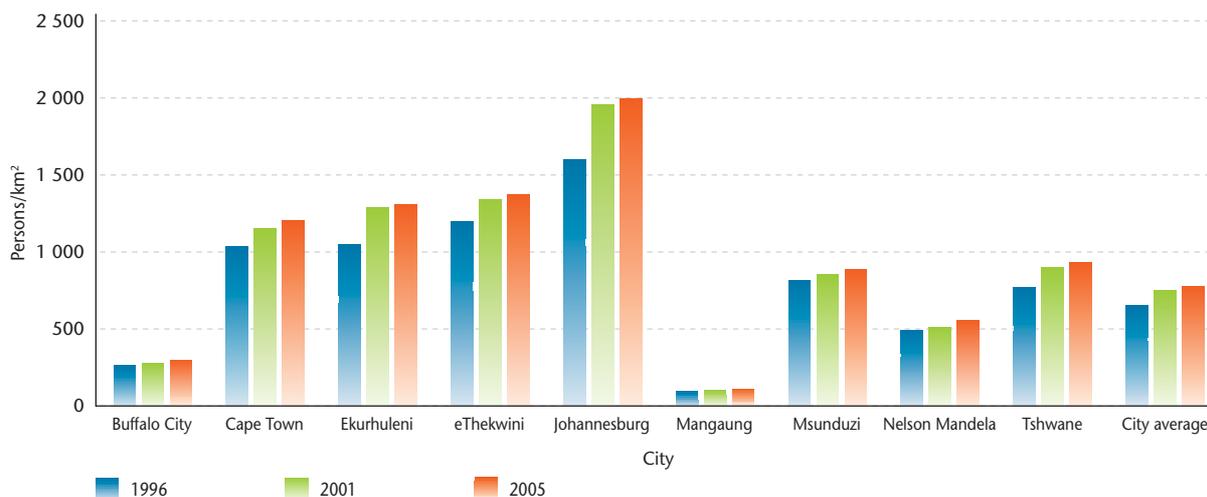


Figure 3-3: City population densities in 1996, 2001 and 2005 (number of persons per square kilometre)



migration¹⁰. The slowdown in city and national growth rates can probably be ascribed to reduced fertility levels over the last decade and the impact of recent Aids deaths, as shown in figure 3-5.

The mid-year population estimates for 2005 indicate that the ranks of the nine major cities in terms of population size are still

the same as 2001. Between 1996 and 2005 the nine cities' total annual population growth was below 2%, but the three Gauteng metropolitan centres showed higher-than-average growth rates with Johannesburg growing annually at 2,50%, Ekurhuleni at 2,49% and Tshwane at 2,17%¹¹. Figure 3-3 shows the six metropolitan areas,

Johannesburg (with 2 003 persons per square kilometre), eThekweni (1 379/km²), Cape Town (1 207/km²), Ekurhuleni (1 313/km²), Tshwane (938/km²), and Nelson Mandela Metro (561/km²) having the highest overall city population concentrations in 2005.

Figure 3-4: Cities' overall contribution to the total national population (1996, 2001 and 2005)

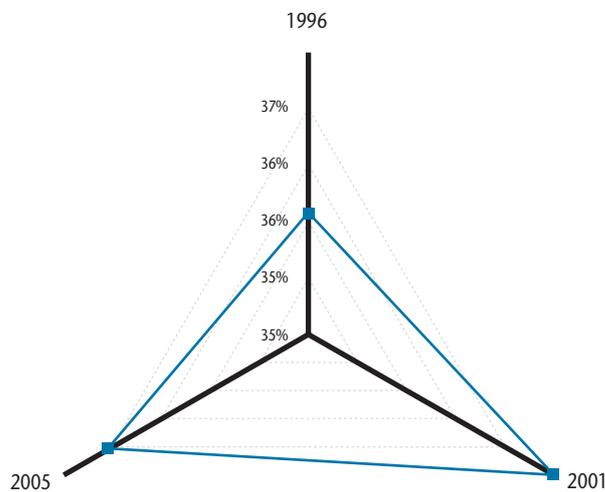
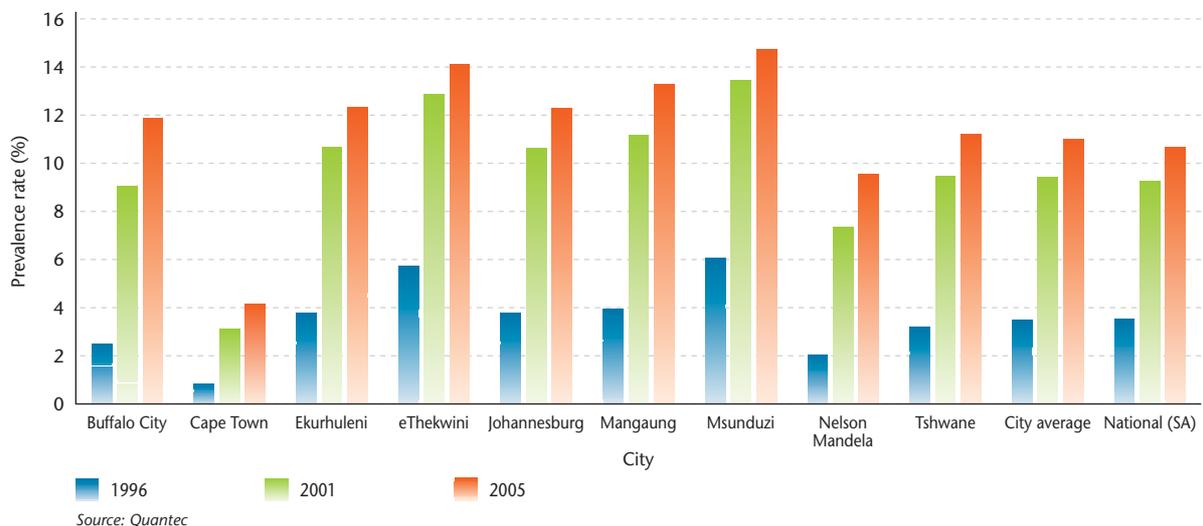


Figure 3-4 illustrates the problems with the population data. It shows that the contribution of the nine cities to the country's total national population in 2001 was notably larger than both the 2005 estimates and the 1996 census figures. Their overall contribution increased from about 36% in 1996 to 37% in 2001 only to decline again to 36% in 2005. Consequently, there is no clear, consistent trend in the nine cities' contribution to the total population of South Africa. There are similar inconsistent trends for all the cities, except Msunduzi which shows a consistent decline in its contribution to the national population.

The recent overall decline in the city population relative to that of the country as a whole contradicts trends in sub-Saharan Africa, including South Africa, that were described by the United Nations¹² as heading towards an absolute decline in the rural population. The explanation for this counter-intuitive finding lies in relative urban growth outside the nine major cities. Secondary cities and other towns experienced relatively high

Figure 3-5: Estimated city HIV prevalence rates (1996, 2001 and 2005)



URBAN TRENDS AND PERFORMANCE

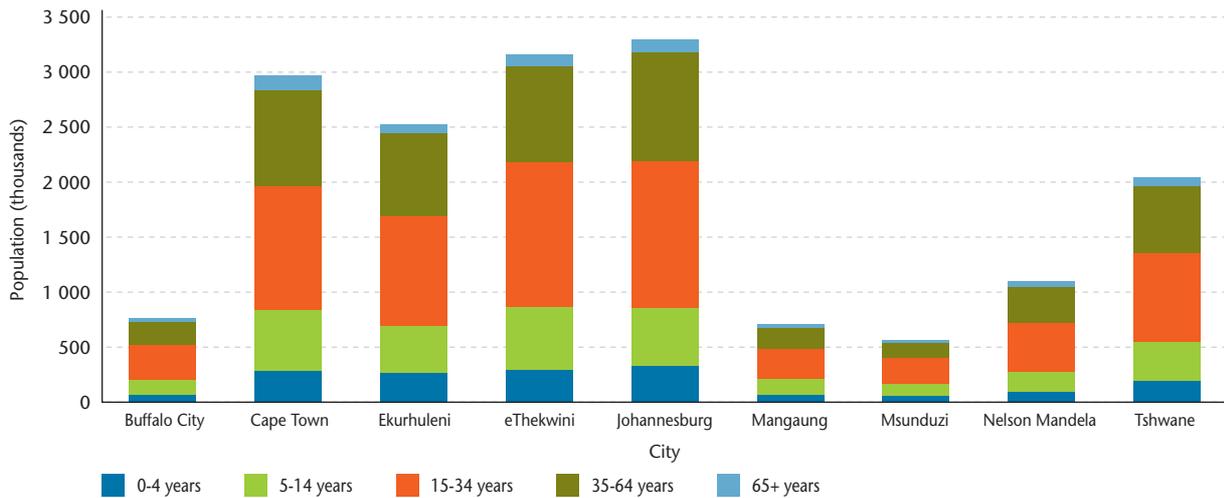
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Figure 3-6: Estimated city death rates (1996, 2001 and 2005)



Figure 3-7: Age composition of the city population (2005) (see schedule at the back of the book for data)



population growth compared to the major cities and rural areas, confirming a trend identified in the 2004 State of the Cities Report.

Figures 3-5 and 3-6, derived from Quantec statistics for 2004 suggest that HIV prevalence and Aids deaths in the major cities have increased significantly since 1996. However, it is not

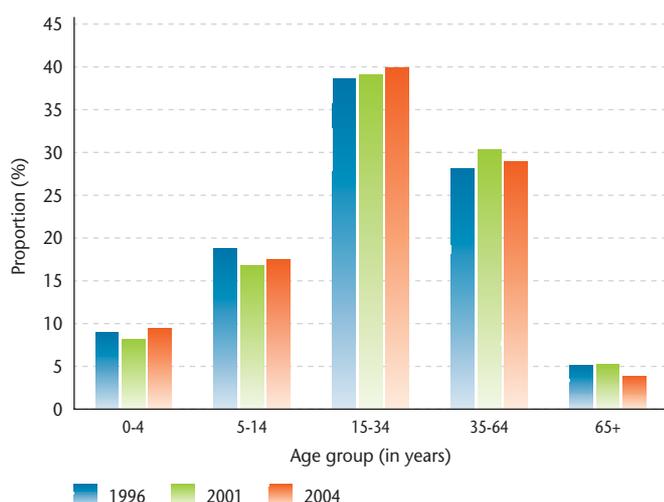
possible to determine how this has affected life expectancy levels in the cities since 2000¹³. The HSRC survey of HIV prevalence¹⁴ shows that labour migration is associated with higher prevalence levels. At some mines in South Africa, for example, the HIV rate reaches 50%, significantly higher than the rate among the



population as a whole. Also, urban informal settlements were found to have the highest HIV prevalence levels in 2002 as well as in 2005. The impact of Aids deaths in the cities will soon become very significant given the large numbers of urban residents who live in informal settlements.

Figure 3-7 shows the estimated age composition of the city populations in 2005, while figure 3-8 indicates the changes over time (1996, 2001 and 2005) in the overall city population. There has been a consistent increase between 1996 and 2005 of city residents aged between 15 and 34 years, with a corresponding decrease of residents aged 65 years and older. The trends for the other age categories are less consistent. The future age composition of the country's urban population will probably be determined by the impact of Aids deaths, which will affect different age groups in different ways.

Figure 3-8: Age composition of the SACN cities' populations (1996, 2001 and 2005)



Between 1996 and 2001 the average city household size decreased notably from 3,96 to 3,58. There is no evidence that this trend would have changed since. Table 3-2 therefore presents household sizes and numbers for the nine cities based on an extrapolation of the 1996-2001 trend¹⁵. On this basis, the 2005 average city household size is estimated at a mere 3,31. The largest 2005 estimated mean household size was for Msunduzi (4,05), followed by Cape Town (3,71), eThekweni (3,67) and Nelson Mandela Bay (3,53), all with averages of more than 3,5 persons per household. The only city with an estimated average household size below three people in 2005 was Johannesburg (2,90). These reduced household sizes led to an estimated annual growth in the number of city households at a rate of 3,99% over the period 1996-2005, which is notably higher than the very low rate of increase implied by the number of households over the period 2001-2005 (2,87% per year) but conspicuously lower than the rate previously estimated for the period 1996-2001 (4,89%). Even with relatively slow city population growth, the rapid decline in city household size will result in a significant increase in the number of households in the cities. This will have very serious implications for municipal service-delivery demands and for the sustainability of cities.

Table 3-2: HSRC estimates of the 2005 city average household sizes and numbers of households

Indicator	Buffalo City		Cape Town		eThekweni	Johannesburg	Mangaung	Nelson Mandela		Total or average
	City		Town	Ekurhuleni				Tshwane		
Average household size	3,25	3,71	3,02	3,67	2,90	3,16	4,05	3,53	3,25	3,31
Number of households	235 351	801 303	836 004	861 540	1 135 097	223 118	139 650	311 934	628 788	5 182 701

URBAN TRENDS AND PERFORMANCE

continued

The productive city

Economic data presents particular problems. No official figures for Gross Geographic Product (GGP) have been produced since 1994, and a range of economic indicators are not available at municipal or district level. There are also difficulties in comparing Labour Force Survey data with the census – and sometimes with previous Labour Force Surveys – due to differences in the definition of employment. Data provided by the Development Bank of Southern Africa (derived from Global Insight base data, recalculated for each local authority) is used to provide Gross Value Added figures – a proxy for GGP. Quantec data is used for examining long-term employment trends. The numbers of employed and unemployed provided in the almanac are based on the weighted 2005 Labour Force Survey, but should not be directly compared to 2001 employment figures. The absence of official municipal economic data is a critical gap which needs to be urgently addressed. The following indicators have been used to measure economic performance in the nine SACN cities: growth, exports and imports, Regional Services Council levies, employment and property.

Economic growth

Figure 3-9, which provides an analysis of Gross Value Added (GVA) data, suggests that economic growth has accelerated in the nine cities, increasing from 3,2% per year over the 1996-2001 period, to 3,8% per year over the 2001-2004 period. Figure 3-10 shows that growth has been marginally higher than the national average of 3,7% per year in the 2001-2004 period, and the share of the nine cities has remained roughly constant at 62,5% in both 2001 and 2004. Apart from Nelson Mandela Metro, all cities grew faster than in the 1996-2001 period, and all growth rates exceeded 2,8% per year. Growth has been particularly concentrated in the Gauteng metros, where rates have been in the order of 4,7% to 5,3% per year over the 2001-2004 period. Buffalo City, Msunduzi and Mangaung all accelerated their growth rates considerably compared to the previous period.

Economic growth outstripped population growth in most cities, and GVA per capita has risen in almost all cases. In contrast to the 1996-2001 period, when overall per capita GVA increased only slightly from R31 863 in 1996 to R32 521 in 2001, and

Measuring local and regional economies – GGP or GVA?

Prior to 1994, national government conducted a regular census of firms which generated key economic parameters at a magisterial district level. Ironically, at the time, very few local governments used this data to develop policy. From this source it was possible to calculate what was known as Gross Geographic Product (GGP). This could be understood as a regional or local equivalent to national Gross Domestic Product (GDP). GGP reflects the level of output in the economy and includes taxes and subsidies. The last official publication of GGP statistics was in 1994. Since then the manufacturing census, relevant at the local level, has also been discontinued. The result is that today, a very interested policy audience at the local level has had to rely on alternative sources.

Today, new sources are being created through using economic models, supplemented by more current data sets available at the national and provincial level, to re-configure the original data gathered between 1970 and 1994. This exercise, undertaken primarily by private sector data providers, has resulted in the publication of data sets referred to as Gross Value Added (GVA). GVA excludes taxes and subsidies from its calculations and tends to draw on data sets around inputs to firms. Today, these modelled statistics are the most commonly used in local policy making.

The two sets of statistics, GGP and GVA come up with different figures. This is not surprising as they are not directly comparable and might display different levels of growth over time. Some cities such as Msunduzi have chosen to collect a range of locally available data sets to get a better sense of grass-roots economic activity (retail sales, employment in firms etc). Johannesburg, eThekweni and Ekurhuleni have chosen to not rely excessively on highly modelled data and to supplement local economic analysis with firm surveys. Cape Town has tried to remodel the available data. These efforts

when some cities experienced a decline, per capita growth was more substantial, rising to R35 441 in 2004 (see figure 3-11). The seemingly low population growth rates in part account for the sharper rise, but economic growth was also faster than in the previous period. There has been a substantial upward shift in per capita GVA in several cities since 1996. Sharp rises are particularly evident in Johannesburg and Tshwane, which,

Figure 3-9: Average annual GVA growth 2001-2004

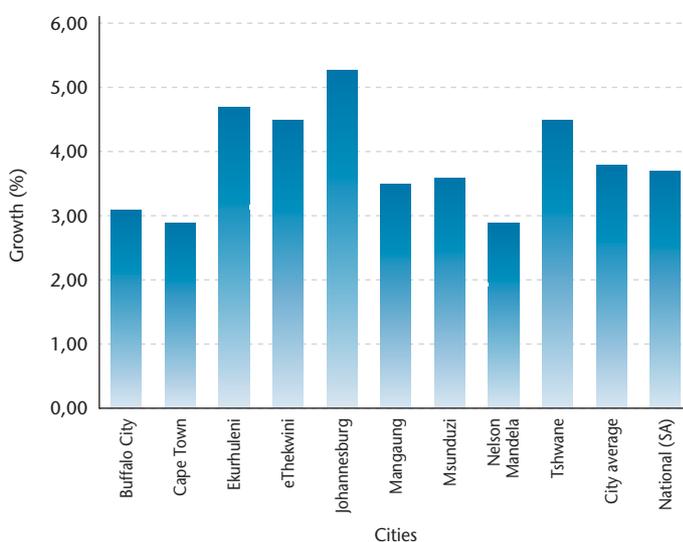
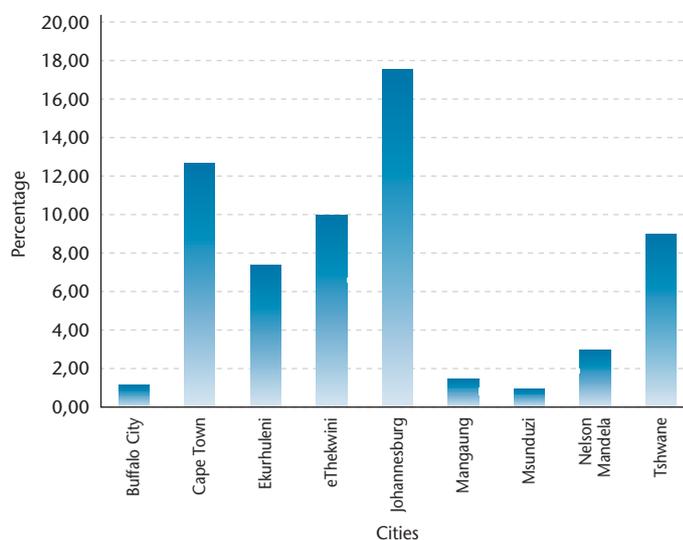


Figure 3-10: City GVA as a percentage of national GVA



Measuring local and regional economies – GGP or GVA?

► contribute to a finer grain of analysis than would emerge if policymakers relied only on the original GGP or more recent GVA data sets.

This report uses the GVA data set as it is most widely used amongst the cities. It reflects figures at 2000 prices. However, it should be noted that the data is modelled and therefore has some shortcomings. Where possible, it should be examined in conjunction with local sources of economic information.

The South African Cities Network has been working with cities and Statistics SA to try and reach consensus on new nationally authorised data sets of sub-regional economies. It is hoped that this will improve economic analysis in forthcoming State of the Cities Reports.

together with Cape Town, also had the highest per capita GVA by 2004. The smaller cities experienced lower growth in per capita GVA from 1996, and also had lower per capita GVA figures than the metros.

Figures 3-12 and 3-13 contain diagrams showing the changing sectoral composition of GVA for each of the cities in 2005. They indicate the significance of finance, commerce and services in Johannesburg, Tshwane and Cape Town, whereas manufacturing is more dominant in Ekurhuleni, Nelson Mandela Metro, and eThekweni. In Msunduzi and Mangaung, services were more significant, but in all cases, as might be expected, finance and commerce were important sectors.

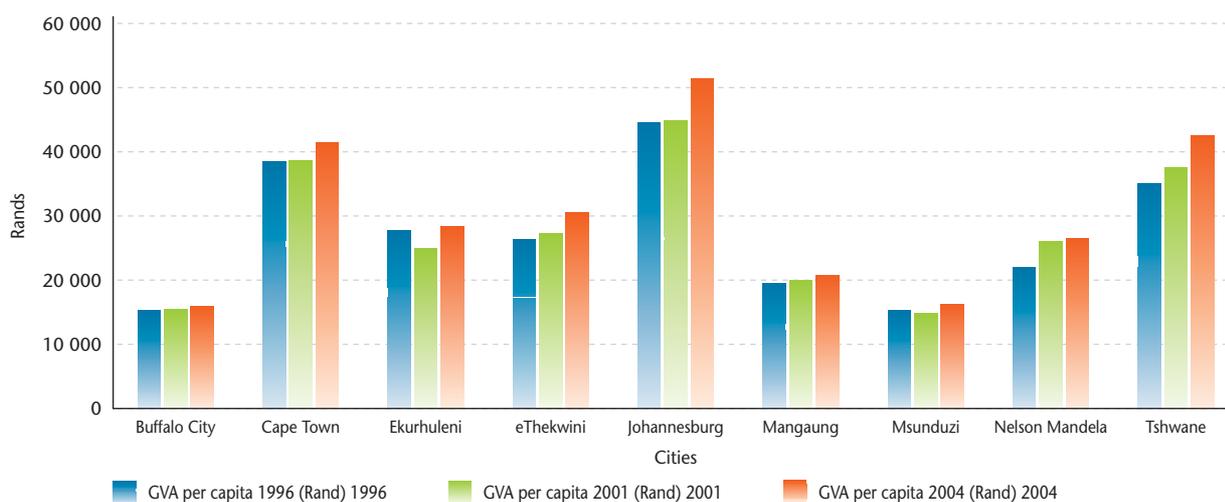
Growth in most cities was driven particularly by the commercial and finance sectors, and in several cases by construction and transport as well. The consumer and property booms have been particularly noticeable in the cities. The nine cities

URBAN TRENDS AND PERFORMANCE

continued



Figure 3-11: GVA per capita 1996, 2001, 2004



now account for some 82,2% of the nation's GVA in finance, and 68,5% of its GVA in commerce. Growth rates in manufacturing were slower, but nevertheless positive in all nine cities, other than Mangaung. Manufacturing growth rates of over 3% per year over the 2001-2004 period were experienced in all of the Gauteng metros, with lower growth rates elsewhere. Manufacturing growth rates picked up in Ekurhuleni and Msunduzi in the 2001-2004 period compared to the 1996-2001 period, but in most cities, manufacturing growth rates were slower than over the previous period. Despite structural changes towards the tertiary sector, the nine cities still account for some 64,8% of national GVA in manufacturing.

Exports and imports

The 1995-2004 period has seen a significant growth in exports in the six metros, with annual average growth ranging from 12,6% in eThekweni to 21,5% in Tshwane (see table 3-3).

Growth rates are similar to national increases, with some cities growing faster than the national average. Imports for production have also increased ranging from 10,3% per year in Nelson Mandela Bay to 17,5% in Tshwane over this period. Both imports and exports were mainly linked to manufacturing, but some cities also had a significant share of imports or exports linked to mining¹⁶.

These figures do not include consumer imports, which have increased dramatically in the past few years. Increasing exports and imports has raised the amount of cargo handled in some of the port cities – particularly eThekweni (see figure 3-14). This is boosting their economies, but also placing greater pressure on existing infrastructure.

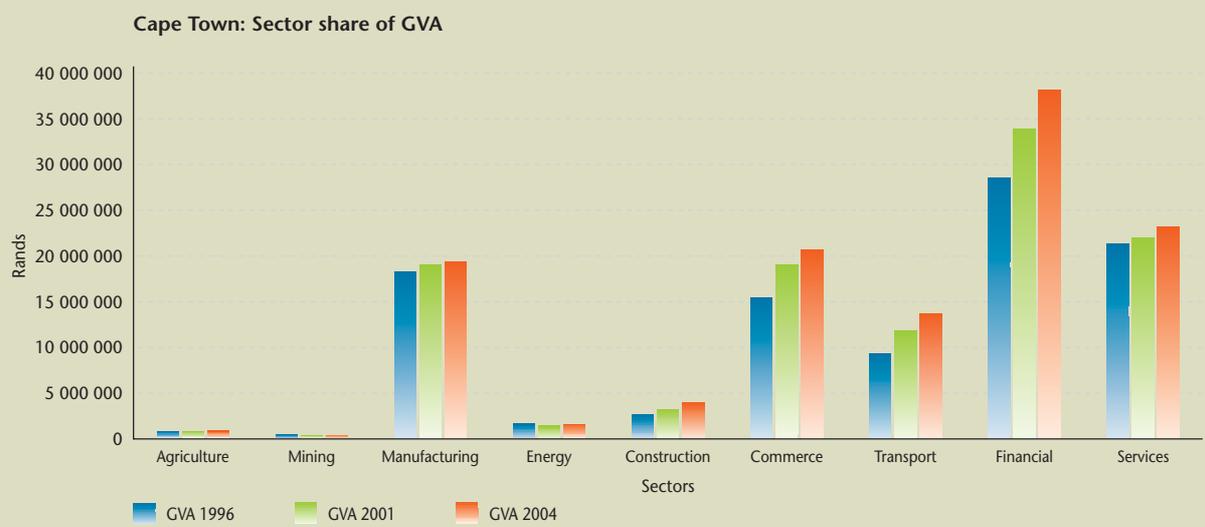
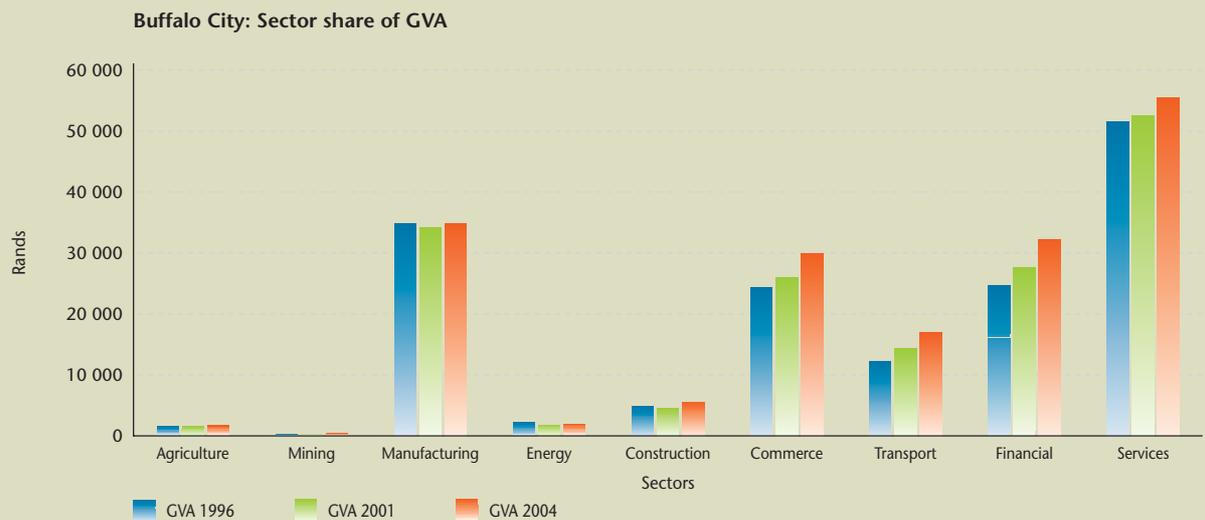
Table 3-3: Annual average growth (%) in exports and imports by city, 1995-2004

	Cape Town	Ekurhuleni	eThekweni	Johannesburg	Nelson Mandela	Tshwane	National
Imports	16,7	14,3	14,0	12,9	12,9	17,6	14,2
Exports	17,7	12,5	12,5	15,8	17,0	21,5	16,4

Source: Erasmus and Tomlinson (2005), Roodt and Hall (2005) based on Quantec



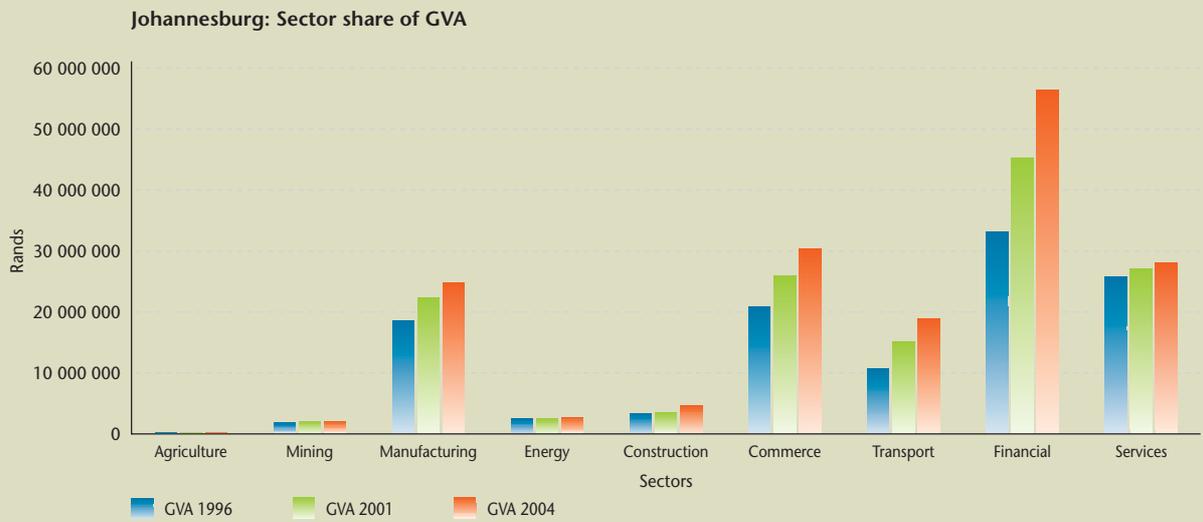
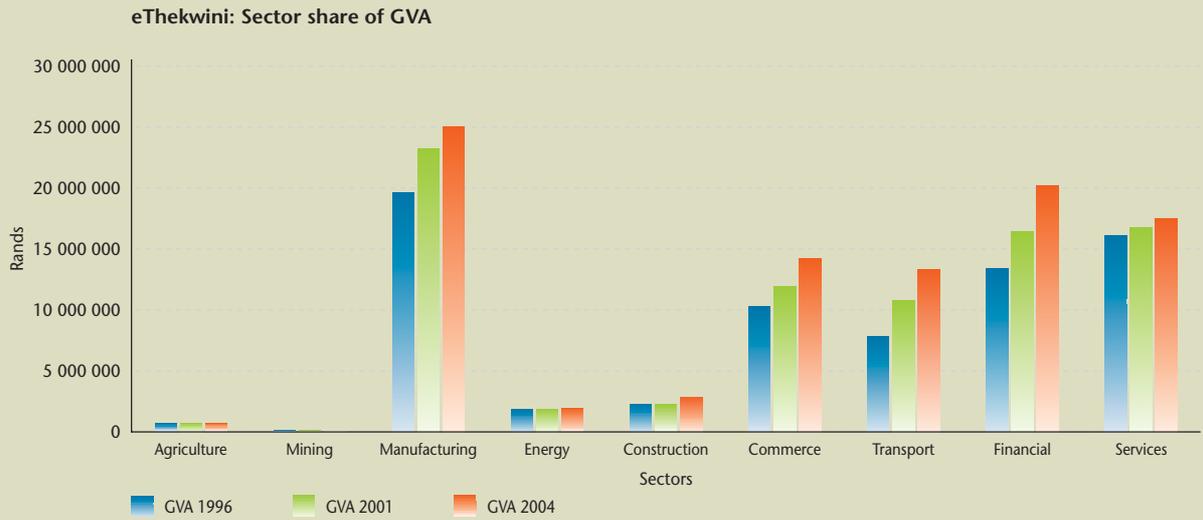
Figure 3-12: Changing sectoral composition of gross value added

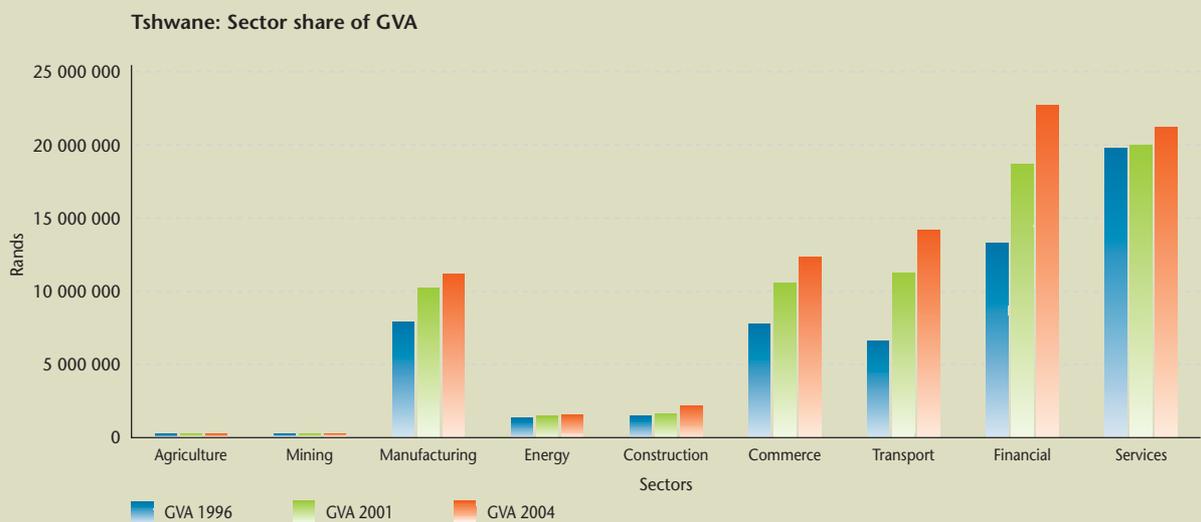
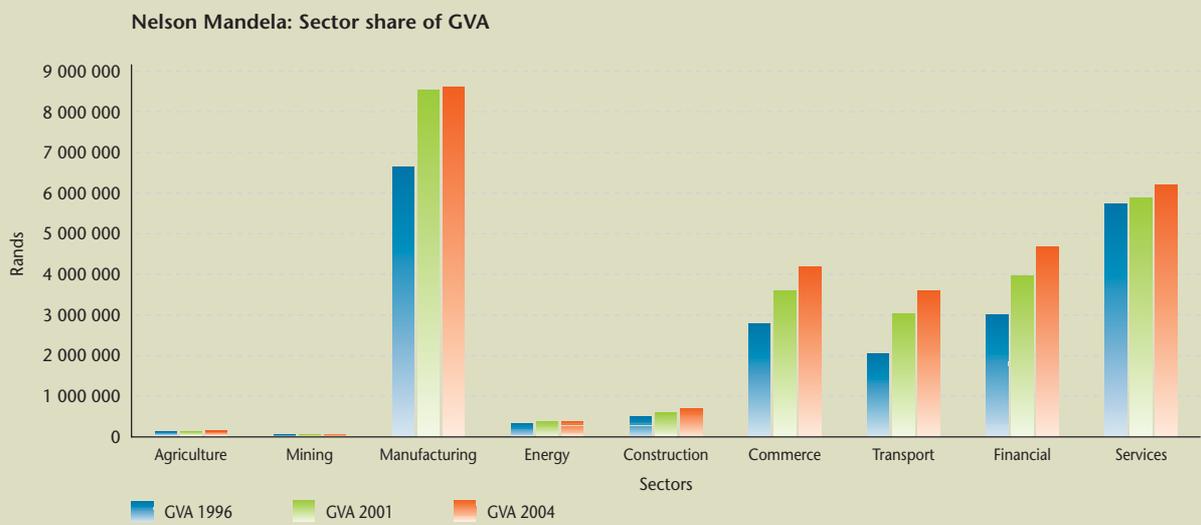
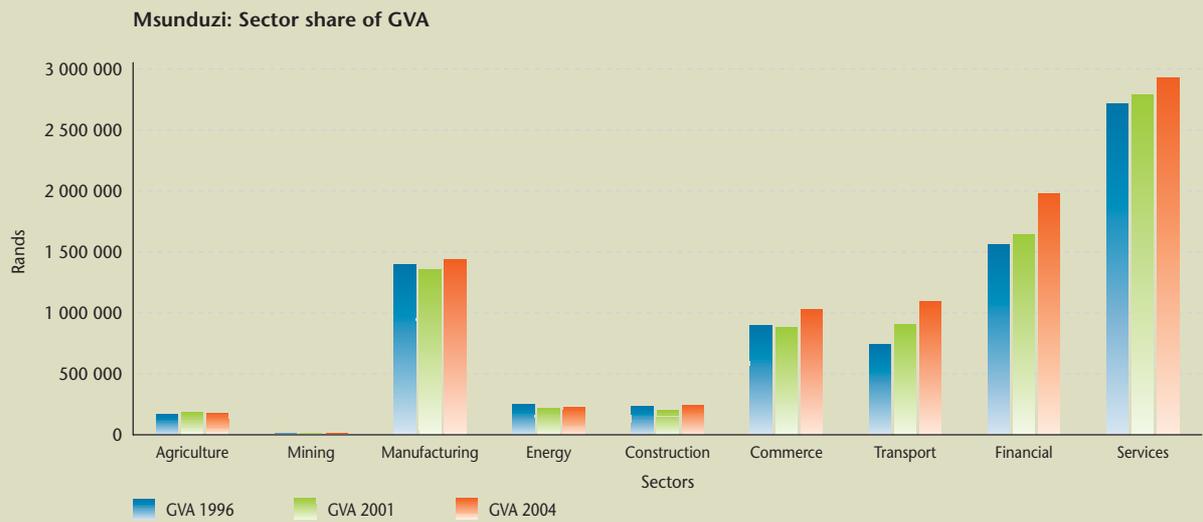


URBAN TRENDS AND PERFORMANCE

continued

Figure 3-12: Changing sectoral composition of gross value added (continued)





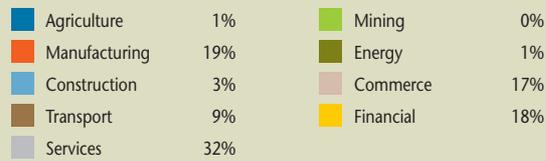
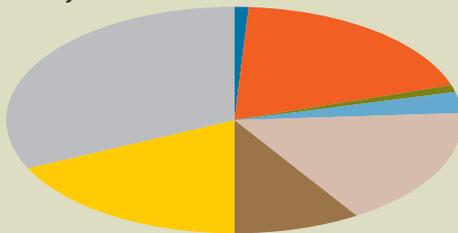
URBAN TRENDS AND PERFORMANCE

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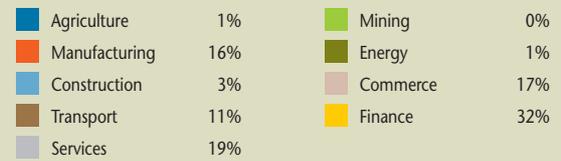
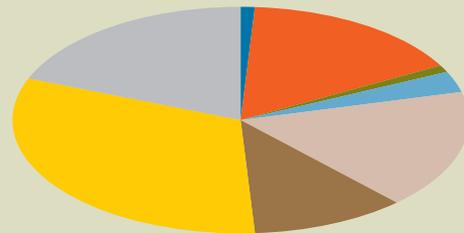


Figure 3-13: Sectoral composition of GVA 2004

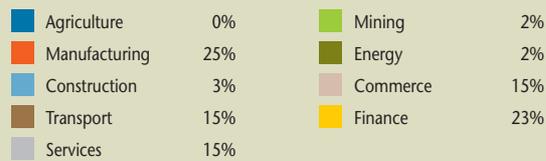
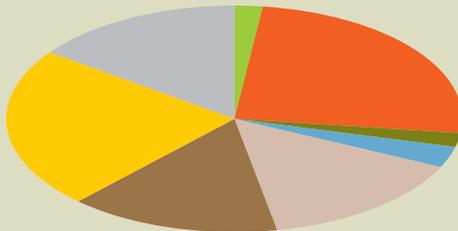
Buffalo City



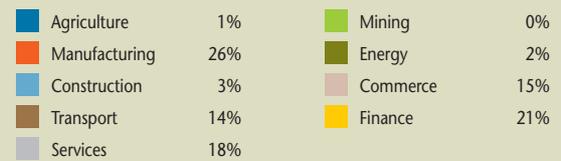
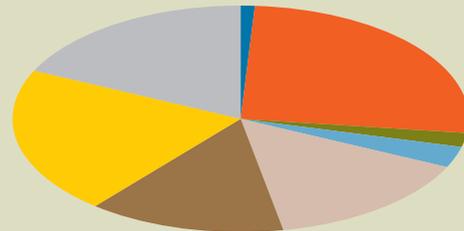
Cape Town



Ekurhuleni



eThekweni



Johannesburg

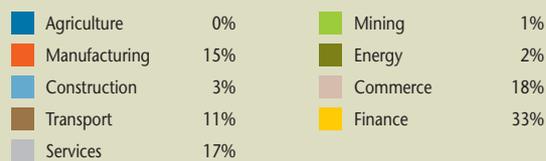
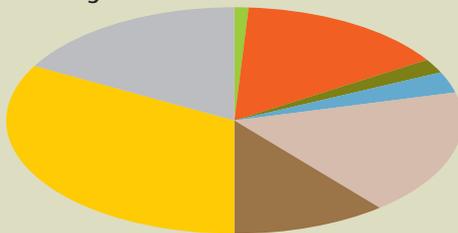
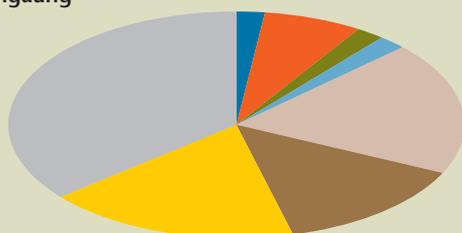




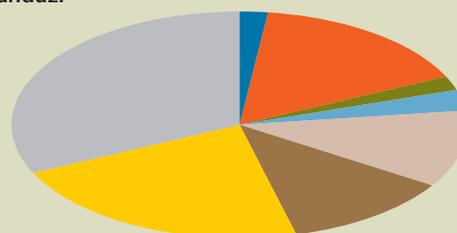
Figure 3-13: Sectoral composition of GVA 2004 (continued)

Mangaung



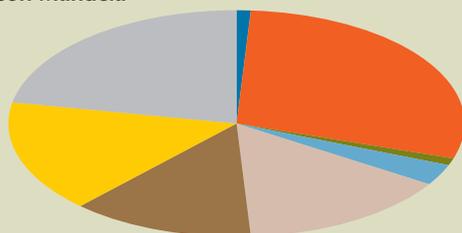
Agriculture	2%	Mining	0%
Manufacturing	7%	Energy	2%
Construction	2%	Commerce	19%
Transport	14%	Finance	18%
Services	36%		

Msunduzi



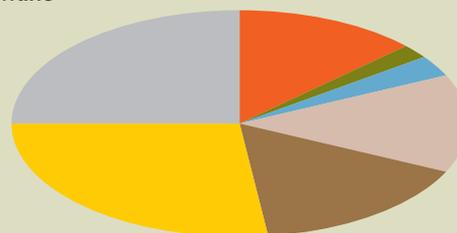
Agriculture	2%	Mining	0%
Manufacturing	16%	Energy	2%
Construction	3%	Commerce	11%
Transport	12%	Finance	22%
Services	32%		

Nelson Mandela



Agriculture	1%	Mining	0%
Manufacturing	29%	Energy	1%
Construction	3%	Commerce	15%
Transport	13%	Finance	16%
Services	22%		

Tshwane



Agriculture	0%	Mining	0%
Manufacturing	13%	Energy	2%
Construction	3%	Commerce	14%
Transport	16%	Finance	27%
Services	25%		

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continued

Table 3-4: Regional Services Council levies

	RSC Levies (R'000) 2002/3	RSC Levies (R'000) 2003/4	% Increase in RSC Levies 2002/3 – 2003/4
Buffalo City	N/A	N/A	N/A
Cape Town	706 911	780 028	10,3
Ekurhuleni	541 400	551 588	1,9
eThekweni	423 895	435 833	2,8
Johannesburg	1 260 982	1 325 925	5,2
Mangaung	N/A	N/A	N/A
Msunduzi	N/A	N/A	N/A
Nelson Mandela	174 223	194 007	11,4
Tshwane	447 323	494 170	10,5

Source: Stats SA

Regional Services Council levies

Increasing regional services councils (RSC) levies – a tax on turnover and payroll – also provides an indicator of economic performance in cities. All six metros increased their RSC levy income over the 2002/3-2003/4 period, and in Cape Town, Tshwane and Nelson Mandela Metro, increases were over 10% (see table 3-4).

Employment

Employment and unemployment figures are controversial, with variations between data sets. The almanac provides 2005 employment and unemployment figures drawing from the

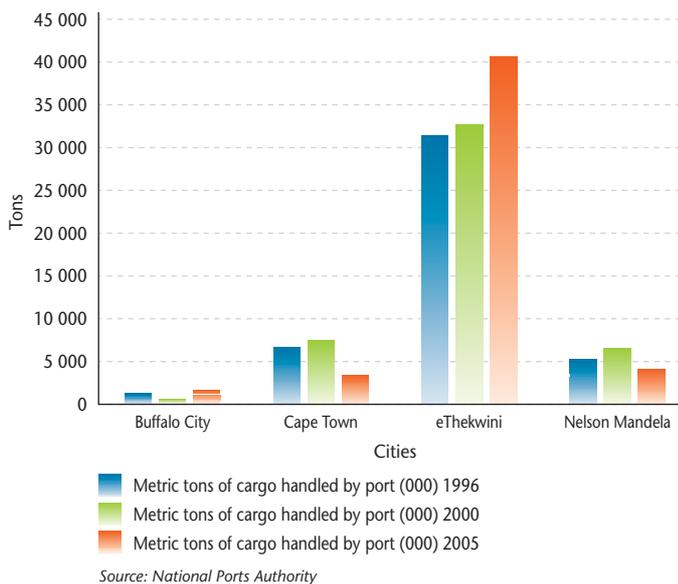
Labour Force Survey, but these cannot be compared to census figures, so Quantec data is used to discuss the main trends. According to Quantec, economic growth in the nine cities is being accompanied by a slow decline in rates of unemployment, and rises in rates of employment. This pattern is broadly consistent with national trends in the Labour Force Surveys¹⁷. The trend is similar to change in the LFS expanded unemployment rate which also shows a decline from 35,72% unemployed in 2002 to 33,31% unemployed in 2005 (see figures in the schedule at the back of the book)¹⁸.

Based on Quantec data, unemployment rates in the nine cities declined from 28,2% in 2001 to 26,7% in 2004, closely tracking national trends (see table 3-5 and figure 3-15). For both the nation and the city average, levels of unemployment were still higher in 2004 than in 1996. Unemployment has declined in all cities other than Nelson Mandela Metro and Buffalo City, where unemployment rates rose marginally. There has been an absolute decline in the numbers of unemployed between 2001 and 2004 in the nine cities taken as a whole, mirroring national trends. Only the Gauteng metros and eThekweni have

Table 3-5: Changing unemployment rates (1996-2004) (Quantec)

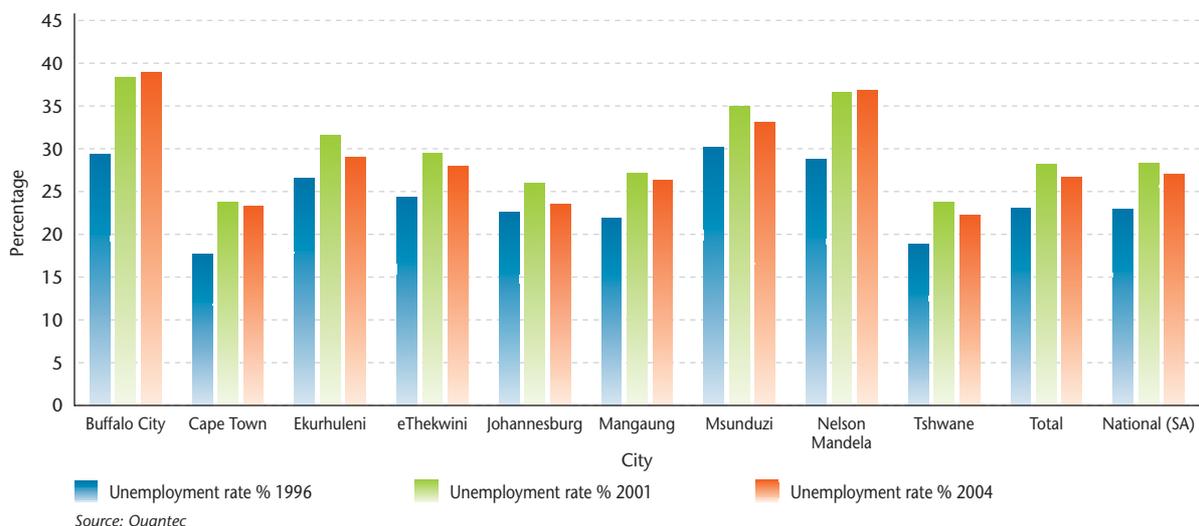
	Unemployed 1996	Unemployed 2001	Unemployed 2004	Unemploy- ment rate % 1996	Unemploy- ment rate % 2001	Unemploy- ment rate % 2004	Unemployment growth rate 2001/4
Buffalo City	67 714	98 893	105 555	29,39	38,44	39,08	(2,20)
Cape Town	184 745	270 169	275 730	17,76	23,89	23,40	(0,68)
Ekurhuleni	243 707	332 933	318 602	26,64	31,65	29,14	(1,46)
eThekweni	273 095	368 815	366 527	24,40	29,61	28,09	(0,21)
Johannesburg	292 478	389 414	366 371	22,70	26,07	23,56	(2,01)
Mangaung	47 669	64 425	64 902	21,98	27,27	26,42	0,25
Msunduzi	57 602	73 481	70 930	30,22	35,10	33,12	(1,17)
Nelson Mandela	94 695	133 308	140 415	28,93	36,72	36,87	1,75
Tshwane	148 331	202 899	198 982	18,97	23,88	22,32	(0,65)
TOTAL 9 CITIES	1 410 036	1 934 337	1 908 014	23,17	28,29	26,75	(0,46)
National	3 162 821	4 307 211	4 284 036	23,08	28,46	27,13	(0,18)
Share of national	45	45	45				

Figure 3-14: Metric tons of cargo handled by port



experienced absolute declines in unemployment, while others have seen increasing numbers of unemployed. Unemployment rates in all cities remain high, but overall are marginally lower than national figures. Using 2005 LFS data, some 25,39% of economically active people were unemployed in the nine cities in total, compared to 26,7% nationally. Quantec data shows similar relationships, as indicated in table 3-5.

Figure 3-15: Quantec unemployment rate



Although the cities have marginally less unemployment than the nation as a whole, almost half of the unemployed live in the nine SACN cities. In 2005, some 46,5% of national unemployment was concentrated in cities. The equivalent figure on Quantec data for 2004 was 44,5%, similar to 1996 and 2001. In the 2005 LFS and 2004 Quantec data, unemployment rates were lowest in Tshwane, Cape Town and Johannesburg, and highest in Buffalo City and Nelson Mandela Metro, where they were well above national figures.

Around half of the country's employment is concentrated in the nine cities. On LFS 2005 data, the cities provided 50,04% of national employment. On Quantec data for 2004 the equivalent figure was 45,41%, similar to figures for 2001 and 1996 (see table 3-6). Johannesburg provided the largest share of national employment at 10,32% in 2004 (Quantec) and 11,79% in 2005 (LFS), while the Gauteng metros accounted for 23,05% in 2004 (Quantec) (see figure 3-16) and 24,9% in 2005 (LFS). Relative shares were similar in previous years.

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Table 3-6: Changing employment levels (1996-2004) (Quantec)

	1996	2001	2004	96-01 growth	01-04 growth	% national 1996	% national 2001	% national 2004
TOTAL EMPLOYMENT								
Buffalo City	162 666	158 374	164 557	(0,53)	1,28	1,54	1,46	1,43
City of Cape Town	855 518	860 564	902 706	0,12	1,61	8,12	7,95	7,84
Ekurhuleni Metropolitan Municipality	671 098	718 884	774 773	1,39	2,53	6,37	6,64	6,73
eThekweni Municipality	846 065	876 891	938 482	0,72	2,29	8,03	8,10	8,15
Johannesburg Metropolitan Municipality	996 154	1 104 295	1 188 388	2,08	2,48	9,45	10,20	10,33
Mangaung	169 231	171 866	180 759	0,31	1,70	1,61	1,59	1,57
Msunduzi	133 021	135 873	143 223	0,43	1,77	1,26	1,26	1,24
Nelson Mandela City of Tshwane Metropolitan Municipality	232 639	229 699	240 442	(0,25)	1,54	2,21	2,12	2,09
TOTAL 9 CITIES	4 676 781	4 903 105	5 225 768	0,95	2,15	44,37	45,29	45,41
National	10 540 899	10 825 650	11 508 464	0,53	2,06			
FORMAL EMPLOYMENT								
Buffalo City	138 286	126 429	124 690	(1,78)	(0,46)	1,66	1,56	1,50
City of Cape Town	737 166	703 447	715 505	(0,93)	0,57	8,86	8,70	8,60
eThekweni Municipality	637 720	621 971	643 245	(0,50)	1,13	7,67	7,69	7,74
Ekurhuleni Metropolitan Municipality	517 088	527 832	562 079	0,41	2,12	6,22	6,53	6,76
Johannesburg Metropolitan Municipality	771 631	835 302	891 642	1,60	2,20	9,28	10,33	10,72
Mangaung	134 342	129 561	130 931	(0,72)	0,35	1,61	1,60	1,57
Msunduzi	97 151	94 820	96 890	(0,48)	0,72	1,17	1,17	1,17
Mangaung	134 342	129 561	130 931	(0,72)	0,35	1,61	1,60	1,57
Msunduzi	97 151	94 820	96 890	(0,48)	0,72	1,17	1,17	1,17
Nelson Mandela City of Tshwane Metropolitan Municipality	203 332	190 249	190 999	(1,32)	0,13	2,44	2,35	2,30
TOTAL 9 CITIES	3 721 062	3 723 747	3 877 091	0,01	1,35	44,73	46,05	46,62
National	8 319 461	8 085 555	8 315 612	(0,57)	0,94			
INFORMAL EMPLOYMENT								
Buffalo City	24 381	31 946	39 867	5,55	7,66	1,10	1,17	1,25
City of Cape Town	118 352	157 117	187 201	5,83	6,01	5,33	5,73	5,86
Ekurhuleni Metropolitan Municipality	154 011	191 051	212 695	4,40	3,64	6,93	6,97	6,66
eThekweni Municipality	208 344	254 920	295 237	4,12	5,02	9,38	9,30	9,25
Johannesburg Metropolitan Municipality	224 523	268 994	296 746	3,68	3,33	10,11	9,82	9,29
Mangaung	34 889	42 304	49 828	3,93	5,61	1,57	1,54	1,56
Msunduzi	35 869	41 053	46 333	2,74	4,12	1,61	1,50	1,45
Nelson Mandela City of Tshwane Metropolitan Municipality	29 308	39 450	49 442	6,12	7,82	1,32	1,44	1,55
TOTAL 9 CITIES	955 719	1 179 358	1 348 676	4,29	4,57	43,02	43,04	42,24
National	2 221 438	2 740 095	3 192 853	3,11	5,23			



Figure 3-16: Percentage of national employment

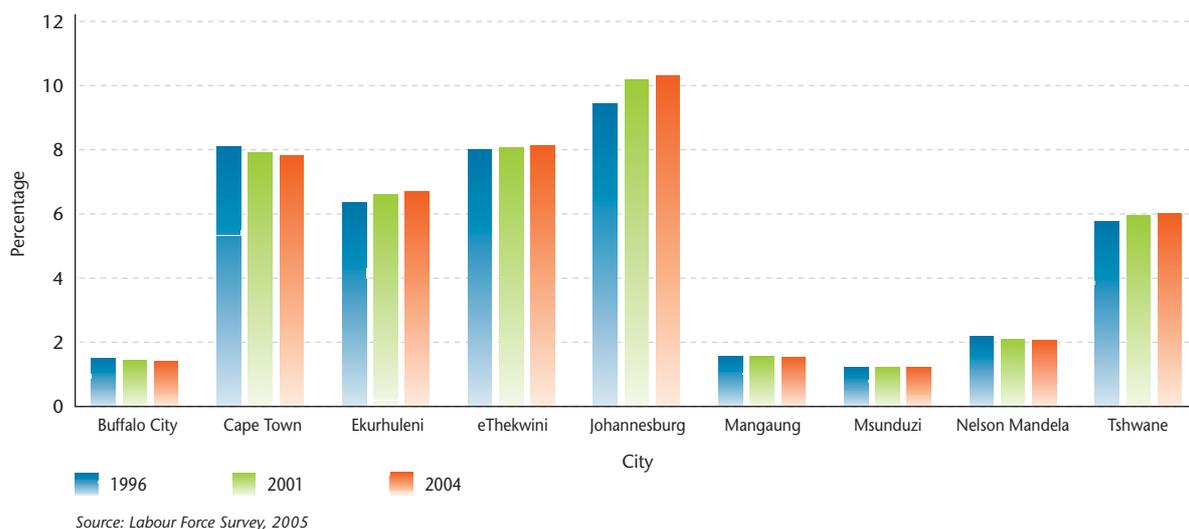
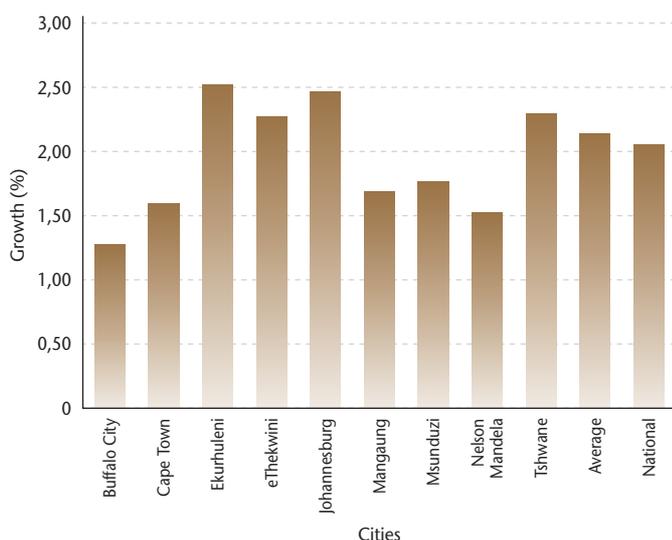


Figure 3-17: Quantec annual average growth in employment 2001-2004



Compared to the 1990s when employment growth was slow, growth rates have picked up since 2001, mirroring national trends. On Quantec data, employment grew by 2,15% per year between 2001 and 2004, compared to 0,95% per year in the 1996-2001 period (see figure 3-17 and table 3-6). Overall employment growth in the nine cities was slightly faster than national employment growth. Although economic growth is

being accompanied by increases in employment in the cities, employment increases are still less than economic growth rates. Employment growth rates of the nine cities at 1,39% per year between 1996 and 2004 were lower than population growth rates at 1,92% over the 1996-2005 period. The period since 2001 might have seen a shift in these trends with more rapid growth in employment and a slowing of population growth. Growth of employment over the 2001-2004 period was fastest in Gauteng (with rates of 2,52% in Ekurhuleni, 2,47% in Johannesburg, and 2,3% in Tshwane), and in eThekweni, with rates of 2,28% per year. All nine cities experienced employment growth rates which were faster than in the 1996-2001 period, and all were over 1,5% per year. Buffalo City and Nelson Mandela Metro reversed previous trends towards employment decline (see figure 3-18).

Figures for employment include informal employment. On Quantec data, employment growth in the formal sector was much slower than overall employment growth, with growth rates of 1,35% per year in all nine cities between 2001 and 2004, but still faster than the 0,01% annual

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continued

growth in the 1996-2001 period (see figure 3-19). Only Johannesburg and Ekurhuleni experienced formal employment growth rates of over 2% per year between 2001 and 2004, while Buffalo City declined slightly. Between 1996 and 2004, only Tshwane, Ekurhuleni and Johannesburg experienced growth in formal employment, with all other cities declining. The employment challenge remains significant for cities. The trend towards a growing informal economy, prevalent in much of Africa, is conspicuous (see figure 3-20).

Figure 3-21, drawn from Erasmus and Tomlinson (2005) using Quantec data, shows that remuneration levels outstripped formal employment growth, underpinning increasing levels of inequality. Growth in levels of remuneration has been faster among skilled (clerks, service workers, craft workers) and highly skilled (managers, professionals) occupations in almost all cities other than Buffalo City (see figure 3-22).

Figure 3-18: Changing total employment levels (1996-2004)

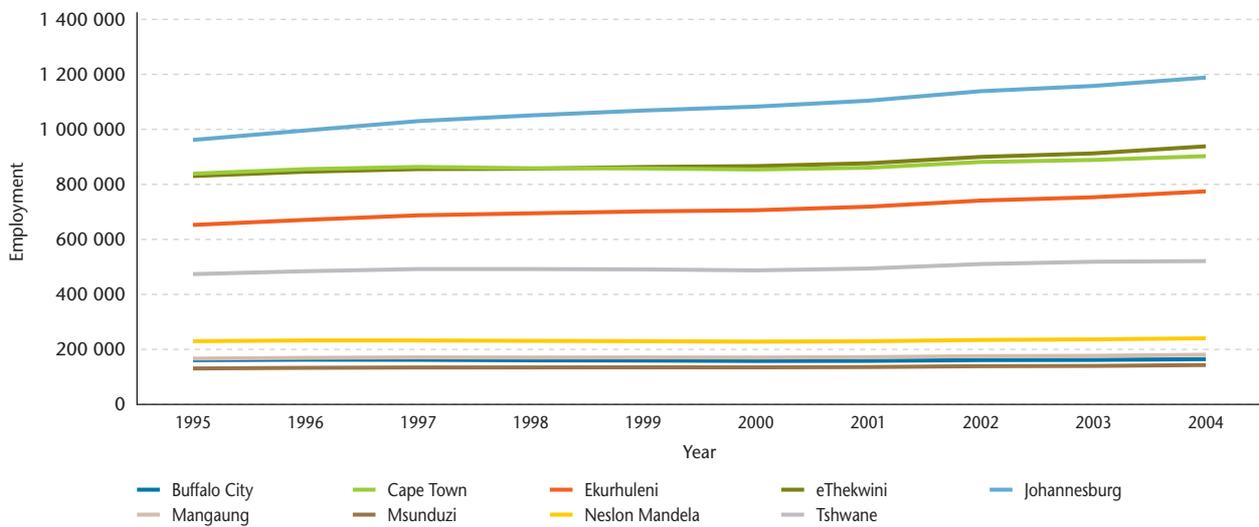


Figure 3-19: Changing formal employment levels (1996-2004)

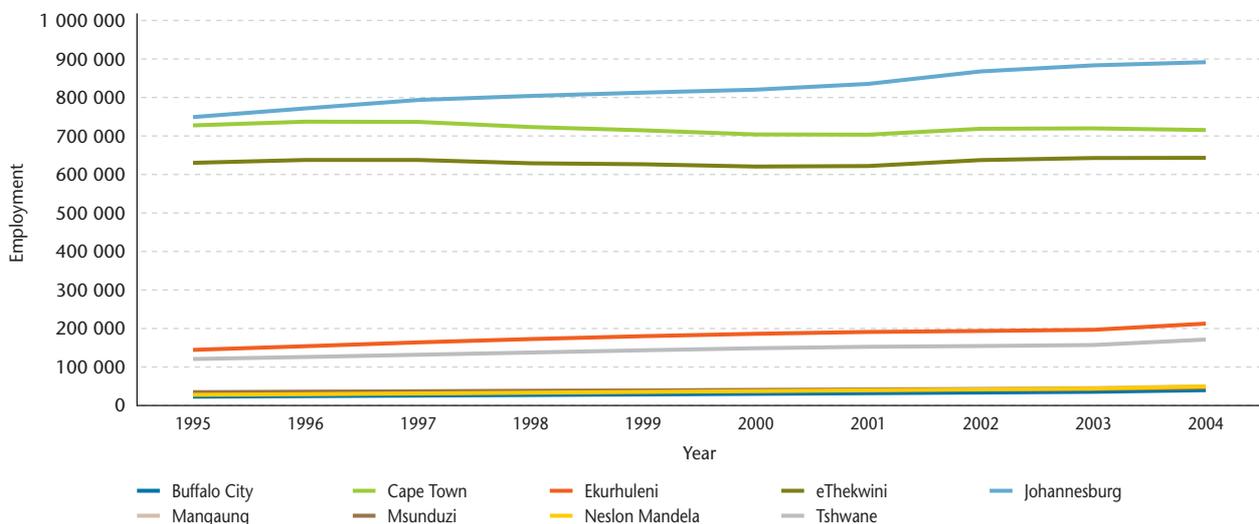
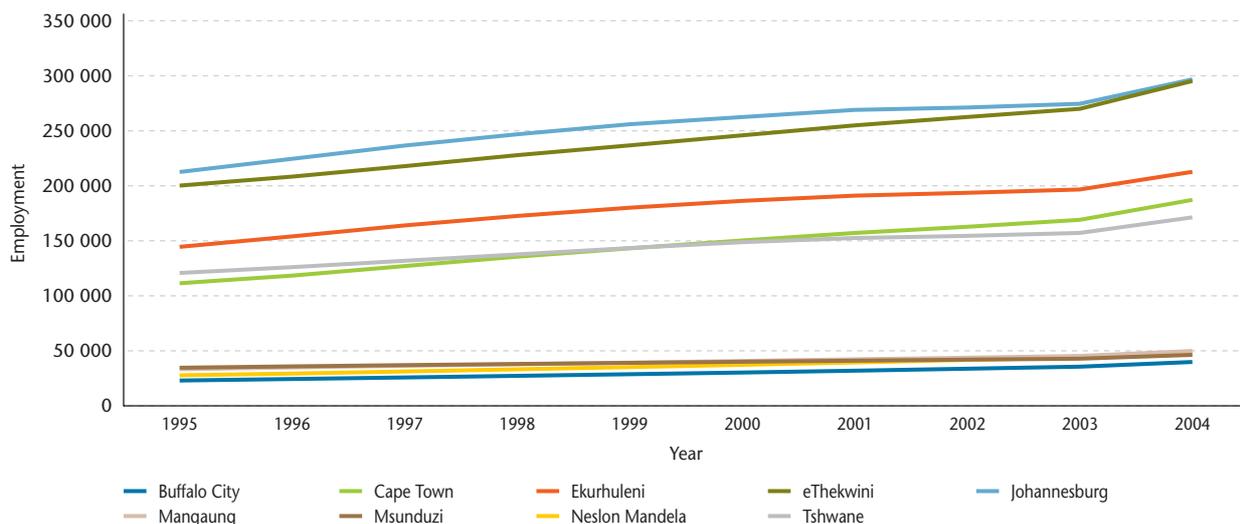


Figure 3-20: Changing informal employment levels (1996-2004)



Employment for skilled and semi-skilled formal occupations has also grown more rapidly than employment for unskilled occupations in most cities, and in several cities, levels of unskilled work has declined since 1995 (see figure 3-23). The pattern in Johannesburg, and to some extent, Tshwane, is different. Here formal unskilled occupations have also increased at rates similar to more skilled occupations.

manufacturing as the most important source of employment. Manufacturing has grown in relative importance in Nelson Mandela Bay, Msunduzi and Ekurhuleni, but it is only in Nelson Mandela Bay where the increased share of manufacturing is less than that of commerce.

Table 3-7 drawn from Erasmus and Tomlinson (2005) shows the population in the nine cities by levels of education in 2004. It highlights the predominantly low levels of education in the cities, with 17,9% having no schooling, only 40% having more than a Grade 9 education, and only 7% with qualifications higher than matric or Grade 12. Tshwane at 30% and Johannesburg at 27% had the largest proportion of residents with Grade 12 and higher levels of education. Less than 22% of residents of the smaller cities had matrics¹⁹.

Figure 3-24 shows the composition of employment by sector, and changes between 2001 and 2005. Patterns are similar to those for GVA, but finance is less important and commerce and services are more significant in most cities. Commerce has become more important in terms of employment in all cities, reflecting the impact of the consumer boom. In the case of eThekweni, LFS 2005 figures suggest that it has outstripped

URBAN TRENDS AND PERFORMANCE

continued



Figure 3-21: Growth in employment (place of work) and remuneration (Rand, current prices), 1995 to 2004 (Erasmus based on Quantec)

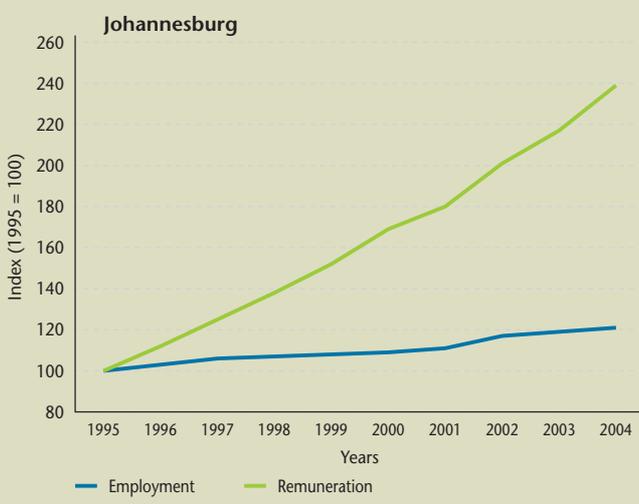
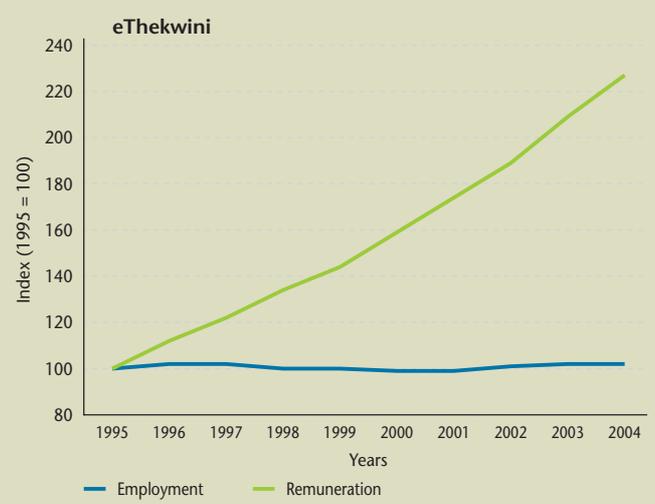
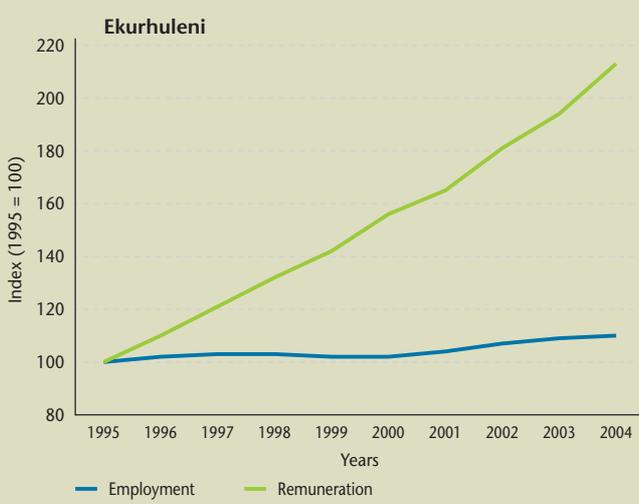
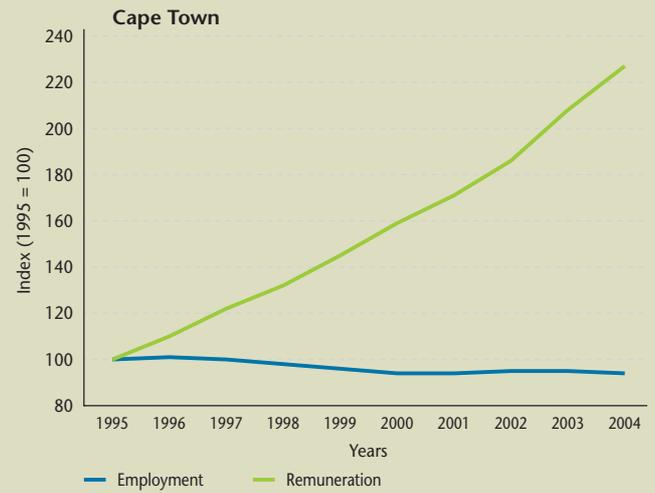
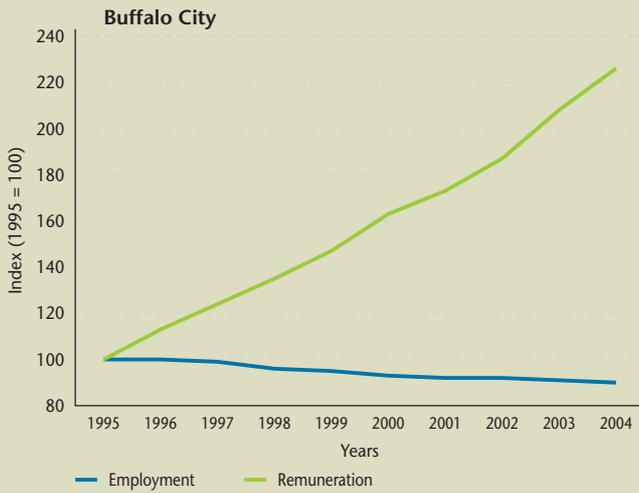
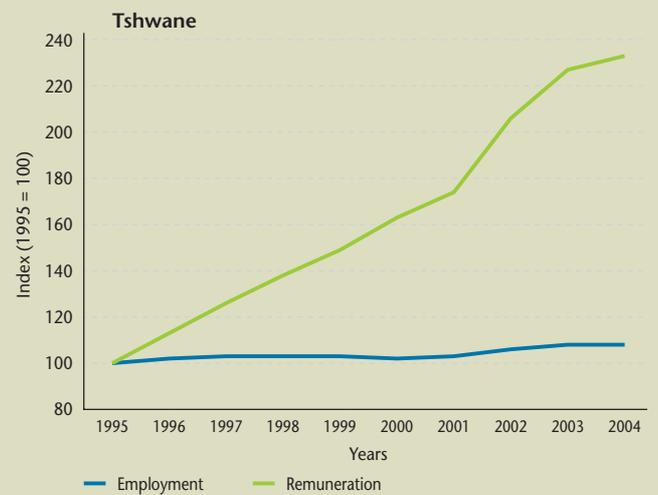
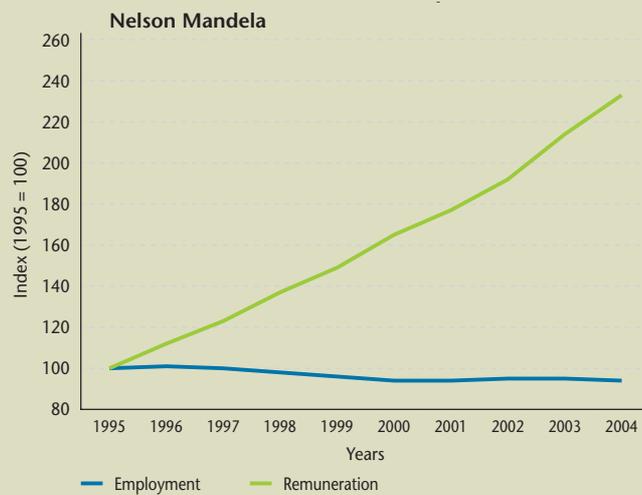




Figure 3-21: Growth in employment (place of work) and remuneration (Rand, current prices), 1995 to 2004 (Erasmus based on Quantec) (continued)



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continued

Figure 3-22: Growth in remuneration (Rand, current prices), according to skills level, 1995 to 2004 (Erasmus 2005 based on Quantec)

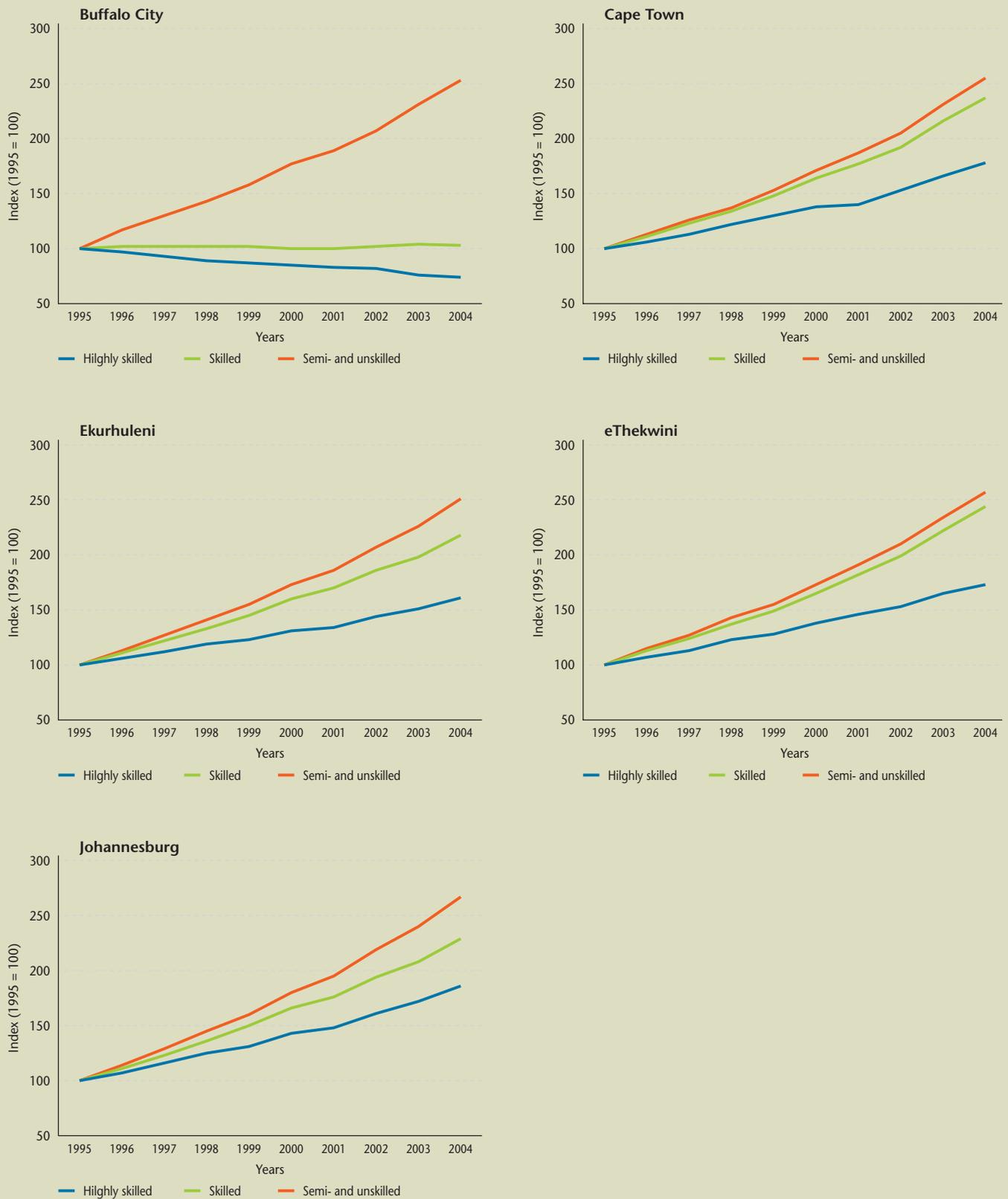
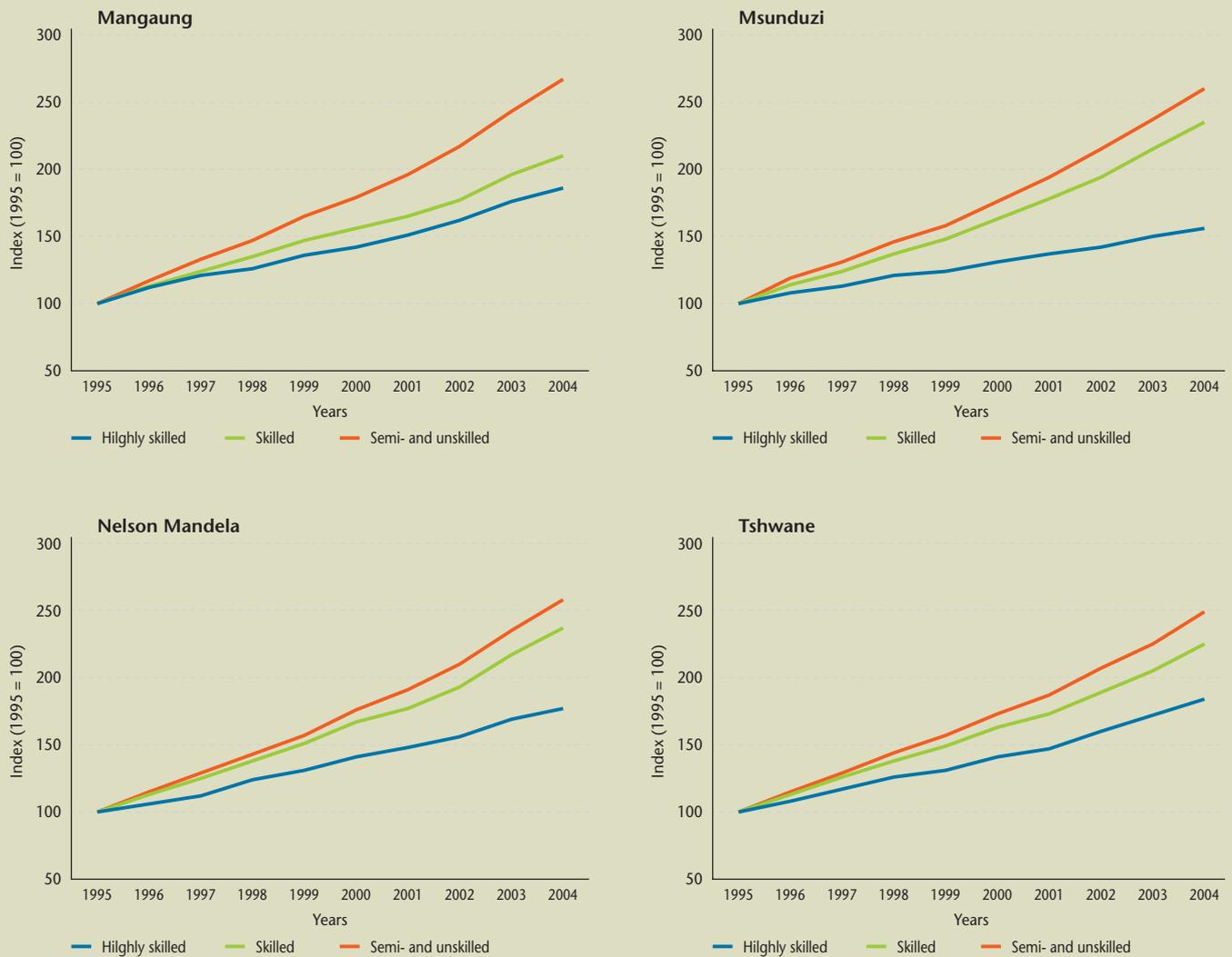


Figure 3-22: Growth in remuneration (Rand, current prices), according to skills level, 1995 to 2004 (Erasmus 2005 based on Quantec) (continued)



URBAN TRENDS AND PERFORMANCE

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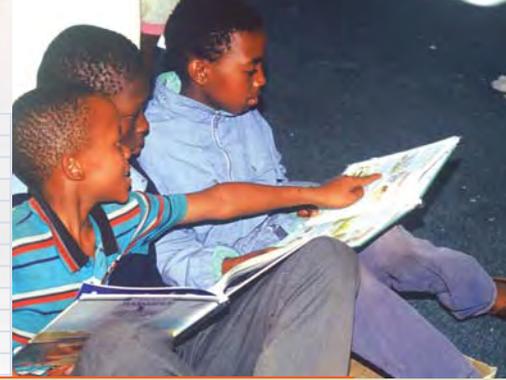


Figure 3-23: Growth in skills levels (employed by place of work), 1995 to 2004 (Erasmus based on Quantec)

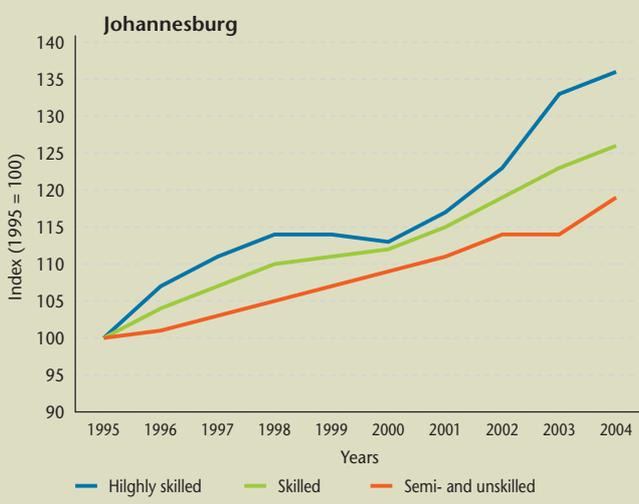
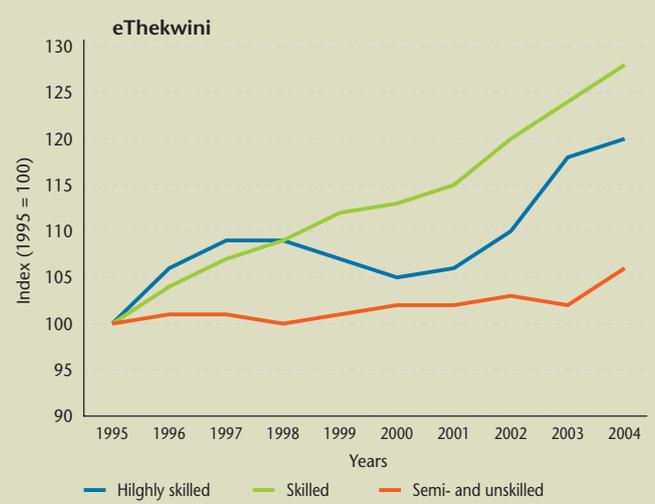
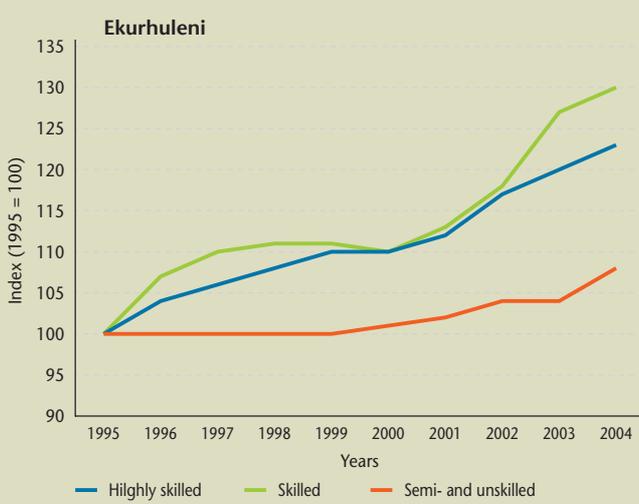
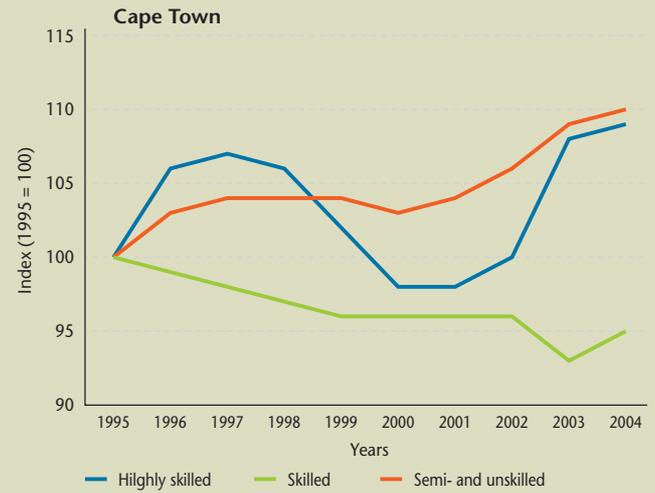
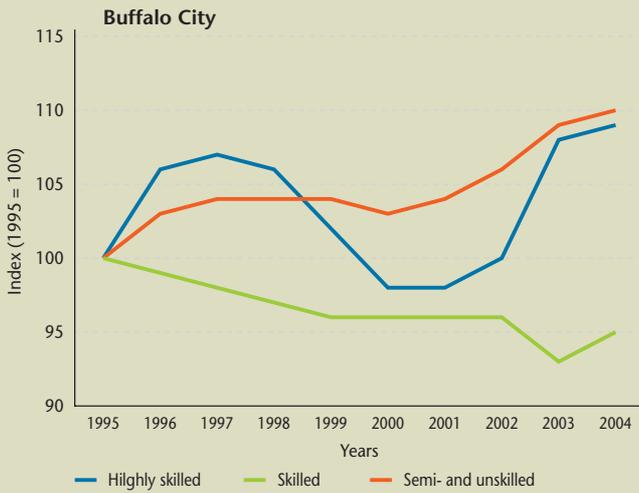
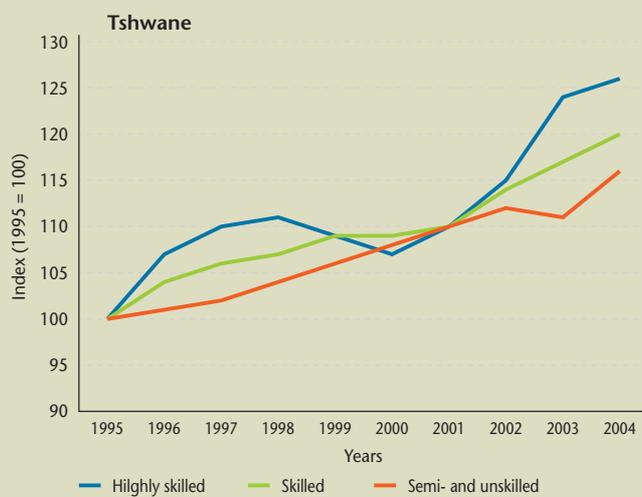
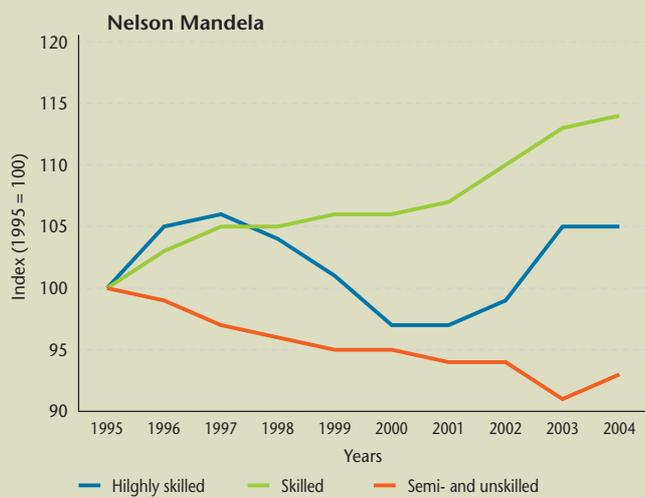
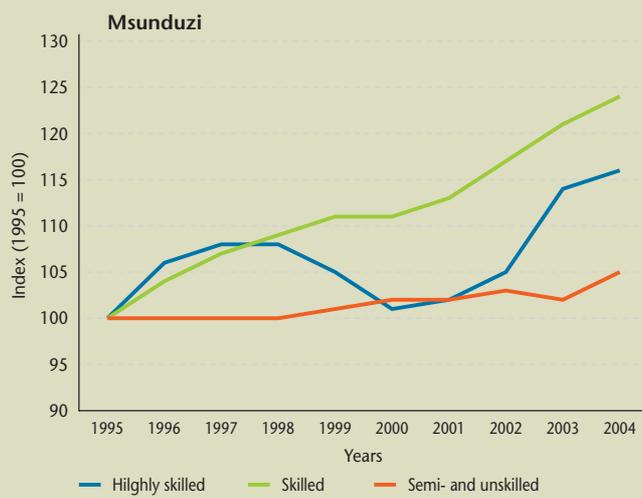
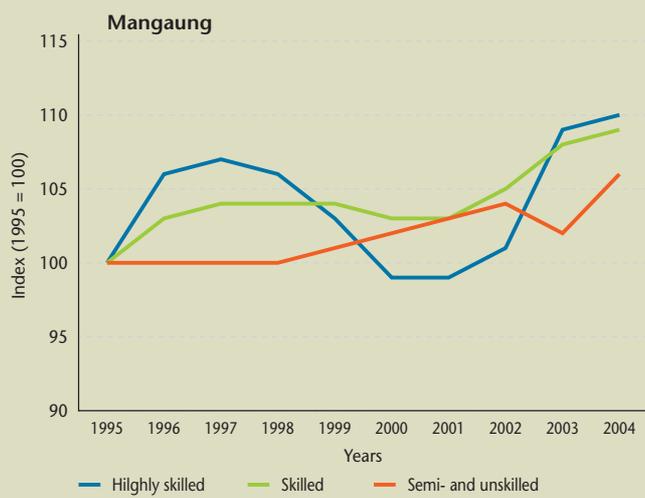




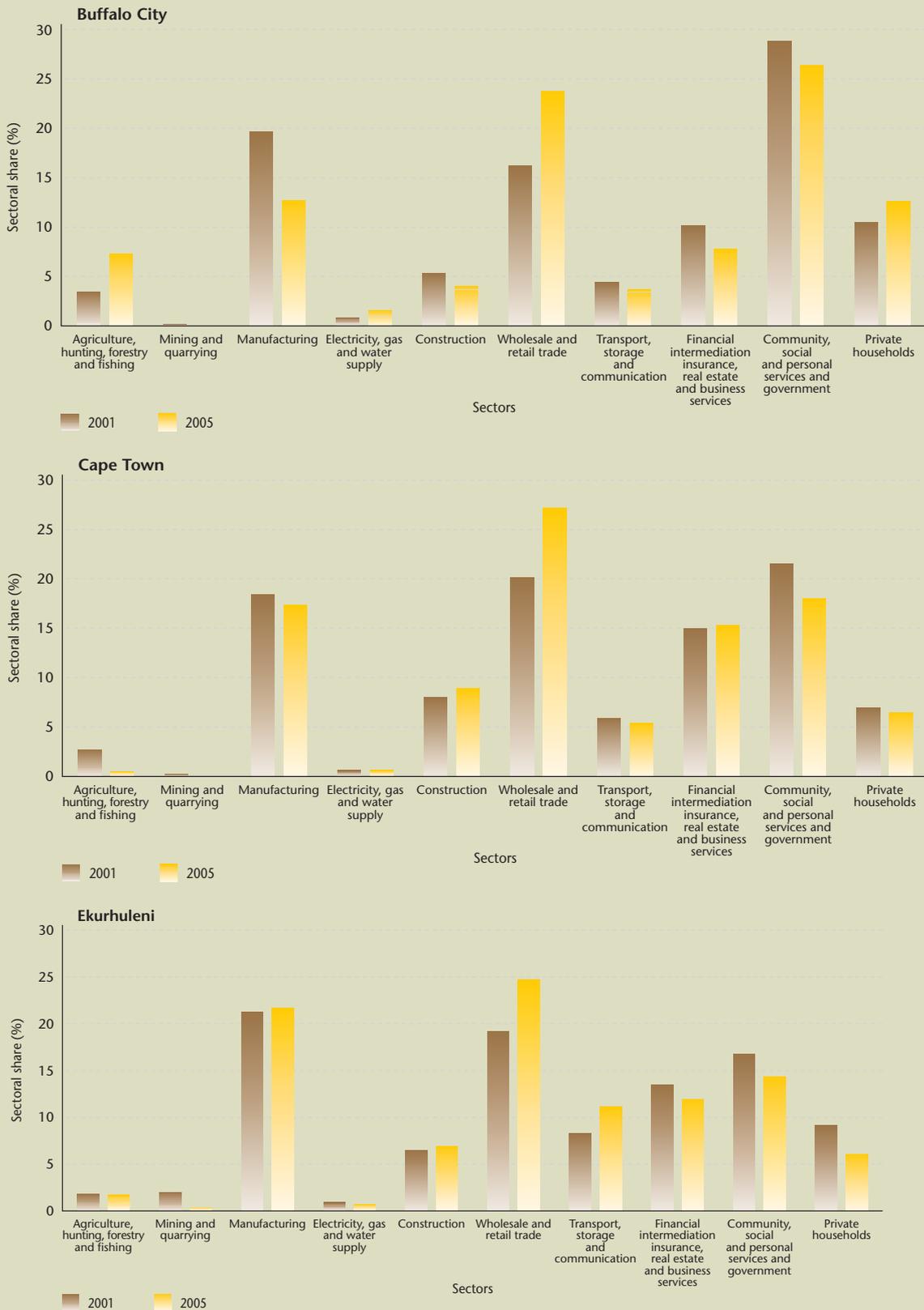
Figure 3-23: Growth in skills levels (employed by place of work), 1995 to 2004 (Erasmus based on Quantec) (continued)

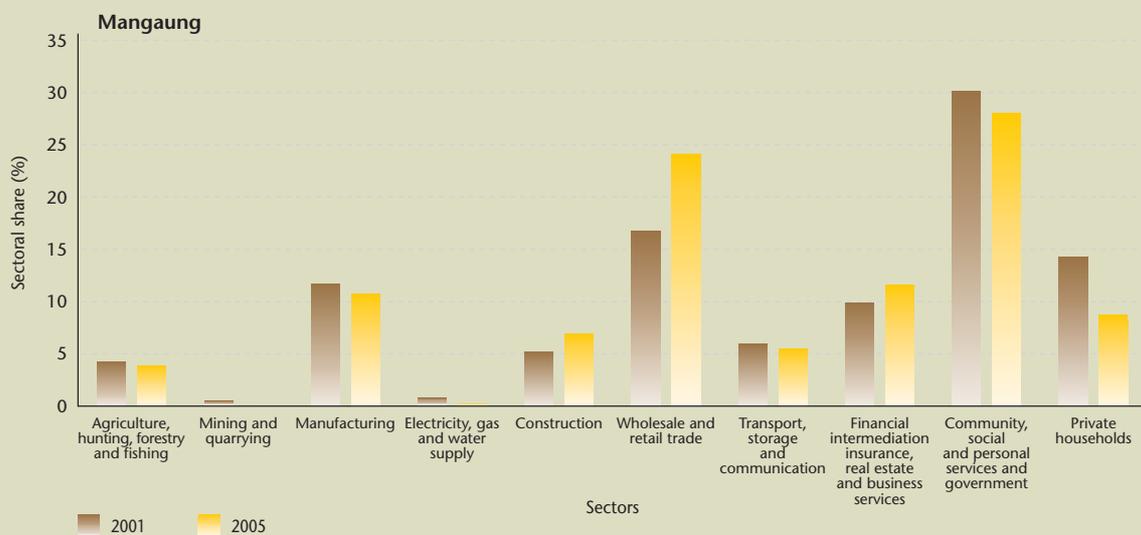
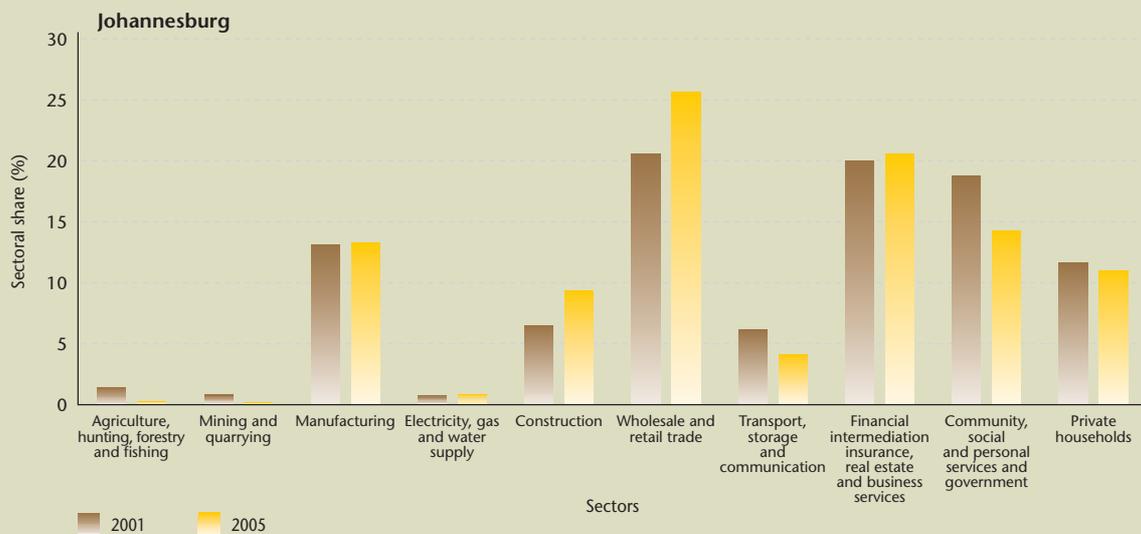
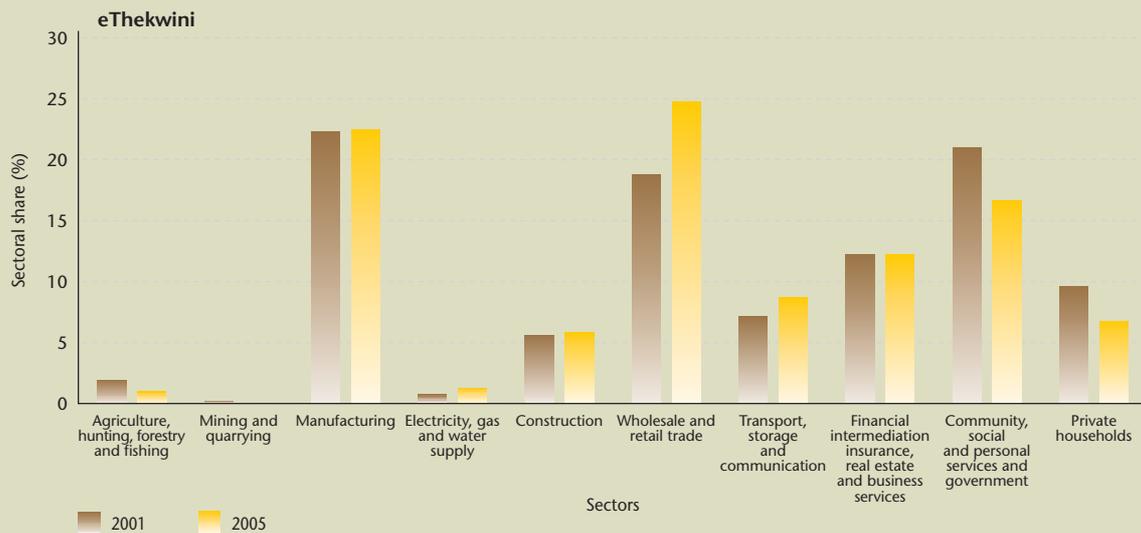


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Figure 3-24: Composition of employment by sector





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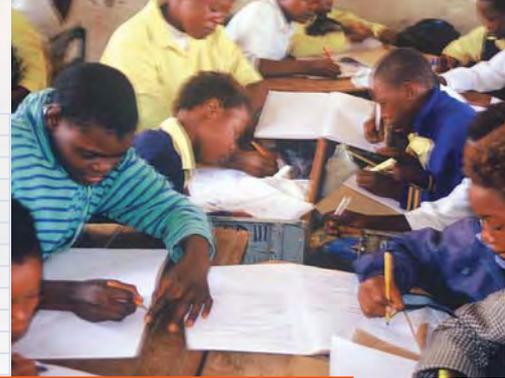
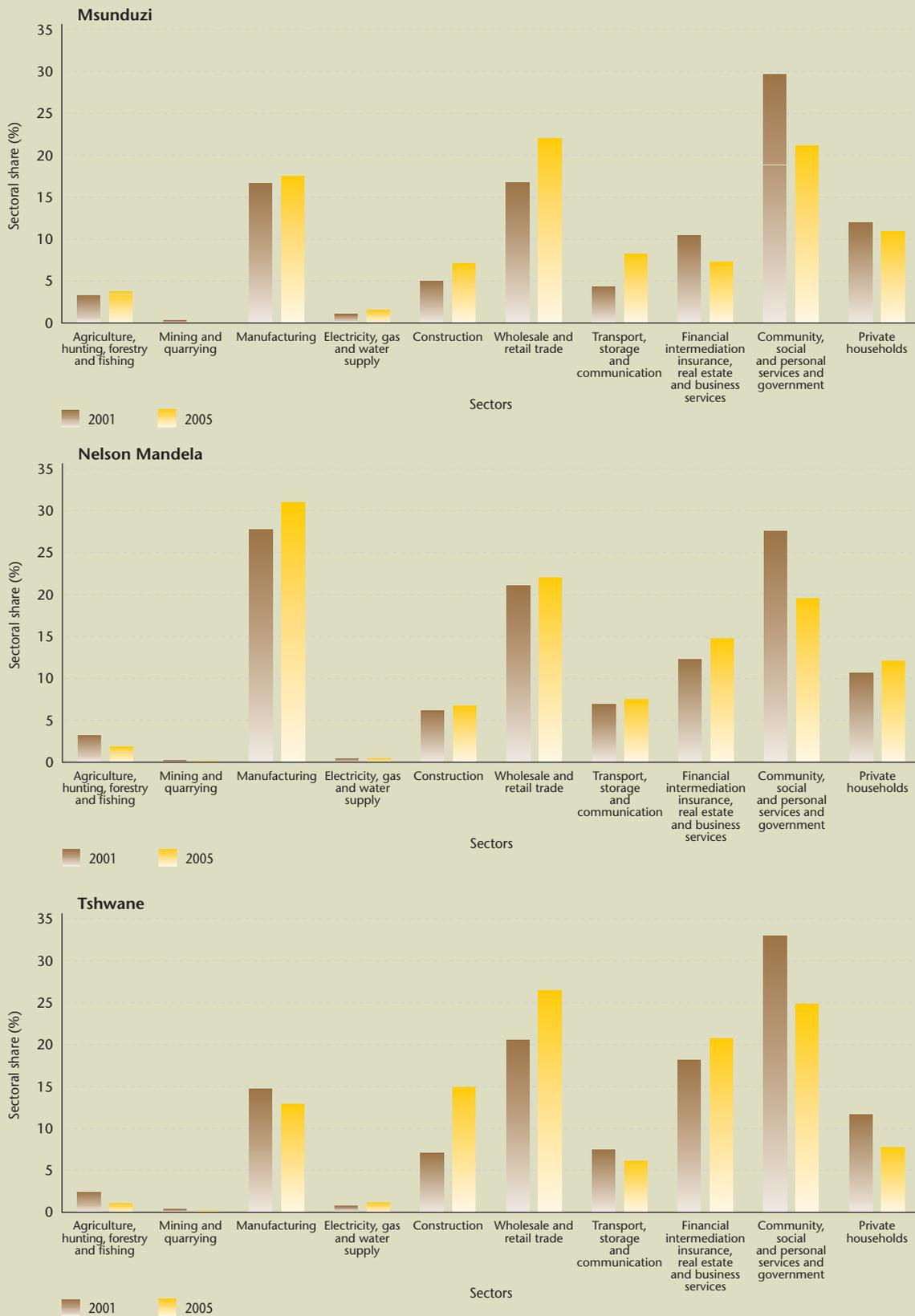


Figure 3-24: Composition of employment by sector



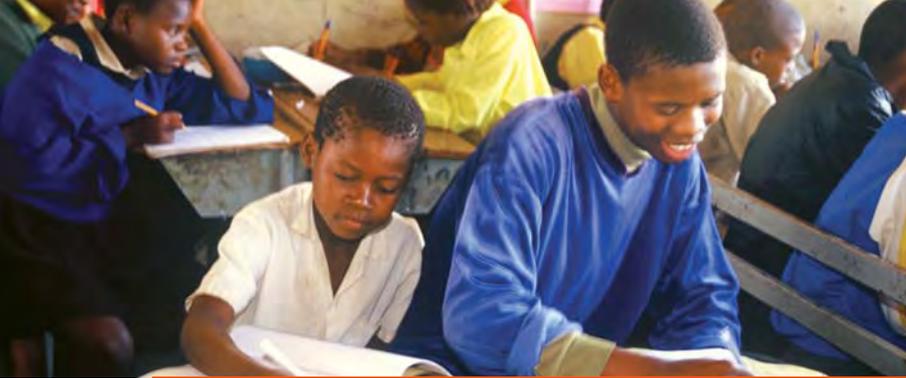


Table 3-7: Total population by highest level of education, 2004

City	No schooling	GET				FET			HET		Other		Total
		ABET 1	ABET 2	ABET 3	ABET 4	Grd 10/ NTCI	Grd 11/ NTCII	Grd 12/ NTCIII	Cert/Dip with matric	Degree	Post graduate	Cert/Dip without matric	
Buffalo City %	16,2	11,0	8,1	12,2	15,1	8,9	6,3	15,4	4,5	1,2	0,5	0,5	100,0
Cape Town %	15,5	8,9	7,9	11,8	16,1	9,9	5,0	16,6	4,4	2,0	1,3	0,5	100,0
Ekurhuleni %	20,5	9,5	8,0	10,5	12,6	9,0	6,2	16,9	4,2	1,3	0,6	0,6	100,0
eThekweni %	18,4	9,9	8,1	10,3	13,1	8,6	6,7	18,3	4,0	1,4	0,7	0,5	100,0
Johannesburg %	18,3	8,2	7,2	10,0	13,0	8,8	6,5	18,6	4,9	2,4	1,6	0,5	100,0
Mangaung %	18,7	11,9	10,1	12,9	13,3	7,2	5,4	14,5	3,6	1,4	0,7	0,3	100,0
Msunduzi %	18,6	11,2	8,8	11,1	13,6	8,4	6,6	16,0	3,5	1,3	0,7	0,4	100,0
Nelson Mandela%	14,5	9,6	7,8	12,0	15,6	10,5	6,4	17,5	3,7	1,3	0,6	0,4	100,0
Tshwane %	18,5	9,2	7,6	9,6	11,5	7,8	5,1	19,6	5,8	2,9	1,8	0,5	100,0
Average: 9 cities	17,9	9,4	7,9	10,8	13,6	8,9	6,0	17,6	4,4	1,9	1,1	0,5	100,0
Total						59,6		32,5			7,4	0,5	100,0

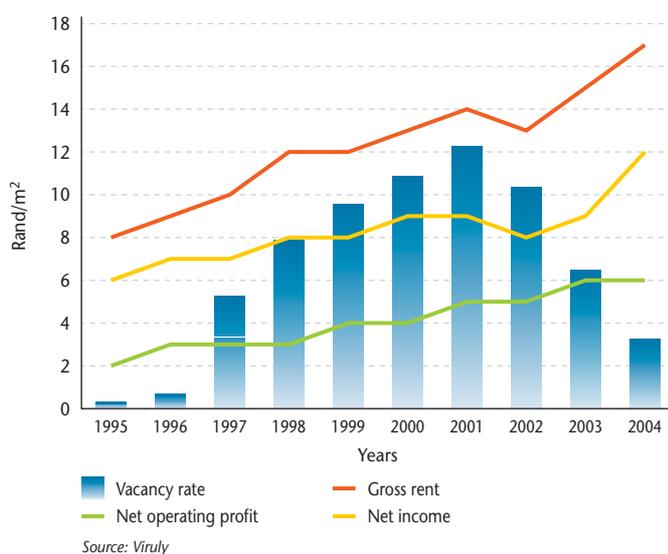
Source: Quantec

Table 3-8: Total returns on property (national)

	2001	2002	2003	2004
Retail	13,2	11,0	17,3	26,1
Offices	7,8	5,0	8,9	16,7
Industrial	7,5	8,8	17,7	24,4
Other	9,6	22,0	24,0	27,5
All Property	10,5	9,6	15,3	23,4

Source: Sapix/IPD

Figure 3-25: Slowdown in industrial vacancies



Property

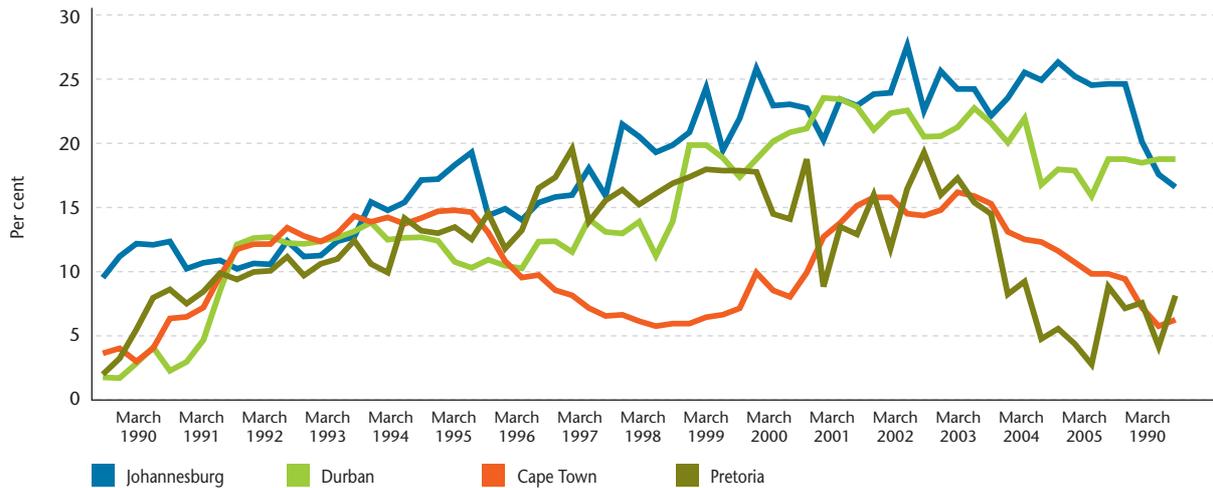
The period since the last State of Cities Report has seen strong growth in the property market. Table 3-8 shows sharp increases in returns on property in 2004. Retail property has seen particularly strong growth, following the consumer boom. Investors have been exploring areas such as township shopping centres, retail facilities in newly developing residential areas, out-of-town shopping centres, and redeveloping well-positioned retail premises in densifying areas. Industrial property has also seen increasing returns, as manufacturing growth has led to a growing uptake of industrial property and declining vacancies (see figure 3-25).

After a period of rapid growth, the office property market is shifting back to an equilibrium scenario²⁰. This is the result of higher take-up rates and the stabilisation of supply. The banking sector is also taking a more cautious view of new developments, which should play a role in ensuring that the sector remains in equilibrium. This is also due to a rise in building costs, which is eroding developer profits and slowing the pace of new developments.

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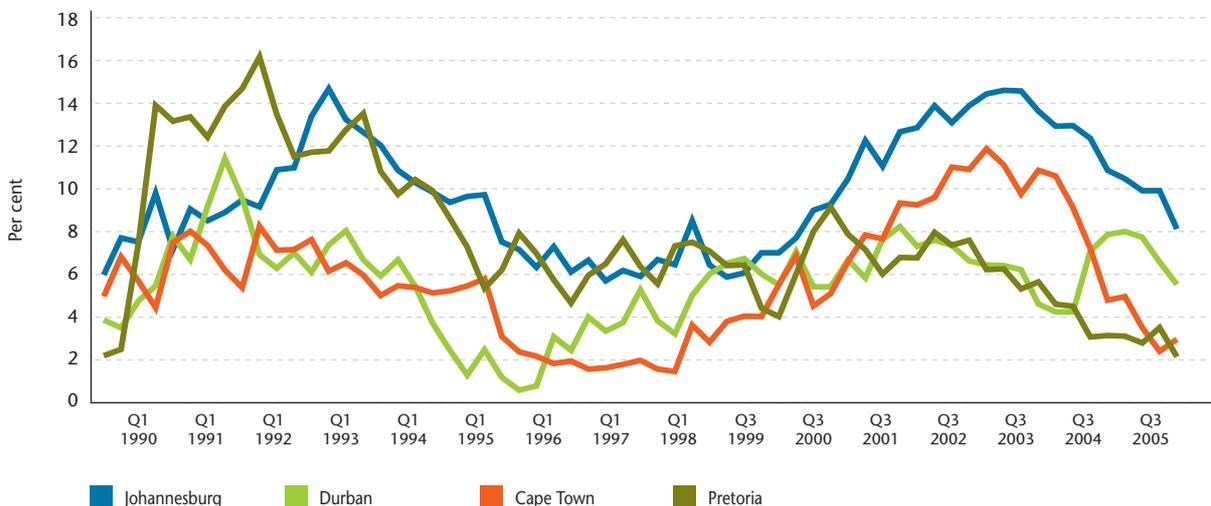
Figure 3-26: Inner city offices – vacancy rate



Vacancy rates for all A-grade²¹ office properties have declined, to their lowest levels in five years. Although A-grade property in inner cities is experiencing declining vacancy rates, these vacancy rates are still higher than in decentralised areas. Cape Town has seen a particularly sharp decline in inner city A-grade²² office vacancies, reflecting regeneration efforts in the core. Vacancy rates in B-grade offices are far higher than in A-grade buildings in all cities, but in all cities other than Johannesburg, vacancies in B-grade offices have been declining as well (see figure 3-26).

Information on office rentals (cost per metre² of space) shows that office rentals in inner cities have increased since 2002, with the exception of Johannesburg, but patterns are more mixed in decentralised areas. Inner city rentals are nevertheless lower than in decentralised areas, and in some cities, A-grade inner city rentals are lower than B-grade rents in decentralised areas (see figure 3-27).

Figure 3-27: Decentralised offices – vacancy rate



The property boom can also be seen from the rising value of building plans passed since 2002 (see figures 3-28, 3-29, 3-30). These figures should be interpreted cautiously as investment in construction is notoriously lumpy, and construction can lag far behind planning permission. Growth in building plans passed has been greatest in Johannesburg and Cape Town, and to a lesser extent in Tshwane and eThekweni. The residential sector accounts for a substantial part of the growth in building plans passed, particularly in Johannesburg and Cape Town. Patterns are slightly different for commercial and industrial building plans

passed. Most cities have experienced growth in commercial building plans passed. There are sharp increases in industrial buildings plans passed in Ekurhuleni and Tshwane.

Significant investment has gone into the residential property market, and the average house price has increased substantially in all cities where data is available. Average nominal property prices increased between 2002 and 2005 by 82%

Figure 3-28: Value of building plans passed

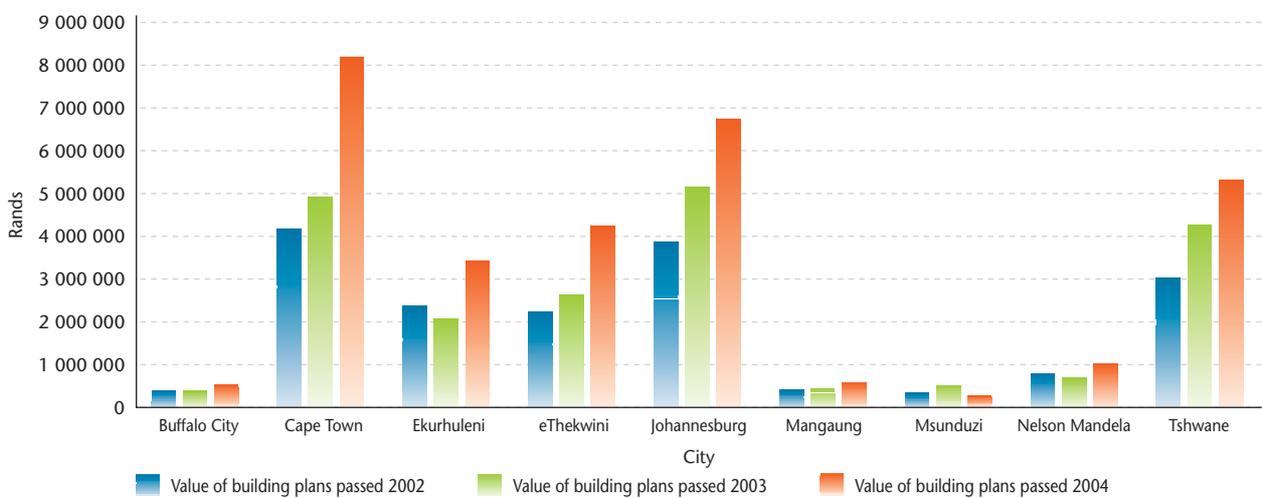
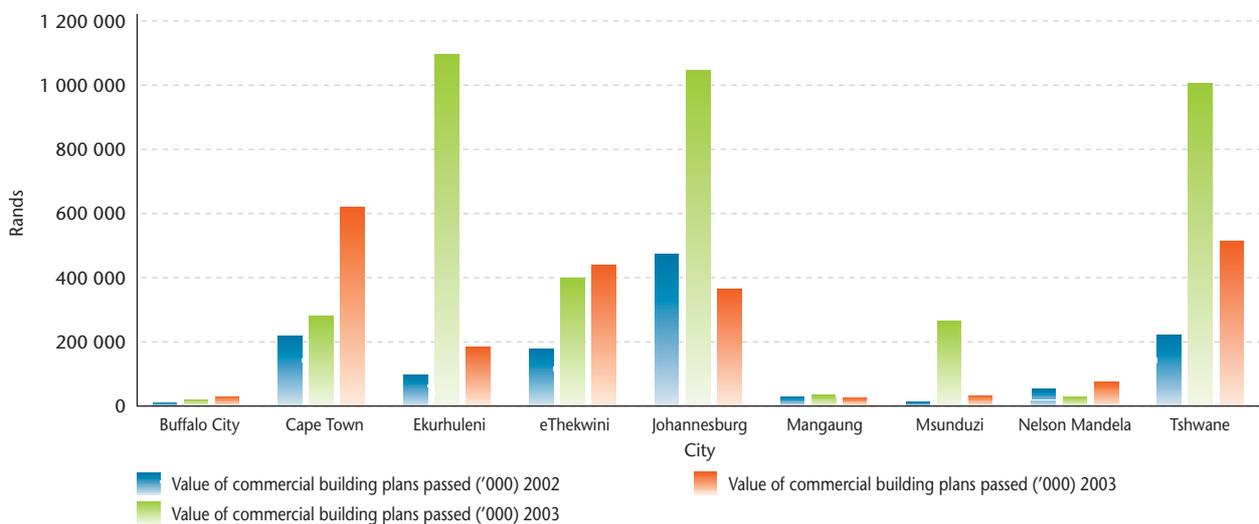


Figure 3-29: Value of commercial building plans passed



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continued



Figure 3-30: Value of industrial building plans passed

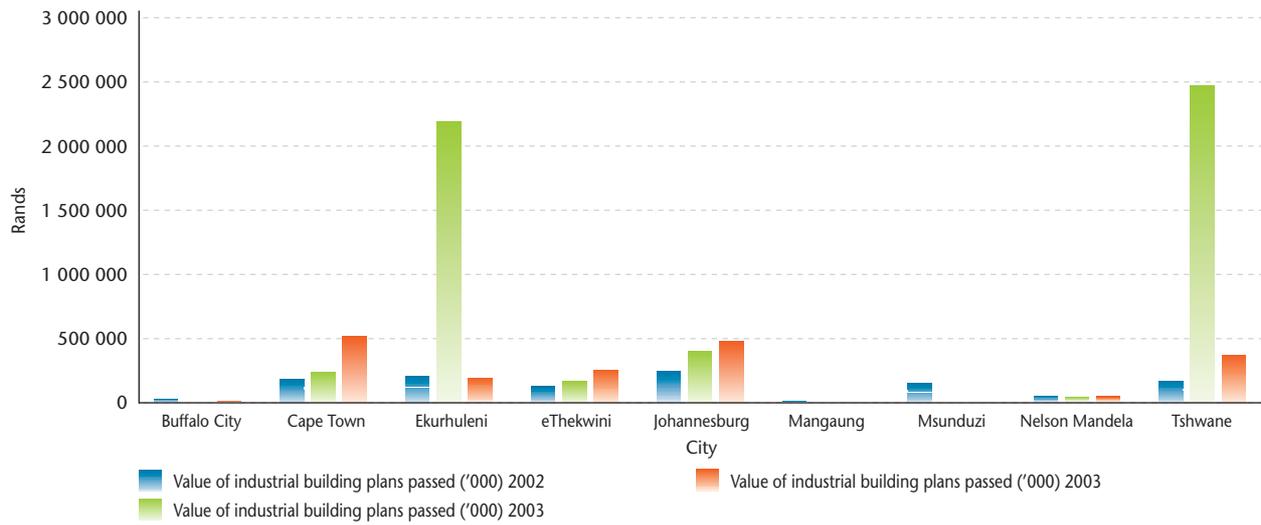
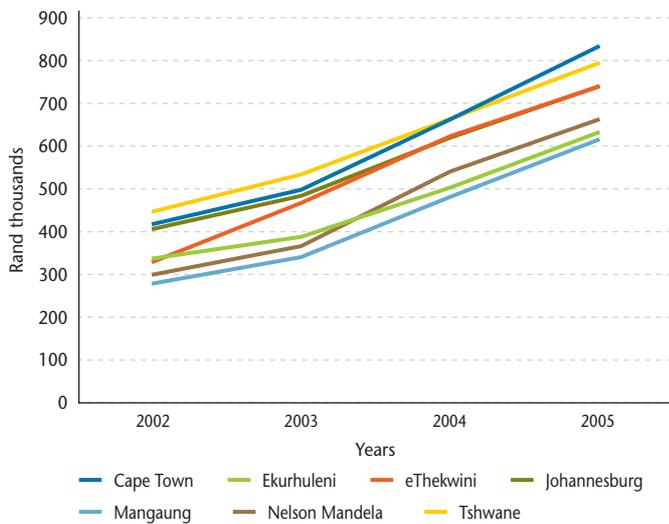


Figure 3-31: Average nominal house prices, 2002-2005



to 125%, with greater increases in cities outside of Gauteng and Cape Town. Prices were nevertheless still highest in Cape Town and Tshwane in 2005 (see figure 3-31).

The value of building plans passed is as much a reflection of economic growth as an indicator of private sector confidence in the future of the municipality, and could also be interpreted as an indication of good governance.

The property boom is reflected in increasing property tax revenues for municipalities. Property tax revenues per capita have increased in all cities from 2001/2 to 2004/5 (see figure 3-32). GVA and employment in construction have also risen. But rising construction costs, shown in figure 3-33, property prices and rentals impose greater costs on residents and business. Viruly²³ reports a major residential stock shortage for housing worth less than R400 000.



Figure 3-32: Total property tax revenue per capita

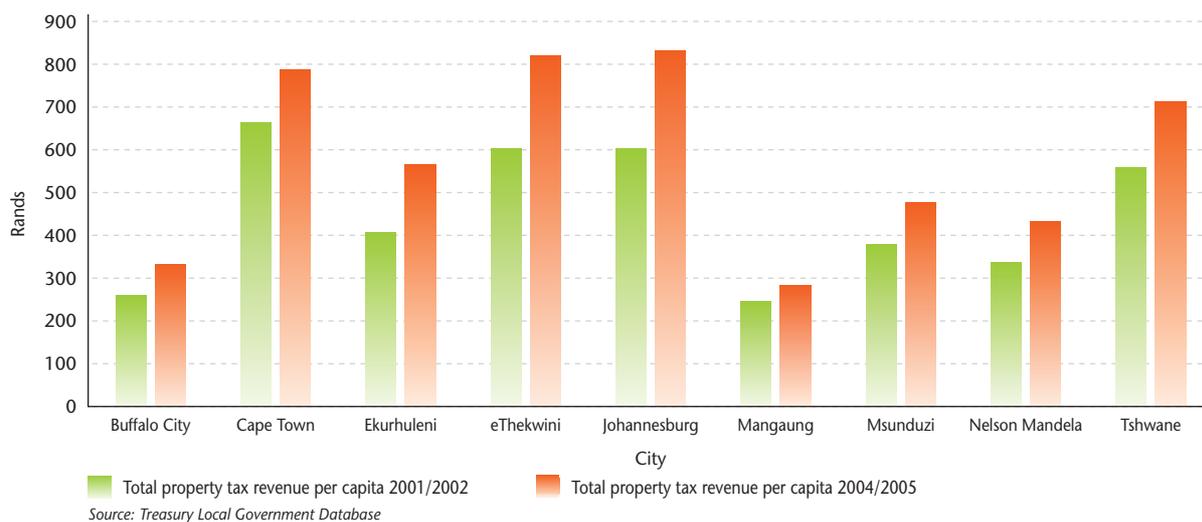
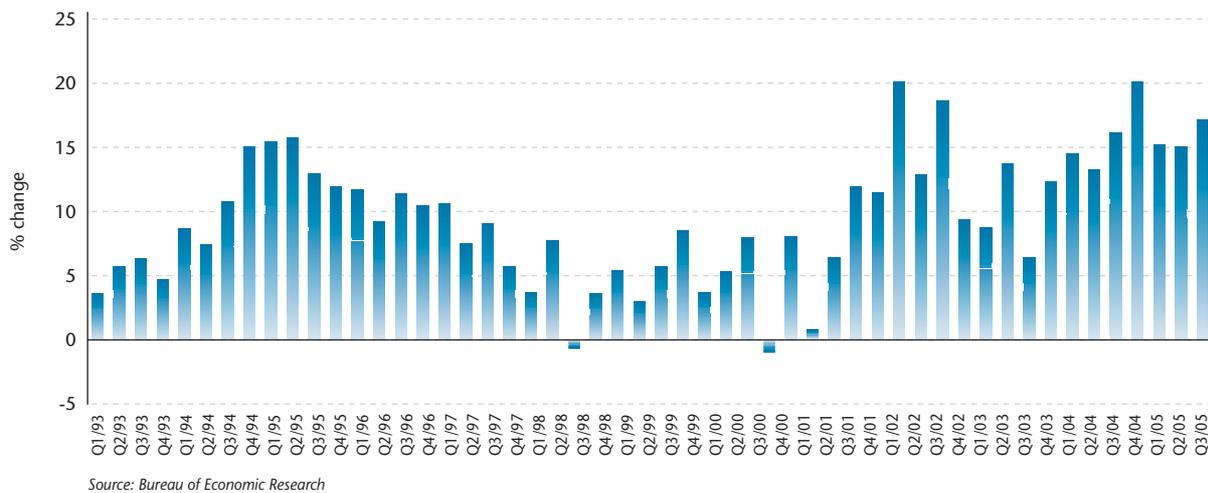


Figure 3-33: Building cost index (percentage change)



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The inclusive city

A number of indicators can be used to measure the extent to which all residents are able to share in the social benefits of urban life. These include residents' access to basic urban services, levels of health and education²⁴, patterns of wealth distribution, and the quality of life offered by cities. In this way city leaders can help to structure residents' material, psychological and financial commitment to the city. These factors, in turn, contribute to the social and environmental sustainability the city.

The following section therefore does two things: it looks at key indicators for inclusivity, but at the same time draws out the sustainability impacts of these trends. This section uses the following indicators to examine inclusivity, and in some instances sustainability, of the nine SACN cities: Water, sanitation, and electricity provision; refuse removal; housing supply; social and community services; wealth distribution; human development; HIV/Aids; and quality of life.

Figure 3-34: Number of households with access to water in dwelling

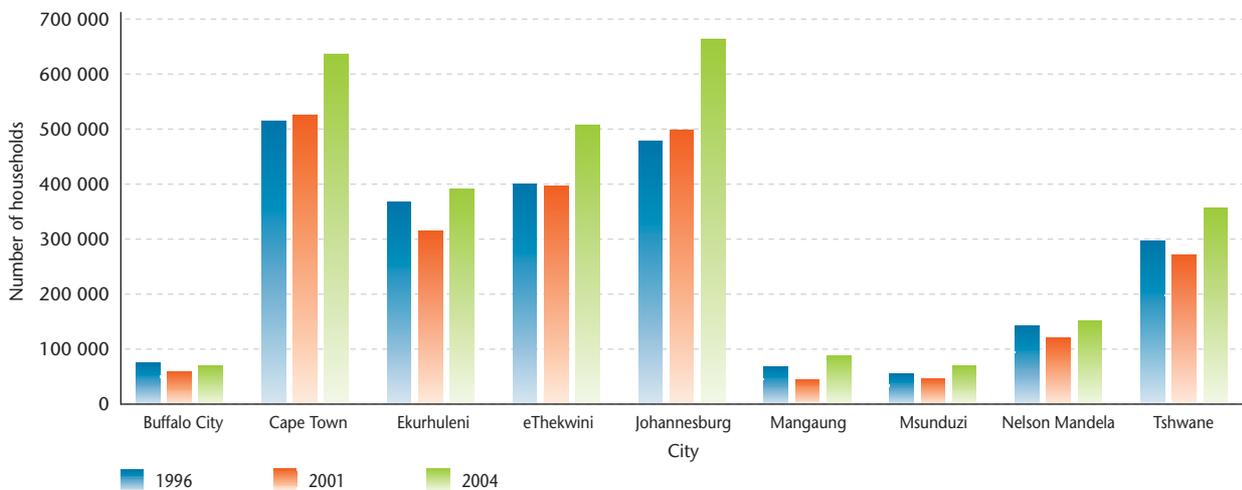


Figure 3-35: Percentage of households with access to water in dwelling

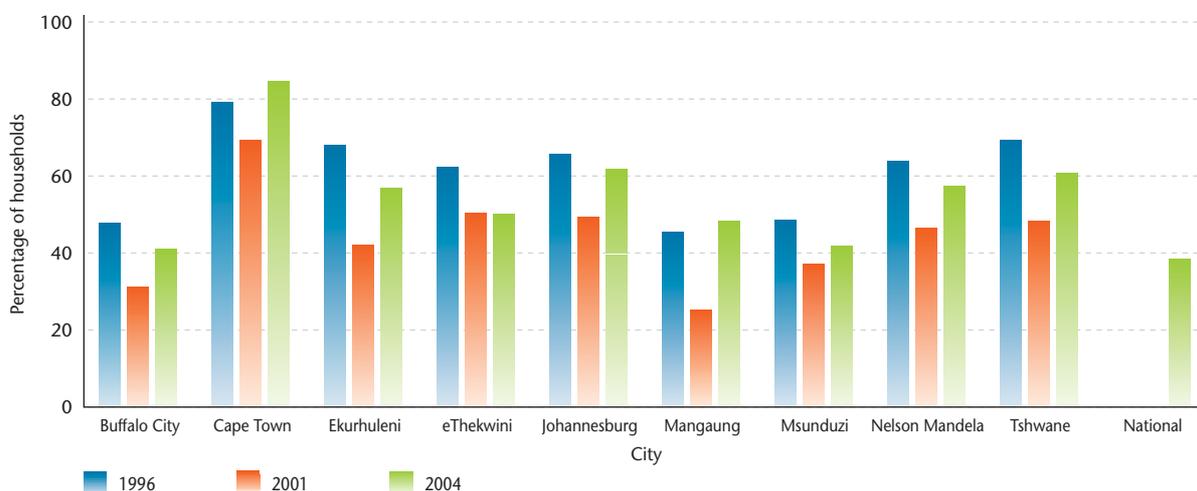
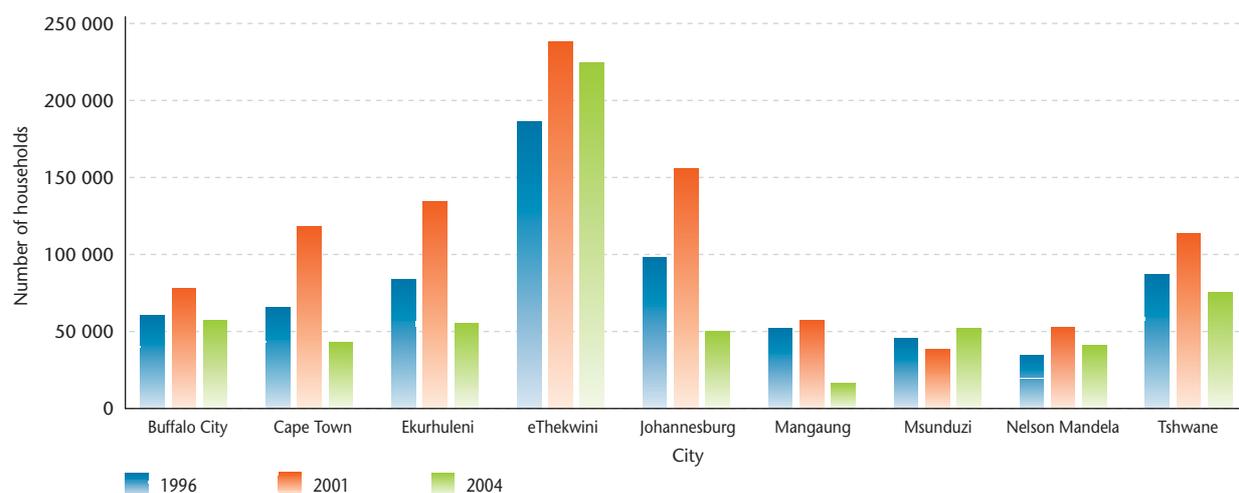


Figure 3-36: Number of households without access to water on site



Water

Between 2001 and 2004, an increasing number of households gained access to water connections in their houses in all nine SACN cities (see figure 3-34). Apart from Buffalo City, the number of water connections into dwellings exceeded the 1996 figures in all the cities. At the same time, the number of households *without* running water on site (either in yards or directly in dwellings) has decreased in all cities except Msunduzi during the 2001-2004 period (see figures 3-36). However, despite this progress, the backlogs in eThekweni, Nelson Mandela Bay and Msunduzi still remain higher than their 1996 levels.

Given the substantive variance in the population sizes and numbers of households across the cities, the share of the backlog in 2004 is also disproportionately distributed across the cities. Some 37% of households without access to an on-site water connection are in eThekweni, which is the second most populous city after Johannesburg. A further 12% of the backlog is found in Tshwane, with the remainder spread evenly across the other seven cities.

A different trend in access to water between 1996 and 2004 emerges from the *percentages* of households with water in their dwelling and without water on site (see figures 3-35 and 3-37). The percentage of households with water has increased in all cities except eThekweni, where the figure remains virtually unchanged. While this is consistent with the numerical backlogs, the share of households with water in their dwellings remains

below the corresponding 1996 shares in all cities except Mangaung, which is notably different. The percentage of households without water on site declined between 2001 and 2004 in all cities except Msunduzi. However, there has been progress in reducing the percentage backlog in all cities between 1996 and 2004, which deviates slightly from the message portrayed the numerical backlog.

Access to and use of water is also an indicator of environmental sustainability, particularly in the context of water scarcity in South Africa. As figures 3-36 and 3-37 show, large numbers of urban residents do not have access to clean water within or in close proximity to their homes. This indicator however is historically skewed in that black urban residents previously had limited access to water resources, while white urban residents have had generous access and may have used excessive amounts of water. An increase in water use per capita may reflect a greater degree of access to water by previously disadvantaged communities, which is a positive sustainability indicator.

The availability of water within dwellings has increased for all cities between 2001 and 2004,

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continued



which contributes positively to the health and well being of the urban population. However, in almost all of the cities 40% of households do not have water in their dwelling which undermines sustainability. Communal taps have a number of negative impacts such as water waste, time taken to collect water, and ill-health as a result of reduced water use because of difficulties with collection.

Current water consumption in cities is likely to increase because of economic and population growth and is unsustainable in the long-term.

Sanitation

Figures for the number of households with a ventilated improved pit (VIP) latrine or less provide an indication of sanitation conditions. Figure 3-38 shows that the absolute number of households with access to a VIP latrine or less has decreased between 2001 and 2004 for all cities except Msunduzi and eThekweni.

The *percentage* backlog for sanitation shown in figure 3-39 shows a similar declining trend in all

Figure 3-37: Percentage of households without access to water on site

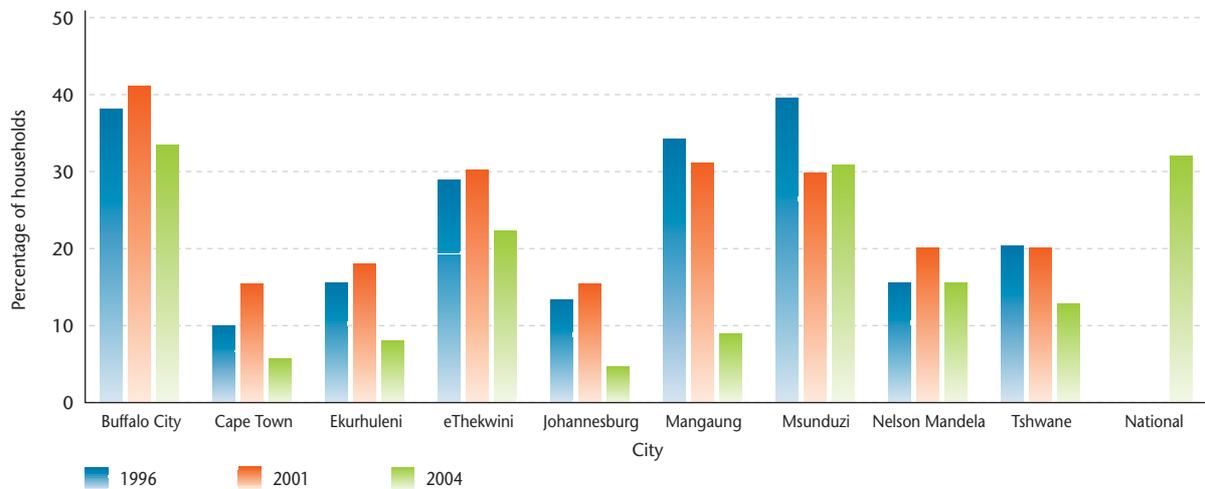


Figure 3-38: Number of households with access to VIP toilet or less

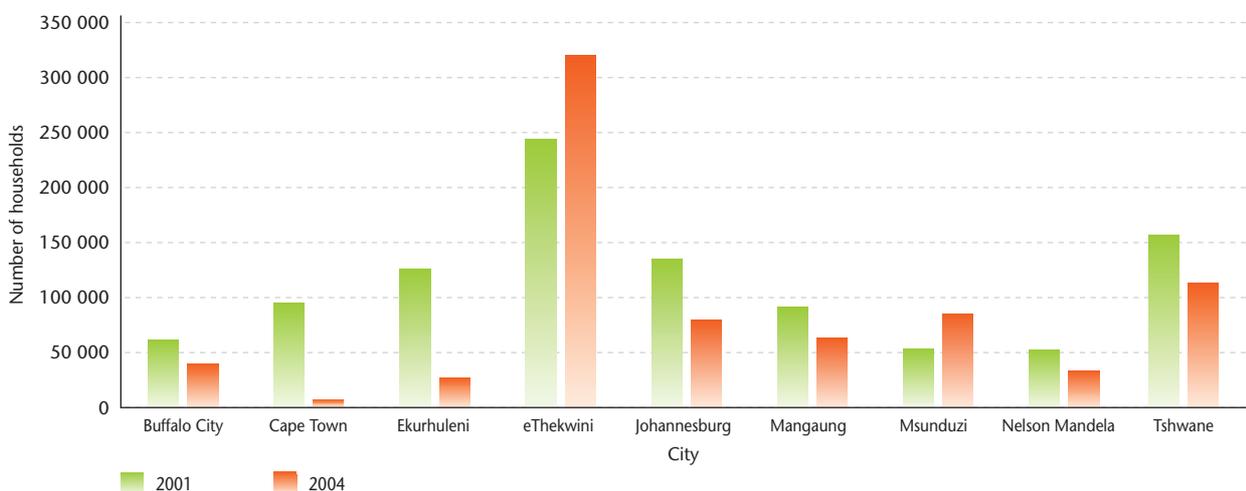




Figure 3-39: Percentage of households with access to VIP toilet or less

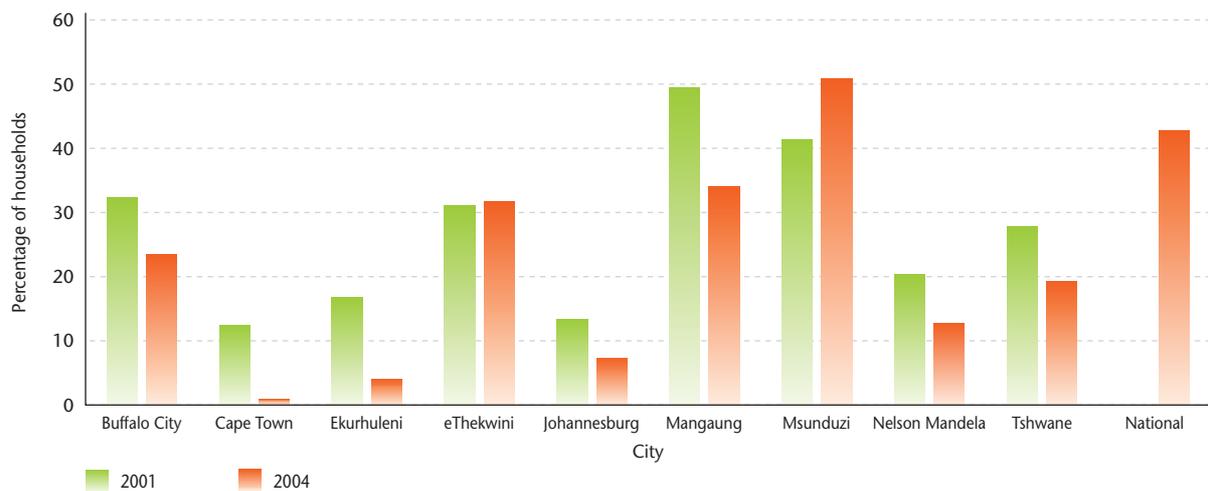
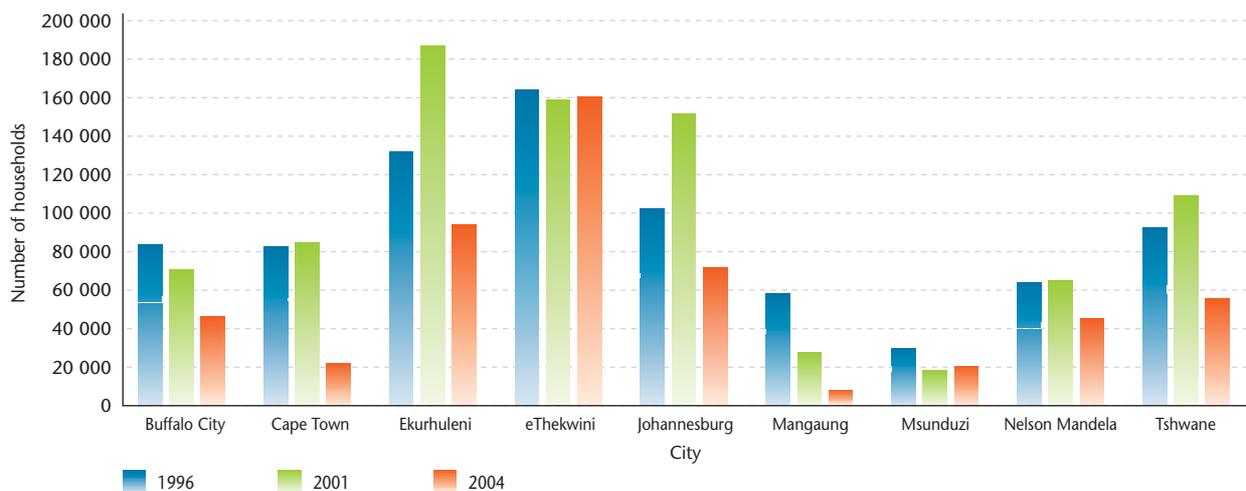


Figure 3-40: Number of households not using electricity for lighting



cities except Msunduzi and eThekweni. Only Msunduzi continues to have a greater share of households with a VIP latrine or less in relation to the national average.

The number of households with very poor sanitation has decreased in seven of the nine cities. Mangaung, eThekweni and Msunduzi still have one in three households without adequate access to sanitation. Poor sanitation has serious implications for the sustainability of cities and the quality of natural water bodies. The absence of adequate sanitation impacts on health, and

water quality – both in rivers and underground – and on pollution levels.

Electricity

Even though improved access to electricity increases resource pressure and the 'ecological footprints' of cities as they draw electricity from further and further away, formal service provision is more sustainable than no service provision.

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continued

An absence of electricity often means that residents are forced to use wood and paraffin for cooking and heating. This causes localised outdoor air pollution and indoor air pollution with its associated health risks. But the provision of electricity to households does not necessarily mean that households will abandon other types of fuel. Electricity is relatively expensive and sometimes unreliable particularly if there are frequent power outages.

Households will make strategic decisions about using electricity for lighting, cooking and heating. Each of these different uses

has different cost implications for household members, with electricity for lighting generally cheaper than for cooking or heating. Preferences for certain fuel types and the household's ability to pay for electrical appliances also play a critical role. Given that poor families are likely to rely on a variety of fuels and switch from one to another, this analysis looks only at electricity for lighting, because this is relatively affordable and does not require large initial investments.

Figure 3-41: Percentage of households not using electricity for lighting

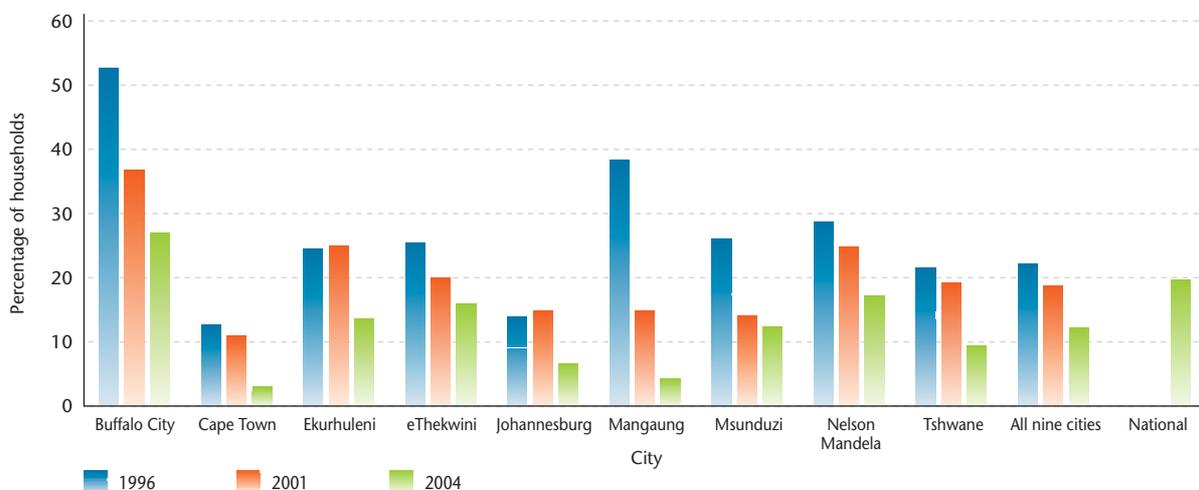


Figure 3-42: Number of households without adequate refuse removal (adequate = 1/week collection)

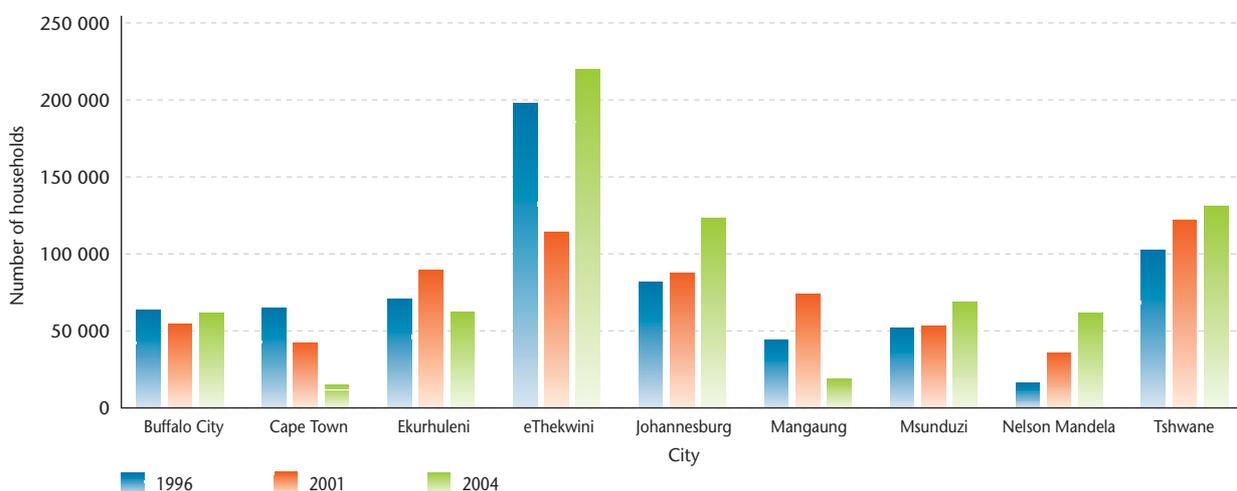


Figure 3-40 indicates that there has been a considerable reduction in the number of households not using electricity for lighting between 1996 and 2004. While the 2004 State of the Cities Report showed an upward trend for both the numbers of households with and without electricity for lighting between 1996 and 2001, this trend changed in the 2001-2004 period. The diminishing backlog has meant that the proportion of households receiving this service is beginning to improve. By 2004, 88% of households in the SACN cities were using electricity for lighting, compared to 78% in 1996. In terms of the backlog, sizable improvements appear to have been made in reducing the numbers not using electricity for lighting in both Mangaung and Cape Town.

The *percentage* of households that do not use electricity for lighting (see figure 3-41) is consistent with the pattern shown in the numerical backlog. This indicates progress across each of the nine cities. Mangaung, Buffalo City and Cape Town appear to have made significant gains over the interval. Only Buffalo City has a greater share of households without electricity for lighting compared to the national average, which reaffirms that city residents generally experience less deprivation in the residential domain compared to the South African average²⁵.

Refuse removal

The number of households not receiving a municipal waste collection service at least once a week in the SACN cities increased by 90 073 between 2001 and 2004 (figure 3-42), representing an increase of 13,3% and a reversal from the declining trend documented between 1996 and 2001²⁶. With an increase of 105 855 households, eThekweni seems to account for the largest increase in those without an adequate service, followed by Johannesburg and Nelson Mandela Bay, with increases of 36 602 and 26 660 respectively. For Johannesburg and Nelson Mandela Bay this represents an apparent continuation of a trend observed between 1996 and 2001. This has serious implications for environmental sustainability as waste and pollution have negative health impacts and compromise the environmental quality of neighbourhoods. For eThekweni, the countervailing directional shifts for the two periods suggest something amiss with the figures. Despite these reversals, there have been improvements in the number of households with adequate refuse removal in Mangaung, Cape Town and Ekurhuleni²⁷.

A different pattern emerges from analysing the *percentage* of households without adequate refuse removal in each city (see figure 3-43). Seven of the cities appear to have experienced improvements in addressing the percentage backlog between 1996 and 2004, while Johannesburg remains virtually unchanged and Nelson Mandela Metro has encountered a significant rise in the backlog. The share of households that do not receive regular refuse removal in both Msunduzi and Buffalo City remains high in spite of some improvement over the period. Nelson Mandela Bay, Tshwane and eThekweni are positioned slightly above the average percentage backlog for the nine cities. Comparing the nine cities to the national average reveals that the cities – even those with the greatest backlog – are comparably better off in terms of refuse collection than the country as a whole, a situation that can largely be ascribed to the higher levels of deprivation that persists in rural areas, especially in the former homeland areas.

Housing

The number of households *with* access to formal housing in all SACN cities has continued to demonstrate a rising trend between 2001 and 2004 (table 3-9). In common with the 1996-2001 figures, it is clear that progress towards beating the housing backlog has not been uniformly achieved. At the aggregate level, there was an increase of 82 373 households (or 8,1%) *without* formal housing between 2001 and 2004. The absolute increase in the number of households gaining access in the 2001-2004 period (approximately 237 000) therefore exceeds the increase in the backlog. The annual rate of change in the backlog grew slightly faster than the annual rate of change in provision (2,7% versus 2,3% per year respectively) (see figure 3-44).

At the city-level, the pattern is again more textured. Johannesburg, eThekweni, Buffalo City, Msunduzi, and Nelson Mandela Bay reflect the aggregate

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picture, with a consistent absolute increase in the number of households both with and without formal housing. Of these, the percentage change in the numbers without formal housing has accelerated in Msunduzi, eThekweni and Nelson Mandela Metro in the 2001-2004 period compared to the 1996-2001. In Johannesburg and Buffalo City, the backlog has worsened, but there has been a slowdown in the rate at which the backlog is growing. Despite an increase in backlog between 1996 and 2001 in Cape Town, Ekurhuleni, Tshwane and Mangaung, there are now signs that the backlog has begun to shrink.

A key issue that gets subsumed in the general discussion on changing patterns of access to services in the cities is that of quality. Key policy strategies, such as the Reconstruction and Development Programme and the Programme of Action and the Accelerated and Shared Growth Initiative of South Africa (Asgi-SA), emphasise numerical, time-bound targets and tend to ignore questions of quality.

Table 3-9: Change in access to formal housing, 1996-2004 (numbers and percentages)

	Number of hsh without formal shelter			Number of hsh with formal shelter			% change in number of hsh without formal housing		% change in number of hsh with formal housing	
	2004	2001	1996	2004	2001	1996	2001-04	1996-2001	2001-04	1996-2001
Buffalo City	60 006	54 647	42 063	148 218	120 464	99 074	9,81%	29,92%	23,04%	21,59%
Cape Town	136 623	142 983	125 233	642 197	599 745	516 867	(4,45%)	14,17%	7,08%	16,03%
Ekurhuleni	200 177	213 091	156 283	559 369	521 385	376 893	(6,06%)	36,35%	7,29%	38,34%
eThekweni	213 465	150 390	139 801	591 712	572 746	452 339	41,94%	7,57%	3,31%	26,62%
Johannesburg	246 845	212 408	155 459	780 091	780 017	561 856	16,21%	36,63%	0,01%	38,83%
Mangaung	19 314	43 811	34 747	182 817	132 668	108 405	(55,92%)	26,09%	37,80%	22,38%
Msunduzi	35 994	16 321	10 102	97 228	90 110	82 849	120,54%	61,56%	7,90%	8,76%
Nelson Mandela	66 416	59 795	60 673	218 882	196 148	160 784	11,07%	(1,45%)	11,59%	21,99%
Tshwane	124 662	129 688	82 582	453 177	423 086	337 609	(3,88%)	57,04%	7,11%	25,32%
Total of 9 cities	1 105 507	1 023 134	806 943	..	3 436 369	2 696 676	8,05%	26,79%	6,90%	27,43%

Figure 3-43: Percentage of households without adequate refuse removal (adequate = 1/week collection)

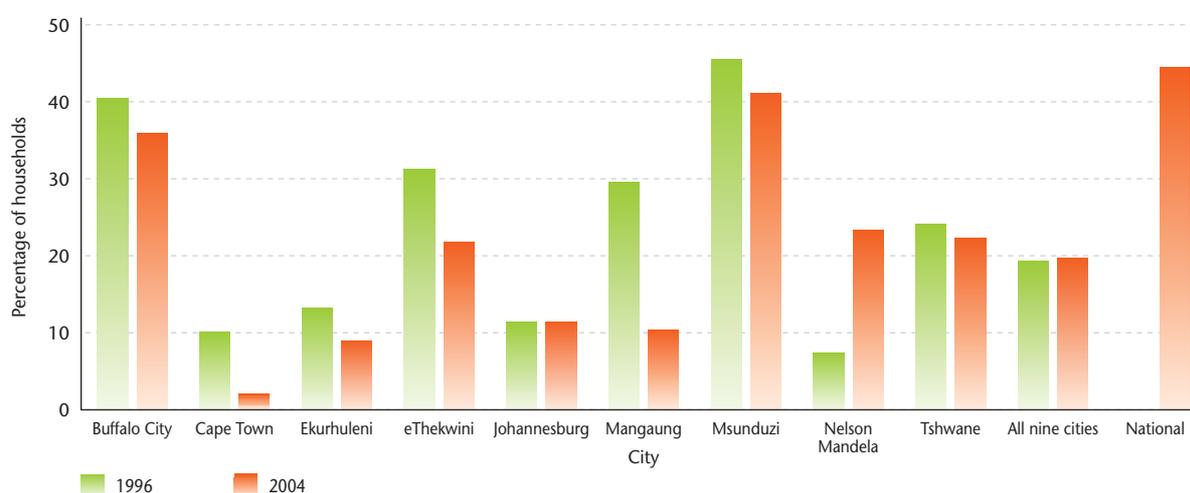
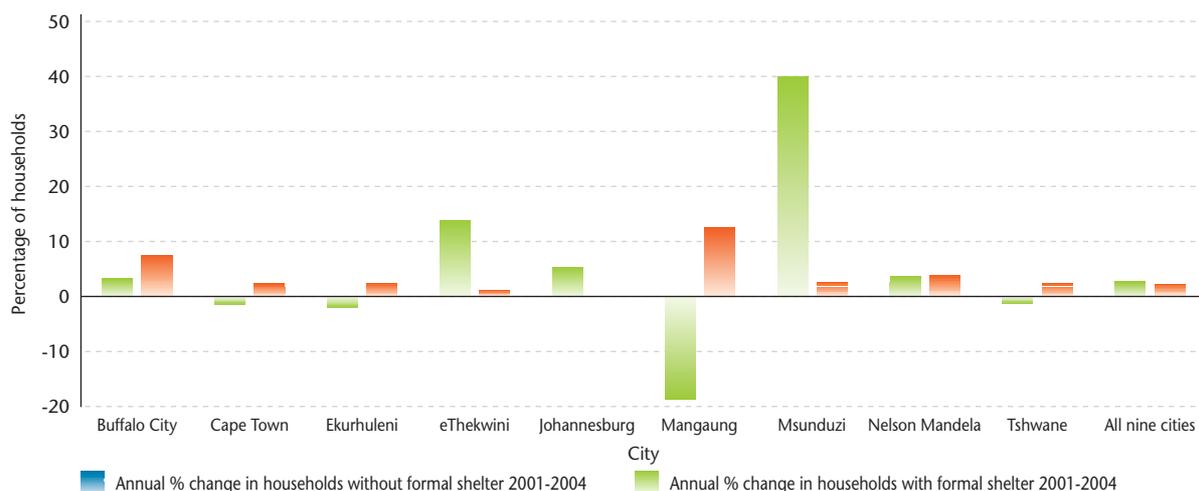




Figure 3-44: Annual percentage change in households with and without formal shelter, 2001-2004



Social and community services

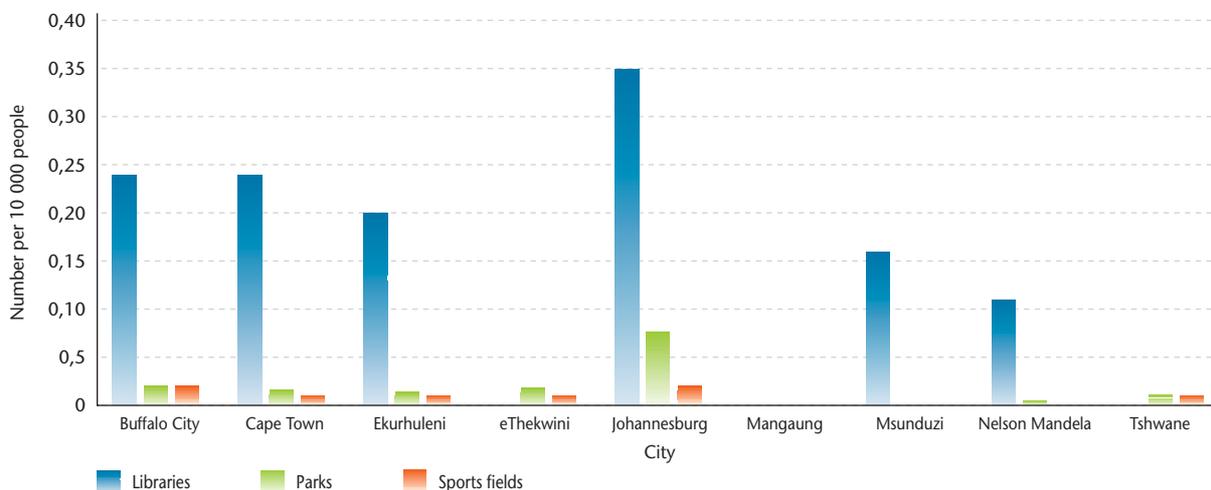
Generally, in all nine SACN cities there has been a small improvement in access to social and economic services such as clinics, libraries and parks and a decrease in access to sports fields (see figure 3-45). Nevertheless, the provision of these facilities is still low.

Wealth distribution

The Living Standard Measure (LSM) is a composite index consisting primarily of a set of indicators relating to the

ownership of household durable goods. It is used as a measure of deprivation in the domain of the living environment. In the absence of updated income and expenditure data at the city level, an examination of LSMs helps to illustrate the changing nature and distribution of wealth in the SACN cities. The LSM segments households into ten categories, with LSM1 being the most deprived and LSM10 being the least deprived.

Figure 3-45: Access to facilities, 2005



URBAN TRENDS AND PERFORMANCE

continued

Between 2002 and 2004, there was a clear decline in living standards in Nelson Mandela Metro, Buffalo City, Mangaung and Msunduzi, with a downward shift from LSMs 5-10 into the lower LSM categories (see table 3-10). This was especially pronounced in Buffalo City and Msunduzi. eThekweni shows a similar trend, with a reduction in LSMs 3-10 and a sizable increase in the lowest category. The changes emerging from the remaining SACN cities provide some evidence of a bifurcation, with a crowding out of households from the middle living standards categories towards the outer ranges. In Johannesburg, there appears to have been a reduction in the share of households falling into the middle LSM categories 3-6, with a small gain in LSMs 7-8 and more substantive increase in the uppermost LSMs. There has also been a small increase of those in the lowest LSMs 1-2. Cape Town shows very little change between the two years, with modest losses to the middle LSMs and small gains in the lowest and highest LSMs. Ekurhuleni follows a similar pattern, but with a more notable move out of the middle bands into the lowest LSM category. Tshwane also manifests a notable move out of the middle bands, but an increase in the higher LSM categories. Figure 3-46 shows the percentage of households in each of the nine cities that fall into LSM bands 1-5 in both 2002 and 2004. Again, the declining living standards in eThekweni, Nelson Mandela Bay, Buffalo City, Mangaung and Msunduzi over the period are evident.

The household Gini coefficients for the SACN cities suggest that there has been a small reduction in levels of inequality in the SACN cities between 2001 and 2005 (see figure 3-47). This

Table 3-10: Changes in the percentage of households grouped in living standard measure (LSM) categories, 2002-2004

	LSM1-2	LSM3-4	LSM5-6	LSM7-8	LSM9-10
Buffalo City	29,57%	7,74%	(26,95%)	(9,11%)	(5,01%)
Cape Town	1,04%	(0,80%)	(1,32%)	(0,37%)	1,83%
Ekurhuleni	6,29%	(10,16%)	(2,65%)	(1,50%)	3,22%
eThekweni	15,32%	(1,72%)	(3,36%)	(6,23%)	(6,22%)
Johannesburg	2,18%	(4,98%)	(11,08%)	0,62%	10,27%
Mangaung	5,00%	0,25%	2,40%	(7,16%)	(1,12%)
Msunduzi	29,02%	3,30%	(27,21%)	(10,45%)	(2,58%)
Nelson Mandela	5,67%	4,29%	(3,71%)	(2,57%)	(5,31%)
Tshwane	3,52%	(1,21%)	(6,87%)	1,38%	4,00%

Sizing up inequality – Gini coefficients or living standard measures?

The Gini coefficient is the most widely-used summary statistic of income inequality. It ranges from 0, which signifies perfect equality where every household has the same income, to 1, which signifies absolute concentration (where one household earns all the income and other households earn nothing). National level change in the Gini co-efficient between 2001 and 2004 was estimated from Van der Berg et al (2005). This rate of change was applied to 2001 Gini coefficients for the cities to arrive at estimates for 2004.

The Living Standards Measure (LSM) was developed by the South African Advertising Research Foundation (SAARF) in 1988/89 by combining a set of variables from SAARF's All Media and Products Survey (AMPS). The LSM is a measure of wealth, premised on standard of living rather than income, as is the case with the Gini coefficient. The current version of the measure is a composite index of 29 variables, which uses criteria such as ownership of household consumer durables and degree of urbanisation to segment households into ten relatively homogeneous living standards categories (or bands). This ranges from LSM band 1 at the bottom, which includes households that are most deprived in terms of their living environment, to LSM band 10 at the top, containing households that are least deprived.

Source:
Van der Berg, S., Burger, R., Louw, M. Yu, D. (2005) Trends in poverty and inequality since the political transition. Stellenbosch Economic Working Papers: 1/2005.

positive development should be tempered by the fact that inequality in the cities remains dramatically high. South African cities continue to have inequality measures similar to some of the world's most unequal societies. Even in Cape Town, which has the lowest Gini coefficient of the

Figure 3-46: Percentage of households in the five most deprived LSM categories, 2002 and 2004

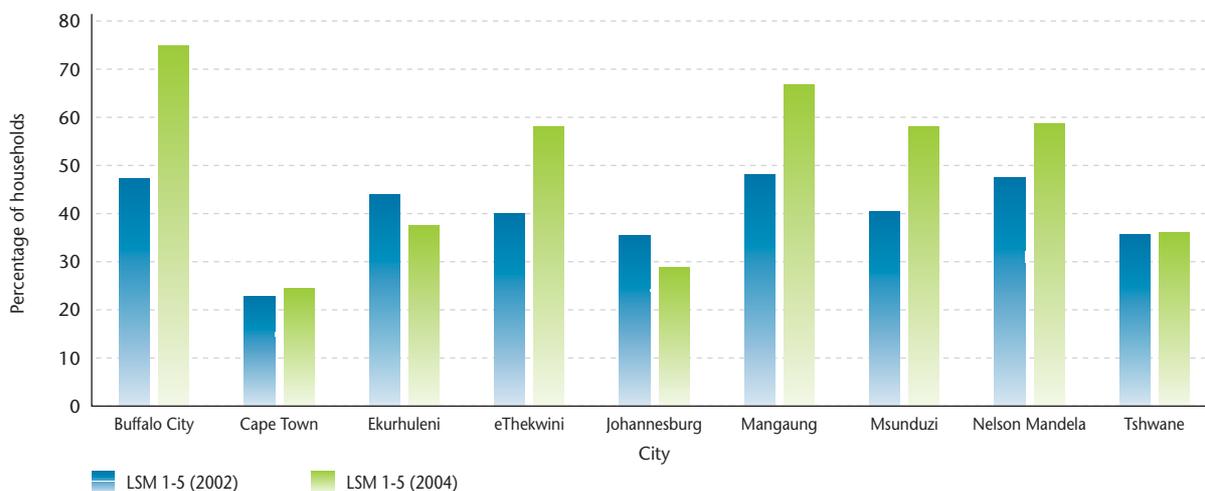


Figure 3-47: Household Gini coefficient (PDG method), 2001-2005



SACN cities, levels of inequality are still comparatively high. The picture of inequality at the city level approximates that of the provincial and national level.²⁸ This worryingly high level of inequality points to an urgent need to address equity concerns and implement poverty reduction strategies. This presents a serious challenge for city planners and policymakers hoping to realise the vision of inclusive cities in South Africa.

The apparently divergent trends in the Gini coefficient and the LSMs may be partly ascribed to methodological differences: the

Gini coefficient is a measure of inequality in income whereas the LSM is an indicator of inequality in the living environment as gauged by asset ownership. The two do not necessarily point in the same direction. For instance, a wealthy entrepreneur may decide to live a more austere existence, without a dishwasher, DVD player, M-Net subscription or television. Conversely, a pensioner with a much lower income may decide to invest in appliances or other modern comforts,

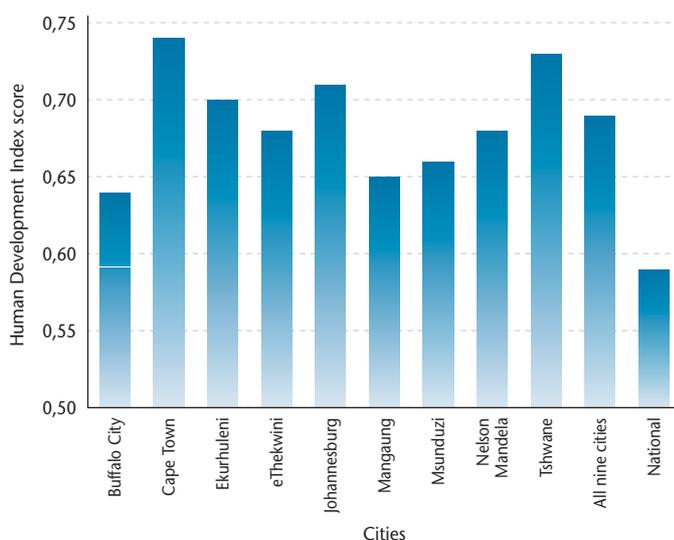
URBAN TRENDS AND PERFORMANCE

continued



either by drawing on her savings or buying on hire purchase. For this reason, the two measures describe different kinds of deprivation. Evidence of rising household debt levels over the past few years may also explain the differences in the trends, since the relationship between household income and assets owned may weaken as households increasingly spend beyond their means. Migration patterns in the nine cities may also influence the comparability of the measures.

Figure 3-48: Human development index, 2005

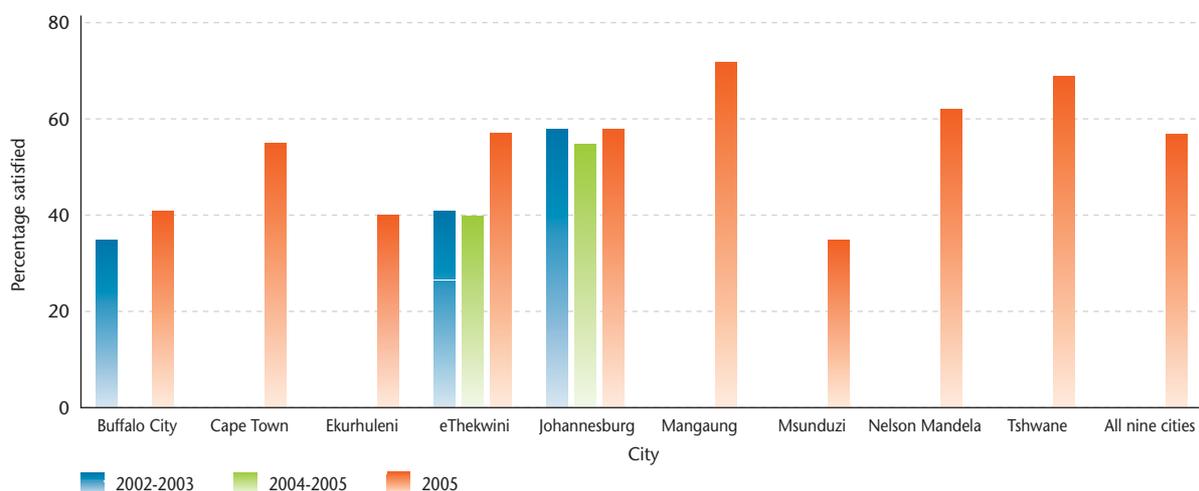


Human development

The human development index (HDI) is a composite index of economic and social wellbeing based on life expectancy, educational attainment and a decent standard of living. The index is measured on a scale of 0 to 1, with 0 being the lowest level of development and 1 the highest level. An HDI value of between 1 and 0,8 is regarded as a high level of human development; a value of between 0,799 and 0,5 is regarded as a medium level of human development, and a value of between 0,499 and 0 as a low level of human development.

Figure 3-48 shows the HDI values for the nine SACN cities in 2005. While all cities would be classified as having medium levels of human development, there are noteworthy differences, ranging from a high of 0,74 in Cape Town to 0,64 for Buffalo City. Only Cape Town, Tshwane, Johannesburg and Ekurhuleni fall above the average human development score of 0,69. This is broadly consistent with provincial HDI trends between 1990 and 2003, with Gauteng Province and the Western Cape having higher levels of human development²⁹. eThekwiini and

Figure 3-49: Satisfaction with quality of life, 2002-2005





Nelson Mandela Bay, both with scores of 0,68, fall slightly short of the average, while the smaller cities of Buffalo City, Mangaung and Msunduzi demonstrate a more pronounced human development gap.

HIV/Aids

Health indicators are a cause for concern. As indicated in figure 3-5, most of the SACN cities since 1996. Inter-city inequality in health is stark, with the prevalence rate in Msunduzi estimated at 3.5 times higher than Cape Town in 2004. However, with the spread of the disease, this ratio between the city with the highest HIV and Aids prevalence rate and the lowest has narrowed over time, from 6.9 in 1996 to 4,3 in 2001 and finally to 3.5 in 2004. Of the nine SACN cities, the HIV prevalence rates in Msunduzi, eThekweni, Mangaung, Ekurhuleni and Johannesburg have remained persistently higher than average since 1996, whereas the prevalence rates in both Cape Town and Nelson Mandela Bay have been consistently below average.

Quality of life

In the two years since the release of the State of the Cities Report 2004, there has been an interest in producing quality of life studies at the municipal level. These are important instruments helping municipal decision makers get a better understanding of their residents. eThekweni has a long-standing quality of life research programme conducted on an annual basis since 1998. Buffalo City conducted a study in 2001, while the City of Johannesburg commissioned Residents Satisfaction Surveys in both 2003 and 2004. A quality of life study was conducted in Msunduzi during the 2005/06 financial year and the data is currently being analysed.

Combining the information from these municipal studies with the results of the HSRC's 2005 South African Social Attitudes Survey (SASAS) presents some interesting preliminary insights about perceived quality of life in the SACN cities (see figure 3-49). Overall, 58% of the residents of the nine SACN cities appear to be satisfied with their quality of life. In keeping with the broad finding of persisting inequalities, residents of Msunduzi, Ekurhuleni and Buffalo City remain more than 15 percent below the average quality of life perceived in the nine cities. Residents of Mangaung, Tshwane and Nelson Mandela Bay are relatively more satisfied with the quality of their lives.

Johannesburg, eThekweni and Cape Town approximate the SACN cities average.

Because most of the cities have not analysed quality of life over an extended period, it is not possible to compare whether residents have become increasingly more or less satisfied over time. Results from eThekweni and Johannesburg, however indicate that the levels of satisfaction have remained rather static. In Johannesburg they have declined marginally over the past couple of years. The increasing trend derived for eThekweni should be interpreted with caution given that they are derived from two different surveys.

Presenting information at the aggregate city level masks significant differences that exist within cities, particularly with respect to race and spatial location.

URBAN TRENDS AND PERFORMANCE

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Understanding the household budget

Both municipalities and national government have made enormous strides in rolling out various subsidies to the poorest urban residents in the form of housing, transport and free municipal services. But have these subsidies really helped improve the lives of the poor?

In trying to answer this question, the household budgets of six household income-groups have been analysed.

Table A: Household income groups

hh group	hh income R/month
Very poor	823
Poor	1 647
Lower middle	2 531
Medium	6 507
Medium high	15 867
High	34 012

Note: These household groups are derived from work done by the City of Johannesburg.

Assume that each of these households receives a package of services, depending on that household's location in the city.

Table B: Indicative package of services provided to household groups in a typical city

Household group	Municipal services	Assumed housing	Assumed transport
Very poor	Water supply on site, using 6kl/month or less) waterborne sanitation, gravel road, electricity with prepaid meter (using 50kWh/month or less), weekly solid waste collection and access to municipal public services	Access to 'Peoples Housing Process' with serviced site and personal investment in an informal dwelling. Capital cost R16 000 for serviced plot and R3 000 for top structure	No access to bus or train service; reliant on minibus taxis. Fare R0,50/passenger km. 1 return trip per day for 15 km commuting distance
Poor	As above but with water use at 12 kl/month and electricity use at 350 kWh/month	Typical 'RDP' housing package: own plot of about 200 sq metres with 40 sq metre formal dwelling. Capital cost R38 000	No access to bus or train service; reliant on minibus taxis. Fare R0,50/passenger km. 1 return trip per day for 15 km commuting distance
Lower middle	As above but with paved road and water use at 25 kl/month and electricity use at 780 kWh/month	High density housing unit. Capital cost R76 000	Access to bus. Cost R0,35/passenger km. 1,5 return trip per day for 15 km commuting distance
Medium	As above but with paved road and water use at 25 kl/month and electricity use at 860 kWh/month	Formal housing unit valued at R150 000	Access to bus. Fare R0,35/passenger km. 1,5 return trips per day for 15 km commuting distance
Medium high	As above but with paved road and water use at 35 kl/month and electricity use at 1 100 kWh/month	Formal housing unit valued at R500 000	Use of small private car. Cost R2,00 per passenger km. 1.5 return trips per day for 15 km commuting distance
High	As above but with paved road and water use at 60 kl/month and electricity use at 1 600 kWh/month	Formal housing unit valued at R1 000 000	Use of large private car. Cost R2,50 per passenger km. 2 return trips per day for 15 km commuting distance

Note:

- Various assumptions have been made about the location of particular households in a typical city. For the purpose of this analysis, it has been assumed that very poor households are located on the urban periphery, far away from economic opportunities, municipal bus lines or commuter rail stations. This is not always the case. Locations on the urban periphery may be close to job opportunities, given patterns of urban dispersion and the emergence of new 'edge cities'. Similarly many of the poorest households can be found in overcrowded, deteriorating inner city flats. These residents might have lower transport requirements, do not benefit from any housing subsidies, and may not be able to receive free municipal services such as water and electricity.
- Water and sanitation consumption figures are taken from Johannesburg case studies. High electricity consumption by the poor is notable.



Understanding the household budget

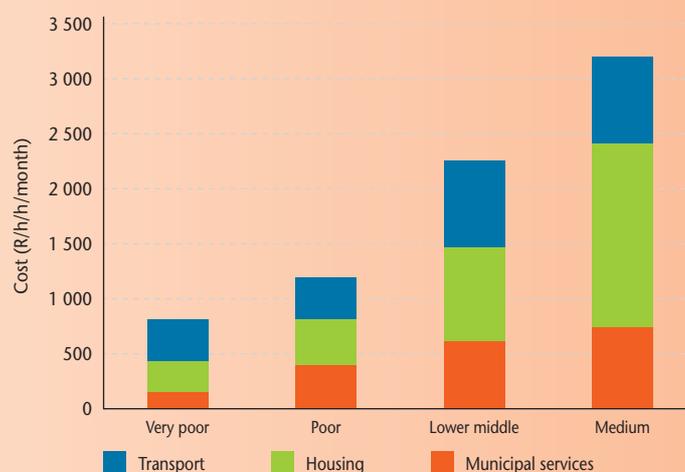
► **Table C: Total costs incurred in providing the service**

R/hh/month	Municipal services	Housing	Transport	Total cost
Very poor	156	279	375	810
Poor	394	424	375	1,192
Lower middle	620	848	788	2 255
Medium	741	1 673	788	3 202
Medium high	892	5 578	2 250	8 720
High	1 305	11 157	3 750	16 212

Note:

1. These costs include cost incurred by the municipality, transport operator and household (in the case of private sources of finance for housing and operating a private vehicle)
2. The actual cost of the municipal services package could be much higher if municipal overhead costs were allocated proportionally to this group. In fact the assumption is made that overheads are covered by other consumer groups in a city.

Figure A: Cost of a package of municipally influenced services



Based on the existing subsidy arrangements, it is possible to estimate the amount of subsidy allocated to each household group. This is based on the following assumptions:

- Water supply is charged on a rising block tariff basis with a zero charge for the first 6 kl/month and with a tariff below cost for the second block (up to 12 kl/month).
- Electricity is charged at a fixed rate per kWh with the first 50 kWh free to those using below 800kWh/month.
- Sanitation and solid waste services are charged on the basis of property value with a cut-off at R50 000 below which the charge is zero and with a 'rising block' charge for higher value properties.
- Roads and municipal public services are paid for via property rates with the rate being zero for properties valued at below R50 000.
- The housing subsidy is R38 000 and is accessed progressively in the case of the People's Housing Process.
- The bus subsidy is equal to R0,35 per passenger km, half the cost of providing the service.
- There is no taxi subsidy, because the taxi re-capitalisation system not yet functional.

URBAN TRENDS AND PERFORMANCE

continued



Understanding the household budget

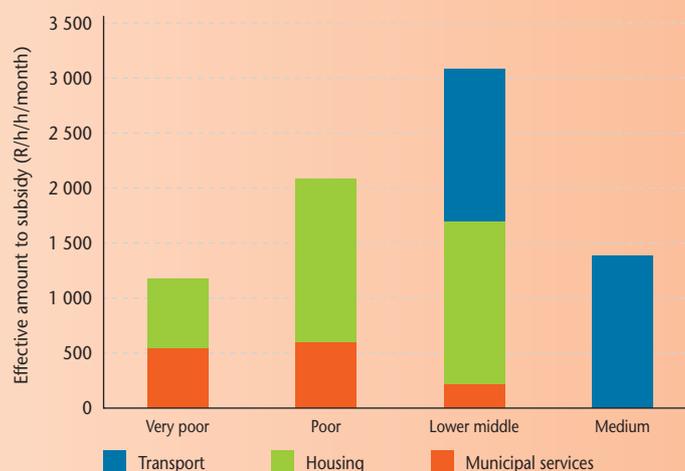
Based on these assumptions the level of subsidy per household group is as follows:

Table D: Calculated level of subsidy made available per household per month

	Municipal services	Housing	Transport	Total
Very poor	156	179	–	335
Poor	170	424	–	594
Lower middle	62	424	394	880
Medium	0	–	394	394
Medium high	0	–	–	0
High	0	–	–	0

Note: In the case of housing subsidies the capital amounts have been annualised (assuming payments at 12% interest over a 20 year period).

Figure B: Levels of subsidy per household



The striking feature of this analysis, shown in figure B, is that 'lower middle' income households receive higher levels of subsidy than the poorest households. This is caused by:

- The fact that the poorest residents typically do not have access to municipal buses and trains which are highly subsidised, forcing them to rely on un-subsidised taxis for public transport.
- The poorest people in cities typically have not yet accessed full housing subsidies or may not have accessed subsidies at all and be renting (in a backyard shack, for example).

This has serious impacts on household bills, as shown in table E.

Table E: Estimated household expenditure on a package of municipally influenced services

hh group	hh income (R/hh/month)	Household expenditure (R/hh/month)			Total
		Municipal services	Housing	Transport	
Very poor	823	–	100	375	475
Poor	1 647	223	–	375	598
Lower middle	2 531	558	424	394	1 375
Medium	6 507	741	1 673	394	2 808
Medium high	15 867	1 115	5 020	2 250	8 386
High	34 012	1 864	8 925	3 750	14 540

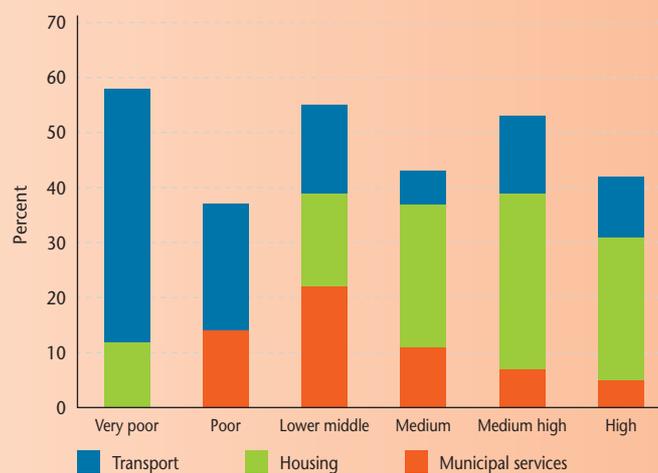


Understanding the household budget

► **Table F: Percentage of household income spent on municipally influenced services (estimate)**

hh group	Municipal services	Housing	Transport	Total
Very poor	0%	12%	46%	58%
Poor	14%	0%	23%	36%
Lower middle	22%	17%	16%	54%
Medium	11%	26%	6%	43%
Medium high	7%	32%	14%	53%
High	5%	26%	11%	43%

Figure C: Relative percentages of household income spent on municipally influenced services package



Some key conclusions can be made from figure C, bearing in mind that the analysis is approximate and intended to give an overall picture:

- Expenditure on municipally influenced services as a percentage of household budget is relatively consistent across income groups in the range of 35% to 55% of household income. However, when reduced back to actual amounts per household, the money that remains for 'very poor' and 'poor' groups after paying for this package is very little. This constrains what 'very poor' and 'poor' households have available to spend on 'private consumption' goods like food and clothing.
- The level of expenditure on public transport for the 'very poor' group is not affordable, if travel costs are based on the assumption that a household member, each day, must reach an employment destination 15 km away from home.
- The lower middle income group are also financially stressed not only because of the high municipal services bills (with the high costs driven mainly through high electricity consumption) but because they will often be paying for housing above the level provided by the housing subsidy. In the latter case, this would occur in a situation where they are renting in a 'social housing' development.

For a city to function effectively and to use subsidies in ways that maximise impact on the poor, cities should have control over both housing and public transport subsidies, with only the broadest constraints on how these subsidies are used. It will then be possible for cities to make arrangements for households located far from job opportunities, buses and trains, to get higher levels of public transport subsidies. Poor households living in the inner city, in deteriorating buildings will need higher levels of housing subsidies. The rough figures show that a substantial degree of equity can be achieved and the spatial dysfunctionalities of South African cities can be reduced if housing subsidies and transport subsidies are targeted more strategically.

URBAN TRENDS AND PERFORMANCE continued

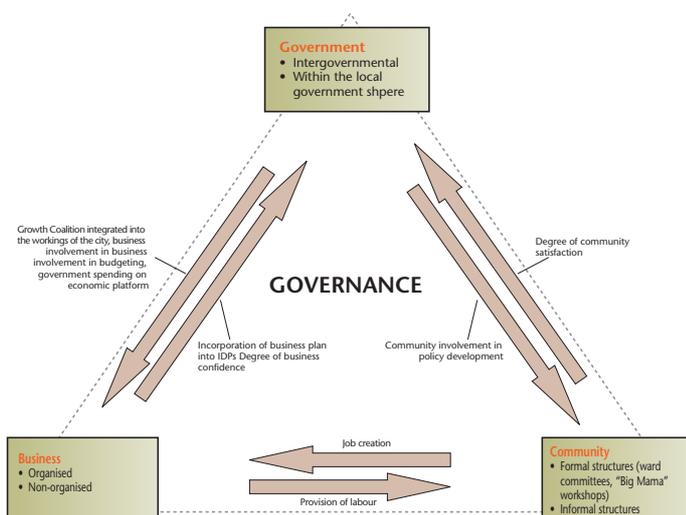
The well-governed city

To understand if cities are being governed well, it is important to have a picture of how the key sectors in cities – government, business and the community – relate to one another within the current legislative and policy framework. This helps to establish key indicators that can be used to measure effective governance. Unfortunately there is very little data to describe the well-governed city. While financial data has become more accessible through the new municipal censuses and the National Treasury database³⁰, other aspects of governance are more difficult to assess.

Figure 3-50 shows that governance is more than the local municipality, but a complex set of relationships between all three spheres of government, business and the community. This requires a shift away from a state-centred perspective to include civic associations, private-sector organisations, community groups and social movements³¹.

This has clear implications for the role of local government. The shift to effective local governance “involves a variety of local agents in the sharing of power, with municipal government having a co-ordinating rather than a monopolistic and controlling role”³².

Figure 3-50: Governance = Government + Business + Community



Government

One way of assessing whether or not cities have performed well in terms of governance is to look at some non-quantitative indicators relating to the city’s financial practices. Table 3-11 shows whether the city has received an unqualified audit, whether the city manager has been suspended, and the city’s credit rating.

These indicators can be interpreted in a number of ways. The suspension of the city manager, for example, does not necessarily mean that the city manager was corrupt or incompetent, but could reflect problems in the relationship between the city manager and the elected politicians, or other appointed officials, or political interference in legitimate city management. What the suspension does indicate is that there are problems in the overall governance environment. This has occurred in five of the nine cities since 2000.

Receiving a qualified audit or disclaimer raises questions over financial management, performance management, monitoring and reporting. Only two of the nine SACN cities received unqualified audits in 2004/5.

While the credit ratings depend on the type of city and are not directly comparable, these are being taken more seriously by city management, and have generally improved with eThekweni currently the highest.

Table 3-12 shows municipal budgets for the 2004/5 financial year. Two important indicators here are the proportion of total capital expenditure on the key services of water and electricity. Johannesburg, for example, spent a fairly high proportion on both water and electricity to deal with historic backlogs in maintenance. It is important to monitor expenditure on water and electricity over a period of several years to ensure that a proper

Table 3-11: Selected non-financial indicators of government and good governance

Municipality	Status of AG's audit report, 2004/5 ⁱ	City manager suspended since 2000	Credit rating, 2002/3
Buffalo City	Qualified	Yes	ST:A3 ^{vi} ; LT:BBB (Global Credit)
Cape Town	Unqualified	No	
Ekurhuleni	Disclaimer	No	ST:A1 ^{iv} , LT: +A ^v (Global Credit)
eThekweni	Unqualified	No	AA (Global Credit) ⁱⁱⁱ
Johannesburg	Disclaimer	No	LT:A; ST:F2 (Fitch IbcA) ⁱⁱ
Mangaung	Qualified	Yes	ST:A1:LT:A (Global Credit)
Msunduzi	Qualified	Yes	ST:A3; LT:BBB (Global Credit)
Nelson Mandela	Qualified	Yes	
Tshwane	Qualified	Yes	ST:A1, LT: +A (Global Credit)

ⁱ From information provided by IMFO – a qualified audit means that there is one or more problems with the audit in the view of the Auditor General, with some problems being more serious than others. Examples are: RSC levies, unsure Customer debtors, Long term debtors, Fixed assets. A disclaimer means that there is insufficient information for the Auditor General to make an assessment.

ⁱⁱ The use of credit ratings defines their function: "investment grade" ratings (international Long-term (LT) 'AAA' – 'BBB-' categories; Short-term (ST) 'F1' – 'F3') indicates highest credit quality (lowest risk) i.e. with strong ability to pay financial commitments, and may have a + added to indicate exceptional strength. F2 indicates good credit quality, and F3 fair credit quality (international Long-term 'BB+' – 'D'; Short-term 'B' – 'D') either signal a higher level of credit risk or that a default has already occurred.

ⁱⁱⁱ Global Credit Ratings examines the following areas in assessing the credit ratings of local authorities: Economic structure, Demographic composition, Financial performance and ratio analysis, Management and administrative structures and Political and legal considerations. (<http://www.globalratings.net>).

^{iv} A1 = Very high certainty of timely payment. Liquidity factors are excellent and supported by good fundamental protection factors. Risk factors are minor.

^v The Long term rating ranges from AAA to DD, with A+ and A both being High credit quality. Protection factors are good. However, risk factors are more variable and greater in periods of economic stress, and BBB being Adequate protection factors and considered sufficient for prudent investment. However, there is considerable variability in risk during economic cycles.

^{vi} A3 = Satisfactory liquidity and other protection factors qualify issues as to investment grade. However, risk factors are larger and subject to more variation.

maintenance and renewal programme is in place. Low expenditure on these services could either be interpreted as neglect of maintenance, or one year in a consistently effective maintenance programme.

Table 3-13 illustrates budgeted revenue and budgeted expenditure for the nine cities. Cities earn their income from a variety of sources, including regional levies (levied on businesses until June 2006), property rates, services charges, subsidies and grants. Electricity is one of the key sources of revenue for most large cities, ranging from 20,3% total operating revenue in Cape Town to 38% in Ekurhuleni.

Subsidies and grants represent the reliance of cities on outside sources of income. The balance of revenue earned thus represents the financial independence of cities, or their ability to

raise their own income. Table 3-13 illustrates that eThekweni has the lowest reliance on subsidies and grants as a proportion of total revenue, closely followed by Johannesburg, Tshwane, Ekurhuleni and Msunduzi. Nelson Mandela Bay has the highest reliance on outside income.

The proportion of budget spent provides an indication of good governance. If a municipality has the capacity to spend close to all its budget, this indicates that the systems within government – like financial services and service delivery – are working efficiently. Some municipalities have recorded over 100% of their budget spent. This could be due to rollovers from the previous year. However, reflecting increased expenditure is not

URBAN TRENDS AND PERFORMANCE

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Table 3-12: Municipal capital budgets 2004/05 – Budgeted expenditure

Municipality	Land and buildings (%)	Roads, pavements, bridges, stormwater (%)	Capital expenditure on water as percentage of total	Car parks, bus terminals, taxi ranks (%)	Capital expenditure on electricity as percentage of total	Sewage purification and reticulation (%)	Housing (%)	Street lighting (%)	Refuse sites (%)	Infrastructure other (%)	Community assets (%)	Assets (%)	Specialised vehicles (%)	Total (R'000)
Buffalo City	5,6	7,8	11,5	0,3	6,5	22,1	14,5	0,1	4,2	0,5	9,3	16,7	0,8	328 801
Cape Town	1,4	20,0	8,2	8,0	14,2	8,3	16,3	0,9	1,5	0,3	11,0	8,8	1,1	1 534 907
Ekurhuleni	6,9	20,3	4,3	0,2	6,3	4,7	29,2	0,0	8,0	6,7	5,2	6,9	1,1	1 079 310
eThekweni	7,5	13,1	13,6	0,3	12,1	5,4	26,0	0,4	2,6	6,1	2,0	10,0	1,0	2 292 669
Johannesburg	5,1	12,1	19,9	4,0	19,9	2,9	13,2	4,0	2,0	6,1	6,9	4,0	0,0	1 972 291
Mangaung	5,2	22,0	12,5		19,3	20,3	4,6		1,1	0,0	1,8	11,3	2,0	242 276
Msunduzi	22,6	11,6	5,7	7,9	20,5	3,5	3,8	2,7		1,4	4,1	16,2		187 050
Nelson Mandela	3,8	15,8	12,5	0,1	13,5	8,9		1,1	0,6		29,6	12,4	1,7	566 164
Tshwane	8,6	21,8	16,4	1,7	11,1	9,1	0,0	2,0	0,2	5,2	7,4	14,0	2,7	1 224 407

in compliance with the Municipal Finance Management Act as budgets should be amended through an 'adjustment budget'. There are extraneous factors, other than capacity, that could inhibit a municipality's ability to spend its budget. These include difficulties in acquiring land for projects, slow Environmental Impact Assessment processes, and poor planning in terms of the Service Delivery Budget Implementation Plan (SDBIP).

In the 2004/05 financial year, Cape Town spent just over 60% of both its operating and capital budget, while Johannesburg spent over 100% of its budget. eThekweni spent 90% and 95% of its capital and operating budget respectively (see table 3-14). Tshwane has performed relatively well spending almost 98% and 89% of its capital and operating budget.

The acid test ratio (see table 3-15) provides an indication of financial prudence and is viewed seriously by rating agencies. It is calculated as follows: current assets minus inventory divided by current liabilities. The accepted acid test ratio is 1:1. This means the institution can meet its current credit obligations without disposing of its inventory. While the 1:1 ratio is the accepted norm, this needs to be examined in terms of the overall financial position of the organisation. For example, in the

case of eThekweni, which has a favourable credit rating, the acid test ratio is 0.6:1, as they have included the current portion of a long term loan in current liabilities for 2003/4³³. Msunduzi has the most favourable acid test ratio, followed by that of Ekurhuleni. Mangaung has the least favourable acid test ratio.

The percentage of revenue collected compared to that of revenue billed provides a valuable indicator of the overall efficiency of municipalities in collecting funds due to them. Only a few cities have provided this information over the last two years. Msunduzi indicates a dramatic improvement in debt collection between 2002/3 and 2005, to 98% (see table 3-16).

The debtors age analysis indicates the debt owed to each city. Debt over 90 days often represents historic debt. High levels of debt can also indicate high levels of poverty and residents' inability to pay for services, rather than inefficiencies in collection on the part of the city (see table 3-16).



Table 3-13: Municipal operating budgets 2004/05 (revenue)

Budgeted revenue												
Municipality	Regional levies	Regional levies as percentage of total income	Property rates	Electricity	Electricity revenue as percentage of total income	Water	Sanitation	Refuse removal	Subsidies and grants	Other income	Subsidies and grants as percentage of total income	Total
Buffalo City			250 778	386 154	28,9	139 545	96 720	83 484	225 927	152 273	16,9	1 334 652
Cape Town	850 150	7,5	2 322 385	2 302 728	20,3	781 986	537 655	433 585	1 193 514	2 903 503	10,5	11 325 505
Ekurhuleni	574 300	7,9	1 424 599	2 762 922	38,0	1 010 332	305 608	315 728	417 462	468 356	5,7	7 279 307
eThekweni	173 751	2,0	2 583 378	2 921 000	34,1	1 142 894	49 266	84 461	336 630	1 265 476	3,9	8 556 855
Johannesburg	1 480 484	12,4	2 732 325	3 217 221	27,0	2 560 590		394 771	486 432	1 063 973	4,1	11 935 796
Mangaung			196 666	436 722	30,9	187 135	69 994		217 300	306 455	15,4	1 414 272
Msunduzi			269 255	444 472	37,3	158 504	54 550	35 627	77 892	151 382	6,5	1 191 682
Nelson Mandela	202 445	6,5	467 166	1 018 500	32,5	248 041	182 388	92 649	650 982	271 396	20,8	3 133 567
Tshwane	520 200	7,7	1 446 500	2 343 000	34,7	898 800	203 300	213 500	318 058	814 070	4,7	6 757 428

Table 3-13: Municipal operating budgets 2004/05 (expenditure)

Budgeted expenditure													
Municipality	Salaries, wages, allowances	Electricity bulk purchase	Water bulk purchases	Sewer payments	Other	Repairs, maintenance	Interest and redemption	Contributors to special funds	Provisions for working capital	Gross budgeted expenditure	Less amounts reallocated	Salaries, wages, allowances as percentage of total budget	Total
Buffalo City	472 138	225 528	64 886		294 315	56 405	159 418		61 950	1334 640		35	1 334 640
Cape Town	2 947 391	1 555 900	166 006		4 805 004	820 271	1 033 963		375 632	11 704 167	378 662	26	11 325 505
Ekurhuleni	2 242 113	1 674 496	753 708	154 357	2 782 020	709 008	211 768	25 210	632 894	9185 574	2 048 072	31	7 137 502
eThekweni	2 745 514	1 606 801	660 388		2 388 332	976 120	1 348 063	35 783	(3 175)	9757 825	1 200 970	32	8 556 855
Johannesburg	3 210 047	2 096 052	1 328 805		3 616 512	188 523	570 556		936 192	11 946 687		27	11 946 687
Mangaung	477 817	267 487	134 454		378 686	112 504	127 911	27 942		1526 801	114400	34	1 412 401
Msunduzi	361 270	279 885	113 098	40 381	378 643	43 212	147 370	84 983		1448842	261 080	31	1 187 782
Nelson Mandela	880 166	561 928			1 565 154	223 025	31 245	438 045	177 003	3876 567	743 844	28	3 132 723
Tshwane	2 207 120	1 112 977	549 800	260 829	2 164 254	861 716	687 044			7843 740	1086312	33	6 757 428

Community

The relationship between the community and government structures is an important indicator of good governance. This can be measured by looking at the effectiveness of both formal and informal channels of communication between the city and its residents. Good relationships between community and government will mean that residents feel involved in the practices of government and that government reciprocates by

ascribing importance to civil society. There should also be effective mechanisms for communication between government and community, an absence of crime, efficiency of land release to keep up with migration into the city, and an ability by government to exert control over areas in its jurisdiction.

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continued

Table 3-14: Spending capacity of municipalities, 2004/5

Municipality	Total budget	Capital expenditure budget (Rm)	Capex spent (Rm)	Percentage spent (%)	Operating expenditure budget (Rm)	Opex spent (Rm)	Percentage spent (%)
Buffalo City	1 506	328	177	54,00	1 178	1 096	93,00
Cape Town	10 370	1 535	935	60,90	8 835	5 417	61,30
Ekurhuleni	8 606	1 079	760	70,40	7 527	6 117	81,30
eThekweni	10 591	2 665	2 399	90,00	7 926	7 532	95,00
Johannesburg	13 946	1 972	2 085	105,70	11 974	12 279	102,50
Mangaung	1 561	242	176	72,70	1 319	960	72,80
Msunduzi	1 378	187			1 191		
Nelson Mandela	4 285	556			3 729	3 891	104,40
Tshwane	8 215	1 224	1 195	97,60	6 991	6 223	89,00

Source: Based on Local Government Database provided by Treasury

Table 3-15: Acid test ratio 2003/4

Indicator	Buffalo City	Cape Town	Ekurhuleni	eThekweni	Johannesburg	Mangaung	Msunduzi	Nelson Mandela	Tshwane
Current assets minus inventory (R'000)	196 892	2 278 289	1 625 383	2 241 345	3 975 578	260 027	514 159	434 456	1 662 776
Current liabilities (R'000)	424 974	3 363 840	1 516 229	3 521 762	4 443 737	801 977	293 989	567 428	2 822 399
Acid test ratio	0,5:1	0,7:1	1,1:1	0,6:1	0,9:1	0,3:1	1,7:1	0,8:1	0,6:1

Source: StatsSA

Table 3-16: Revenue collection and debtors analysis

Indicator	Date	Buffalo City	Cape Town	Ekurhuleni	eThekweni	Johannesburg	Mangaung	Msunduzi	Nelson Mandela	Tshwane
Percentage revenue billed collected vs revenue billed	2006 2005 2002/3	97,2%		87,4%			93,2%	98,8%		
		83,0%	93,0%		89,0%	88,0%	92,0%	88,0%		97,0%
Debtors Age Analysis, 2004/5										
		*								
0 – 30 days	Amount %	100 185 22,3%	561 709 14,5%	695 829 10,2%	255 043 10,9%	777 911 8,4%	17 222 4,0%		142 178 16,2%	286 100 15,4%
31 – 60 days	Amount %	24 601 5,5%	137 726 3,6%	213 129 3,1%	82 625 3,5%	360 437 3,9%	28 080 6,6%		26 715 3,0%	106 200 5,7%
61 – 90 days	Amount %	17 608 3,9%	85 902 2,2%	135 006 2,0%	40 293 1,7%	262 292 2,8%	13 923 3,3%		11 607 1,3%	1 467 000 78,9%
Over 90 days	Amount %	306 897 68,3%	3 094 174 79,8%	5 809 020 84,8%	1 961 870 83,8%	7 818 727 84,8%	367 886 86,1%		698 194 79,5%	
Total		449 291	3 879 510	6 852 984	2 339 692	9 219 368	427 110		878 693	1 859 300

*Not available for Msunduzi

Source: % revenue collected – municipalities, debtors age analysis – Local Government database from Treasury

Table 3-17: Residents' perceptions of government

Indicator	Buffalo City	Cape Town	Ekurhuleni	eThekweni	Johannesburg	Mangaung	Msunduzi	Nelson Mandela	Tshwane	Total or average
Percentage registered voter turnout, 2006	52,4%	49,8%	43,0%	44,2%	40,4%	44,9%	47,8%	41,2%	56,1%	43,0%
Number of street marches/service delivery protests in 2005/6			35	65		31				
Percentage residents satisfied with:										
Trust local government (municipality)	78%	39%	43%	40%	36%	49%	41%	43%	36%	41%
Access to municipal officials	17%	63%	47%	61%	46%	53%	66%	67%	48%	56%
Helpfulness of municipal officials	17%	56%	39%	57%	37%	46%	58%	45%	42%	49%
Ability of municipality to respond to complaints	20%	49%	31%	49%	36%	40%	37%	40%	41%	43%
Ability of municipality to rectify problems	15%	48%	31%	48%	39%	33%	39%	44%	43%	42%
Quantity of water available to householders	46%	79%	78%	76%	83%	75%	74%	73%	79%	77%
Safeness of water for drinking	59%	84%	95%	89%	89%	79%	88%	69%	94%	86%
Billing system that is in place	34%	65%	41%	57%	41%	56%	35%	62%	39%	53%
Cost of water and sanitation services	24%	62%	41%	38%	36%	50%	26%	49%	39%	44%
Provision of free basic services	24%	57%	32%	60%	28%	45%	44%	32%	36%	46%
Type of toilet provided by municipality	29%	72%	61%	78%	80%	40%	63%	74%	81%	72%
Safety/health of toilet available to householders	39%	78%	64%	80%	83%	62%	71%	73%	84%	76%
Municipal disposal of waste water	27%	61%	59%	70%	66%	48%	68%	54%	75%	64%
Government handling supply of water and sanitation	41%	76%	54%	82%	75%	63%	76%	63%	79%	73%
Government handling providing electricity in neighbourhood	41%	76%	51%	85%	63%	88%	76%	69%	81%	74%
Government handling removal of refuse in neighbourhood	24%	75%	56%	82%	68%	70%	67%	64%	77%	72%
Government handling affordable housing in neighbourhood	17%	41%	30%	42%	27%	53%	26%	34%	38%	37%
Government handling access to health care in neighbourhood	46%	44%	43%	51%	43%	53%	50%	38%	61%	47%
Government handling treatment of sexually transmitted infections	43%	40%	41%	26%	25%	46%	46%	31%	39%	34%
Government handling cutting crime in neighbourhood	20%	19%	18%	13%	10%	33%	23%	15%	16%	16%
Government creating jobs in your neighbourhood	17%	13%	5%	9%	5%	20%	6%	9%	11%	10%
Government handling land reform in neighbourhood	24%	21%	23%	23%	27%	47%	37%	26%	25%	25%
Government handling providing social grants in neighbourhood	80%	47%	70%	50%	59%	69%	63%	30%	65%	54%

Source: HSRC's South African Social Attitudes Survey (SASAS) 2005

Sample sizes are too small to make inferences in the cases of Buffalo City and Msunduzi

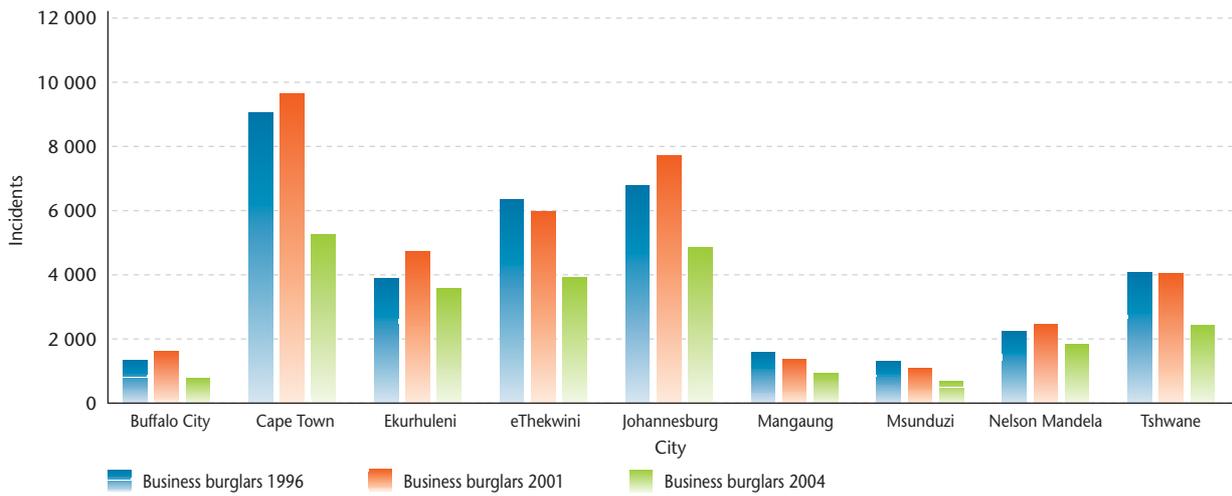
As can be seen from table 3-17, Nelson Mandela and Buffalo City had the highest proportion of turnout of registered voters in the 2006 local government elections, suggesting relatively high levels of residents' involvement in government. The lowest turnout was in Johannesburg.

Table 3-17 also indicates residents' attitudes to government performance. Across all cities, residents were least satisfied with government's ability to create jobs in the area. After that, residents were unhappy with government's handling of crime in the neighbourhood. Low

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Figure 3-51: Business burglars



levels of satisfaction in most cities are also related to government's handling of land reform. In the largest five cities, the highest levels of satisfaction are over the safety of the drinking water. Interestingly, Mangaung records no levels of satisfaction less than 20%.

Burglaries aimed at business provide one indicator of levels of crime in cities. According to South African Police Services data,

'business burglaries' appear to have declined in all cities. In some cases, numbers of burglaries increased from 1996 to 2001, but in all cases, numbers have dropped to 2004, often to levels below those in 1996 (see figure 3-51).



The sustainable city

There is very little data describing the ecological dimensions of the sustainable city. No municipal level data is collected at national or even at provincial level, and data sourced from municipalities directly is extremely patchy. This suggests that the monitoring and recording of environmental sustainability is a relatively low priority for many of the nine SACN cities. There are however some initiatives in place to improve the sustainability of South African cities. For example, a global forum on biodiversity held in Rome in June 2006 revealed that South African cities are leaders in conserving biodiversity in urban areas.

The concept of urban sustainability looks at the relationship between urban activities and the bio-physical environment – both within cities and beyond the cities' borders. When urban centres grow they utilise resources from well beyond their geographic boundaries. The environmental performance of cities must therefore be analysed at two scales:

- There should be an improvement of environmental quality within city boundaries; and
- Cities should also transfer fewer environmental costs to other people, other ecosystems and future generations.

Given that concepts of sustainability include ecological, social, economic and governance dimensions, some sustainability indicators, such as waste and water, growth in property development, and the impact of HIV/Aids, have been addressed in other parts of this chapter. This part reviews two sustainability indicators that have not been reported on elsewhere and then summarises the key trends in sustainability across a range of indicators.

Urban density

Urban density has important implications for environmental sustainability. Some urban theorists have identified low-density development as one of the critical factors inhibiting the creation of sustainable settlements: Low-density settlements are problematic in that they generate:

- Inadequate population thresholds which are unable to support viable public transport, shops or social facilities;
- Vast distances between neighbourhoods forcing residents to rely on motorised transport which in turn contributes to

unsustainable use of fossil fuels and results in high levels of air pollution;

- Inefficient land utilisation patterns, consuming vast tracts of open agricultural land on the urban periphery;
- Inconvenience for residents who have to spend large amounts of time commuting from one part of the city to another;
- High costs for municipalities who are obliged to deliver services to far-flung areas; and
- Infrastructural inefficiencies that arise when relatively few people utilise available resources.

New housing developments built since 1994 have perpetuated these low-density urban patterns. Housing schemes, generally using project-linked housing subsidies, have promoted the familiar one-house per plot housing typology – often on the urban periphery reinforcing the sprawling, fragmented, racially divided character of South African cities.

But the question of density is a contested issue. Other researchers have argued that densifying cities may increase the geographical loading on the environment³⁴. This results in a loss of available natural spaces and increasing pressure on available resources, infrastructure and services.

Figure 3-3 reflects the changing densities in South African cities. It shows that urban density varies considerably across the different urban centres in South Africa, with Johannesburg being the most dense urban area in the country followed by eThekweni and Cape Town. Ekurhuleni as part of the Gauteng conurbation is also relatively dense. Of the smaller cities Msunduzi is the most dense and Mangaung the least dense. Densities to some extent reflect local government demarcations, with some cities having large rural areas within their boundaries. The densities of South African cities are much lower than other global urban centres. Inner London has densities of 13 346

URBAN TRENDS AND PERFORMANCE

continued

people per square km, Paris 24 439 people per square km, Calcutta metropolitan area has a density of 23 801 people per square km while Portland, Oregon has a density similar to that of South African cities – 1 560 people per square km³⁵.

South African cities are characterised by sprawl. This has its origins in colonial land utilisation patterns, apartheid segregation and the more recent impact of decentralisation, which has been a key feature of urban development in most South African cities. Although Cape Town suffers from urban sprawl, it also has high concentrations of dense development as a result of the high land values close to Table Mountain and the Cape Peninsula mountain range. Attempts have been made to compact other cities, with densification initiatives such as the new Point Precinct Development in the inner city of eThekweni Municipality, the development of the integrated settlement of Cato Manor in eThekweni and Blue IQ's Newtown Precinct in Johannesburg. Most of the initiatives for densification within the inner city and surrounding areas also focus on urban renewal.

All of the nine cities have shown an increase in density between 2001 and 2005, but this may not be significant in terms of sustainability in the short term given the relatively low densities of South African cities compared to other urban areas in other parts of the world. However, population growth without the associated growth in services – water, waste, energy and housing – will have an immediate negative impact on environmental sustainability. Population growth will also result in the densification of poorer settlements in the city, while the wealthy continue to move out to the edges, contributing to further urban sprawl.

Many South Africa cities have seen the growth of gated communities on the edges of cities. This trend represents both greater densification, because the housing occupies less land, it but also increasing urban sprawl, as these complexes are often

developed on greenfield sites on the urban edge. They are also an indicator of greater polarisation and social divisions within cities, as urban residents isolate themselves from the city as a whole.

Table 3-18 shows that the value of townhouse plans passed has increased dramatically. This growth is also likely to be indicative of the rise in gated communities, since townhouses are usually developed on this basis. It also reflects the increasing value and market demand for townhouse complexes in the upper income group.

Public transport

Public transport is a useful indicator of urban sustainability: good public transport makes cities more accessible and reduces the need for private transport. Between 1996 and 2003, the use of public transport – including trains, buses and taxis – increased in the six metros, both as a share and in absolute terms (see figure 3-52).

But there are different trends for the various modes of public transport (see figure 3-53):

- The use of rail has remained proportionately the same but with variations across the six metros;
- Bus use has declined;
- The use of taxis has increased; and
- Walking as a form of transport has declined.

This suggests that there has been a shift from buses to taxis, and that taxis are an increasingly dominant form of public transport. There was a 17% increase in taxi ridership in Cape Town alone between 2002 and 2003. However taxis are not

Table 3-18: Value of townhouse plans passed as a percentage of total residential plans

	Buffalo City	Cape Town	Johannesburg	Ekurhuleni	eThekweni	Mangaung	Msunduzi	Nelson Mandela	Tshwane
2004	10	11	15	40	35	43	40	26	41
2002	1	7	16	16	29	34	8	10	36

subsidised and are also the most expensive form of public transport for distances greater than approximately 5 km. A trend away from high occupancy vehicles, like buses, to vehicles carrying fewer passengers, like taxis and cars, has negative implications for urban sustainability, resulting in increased traffic congestion, increased levels of emissions and greater use of fossil fuels.

There are also significant cost impacts of these trends affecting the ability of the poor to access the urban system. Situations in which more than 10% of households spend over 15% of household incomes on work journeys can be regarded as discriminatory³⁷. According to the National Household Travel Survey of 2003, 37% of public transport commuters in metropolitan areas spend

Figure 3-52: Use of public transport, 1996 and 2003

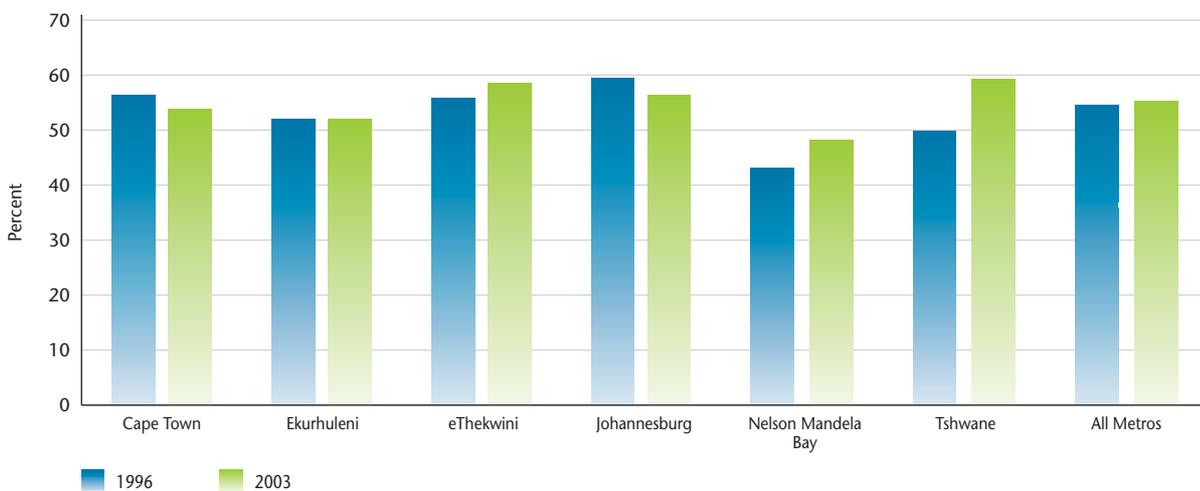
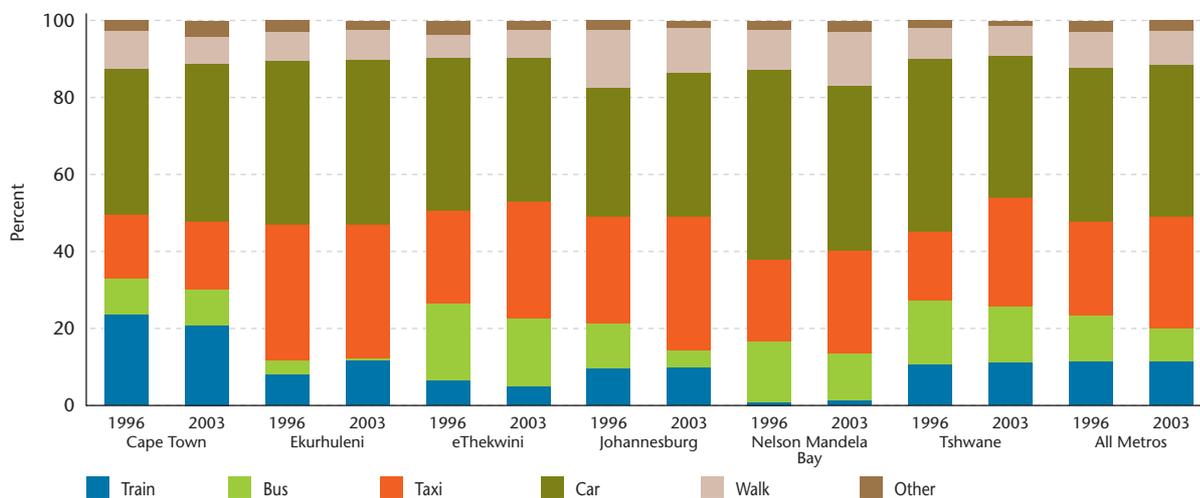


Figure 3-53: Percentage share of transport modes by city, 1996 and 2003



URBAN TRENDS AND PERFORMANCE

continued



over 15% of their personal income on transport, and 24% spend over 20% of their income on transport. Below a certain income threshold, residents resort to walking.

According to Johannesburg's 2003 Integrated Transport Plan, 46% of commuters were spending more than 10% of their personal income on work trips. In 2005, in Gauteng, more than 480 000 people spent more than 20% of their income on public transport³⁸.

The poorest households in South African cities are most likely to rely on taxis which are un-subsidised and are the most expensive form of public transport for high volume routes.

Dissatisfaction with public transport services is high. According to the 2003 National Household Travel Survey

- 47% of households thought that public transport facilities were not available or too far away
- 32% of households were concerned with safety and driver behaviour, particularly in relation to taxi services; and
- 15% cited the high cost of public transport.

Low-income and informal households identified inaccessible public transport services as a key issue. This suggests that public transport is failing those who rely on it the most, namely poor households. High taxi fares also emerged as a key concern for informal households in a Johannesburg survey.

While statistics are hard to come by, car ownership appears to be increasing rapidly, alongside worsening congestion on roads. Over the past two years, new car sales have increased by 27% per annum on average. The total number of new vehicles bought in 2005 totalled approximately 617 000, which represents a 10% increase on the 6.3 million registered light vehicles in March 2005³⁹.

In summary:

- Rail subsidies at R2.7 billion a year (67% of operating costs), combined with an inability to collect sufficient fares to cover the rest of the operating costs, have resulted a declining rail system.

- Bus subsidies at R2.3 billion a year (about 40% of operating costs for commuter bus services) have not proved sufficient to increase bus ridership.
- Both bus and rail commuter subsidies appear to be poorly targeted, and are not reaching poor, often stranded passengers. Subsidies still reflect commuting patterns from former homelands, potentially reinforcing apartheid city form.
- While minibus taxis receive no formal subsidies, they have indirectly benefited from lower levels of enforcement by not having to comply with roadworthiness or traffic laws. The implementation of the taxi recapitalisation project will provide eligible taxi owners with a capital subsidy, which will reduce their operating costs through the reduction of interest and redemption payments. However, the project will also introduce stricter vehicle safety standards and operating conditions, resulting in increased operating costs for taxi operators. Despite this, there are no plans currently to subsidise their operational costs.
- The poorest urban residents rely on taxis and pay the most per trip.

Some of the key debates facing the transportation sector at the moment include:

- The need to revisit the transport subsidy system;
- Addressing the affordability and accessibility of the public transport system, particularly for the poor. Public transport expenditure has a major impact on the household budgets of the poor, generally far greater than the municipal services bill.
- The need to recognise the intimate relationship between housing and transport, both in terms of planning and ongoing subsidy implications;
- The devolution of public transport functions to cities;



- Development of clear financial framework;
- The viability of the Transport Authority as laid out in the National Land Transport Transition Act of 2000.

The overall result of the current transport situation is one of increasing congestion, longer travel times, soaring fuel bills and less access for the poor. All point to lower levels of urban sustainability.

Sustainability indicators

It is clear that the principle of sustainability has started framing decision making in the nine cities in South Africa. This is reflected in national legislation and municipal level policies and programmes. However, the implementation of these ideals is proving difficult. There are however many examples of initiatives that are taking place within the nine cities, such as the conservancy programme in Tshwane, the environmental services approach in eThekweni and Cape Town's biodiversity strategy. Energy, waste and water programmes are also improving the provision of basic services. Many of the cities are now producing State of Environment Reports, although these tend to be more about strategy than the reporting of environmental data. Cape Town's Sustainability Report provides a good example of the value of environmental reporting. However, pressures on cities for development, and the trends for service and housing provision indicate that environmental issues are not being taken seriously at a political level. This will compromise long-term sustainable development. Improved reporting, through the collection of reliable and comparable data, is critical in making meaningful judgements about sustainability in South African cities.

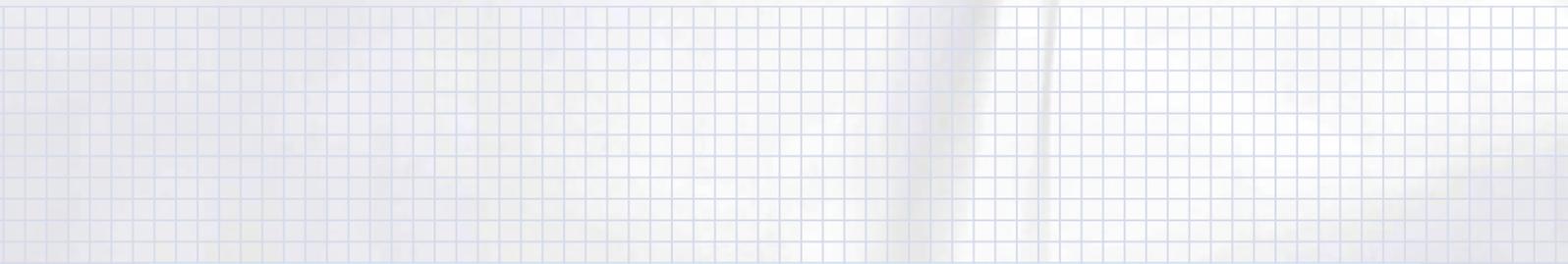
URBAN TRENDS AND PERFORMANCE

continued

Endnotes

- ¹ The city estimates were based on the Stats SA 2005 mid-year population estimates for the provinces that were disaggregated to district municipality (DC) level by Prof. Dawie Stoker for the HSRC. To obtain estimates for the three non-metropolitan cities, namely Buffalo City, Mangaung and Msunduzi, the DC mid-year estimates were then further disaggregated down to the local government level by the HSRC's GIS Centre.
- ² Steenkamp, H.A. (2005). *Population estimates for South Africa by magisterial district, metropolitan area and province, 2001 and 2005*. Research Report No 342. Pretoria: Bureau of Market Research, University of South Africa.
- ³ Unpublished estimates produced and kindly provided by Mr J M Calitz, DBSA.
- ⁴ Estimates (for 2004) from Quantec South Africa Standardised Industry Database. (See: <http://www.quantec.co.za/>)
- ⁵ See <http://www.globalinsight.co.za/products/REF.asp>
- ⁶ Unpublished estimates for the Presidency, produced by the Demographic Information Bureau (DIB), Pretoria.
- ⁷ No permission has been obtained to publish the other estimates mentioned.
- ⁸ Statistics SA's provincial population estimates are based on a projection of 2001 census figures. However the 2001 figures have been revised since the actual census report, and are therefore a different base from the 2001 census figures for the cities reflected in the 2004 State of Cities report and in this almanac.
- ⁹ Statistics South Africa. 2005. *Mid-year population estimates, South Africa, 2005*. Statistical Release P0302. Pretoria.
- ¹⁰ Migration to the cities seems to be continuing, but circular migration is still prevalent (as reported by the Statistician General, Mr Pali Lehohla, "Studies reveal the circular nature of urban migration" in *Business Report* of 4 May 2006). Circular migration, often most visible in informal settlements, not only contributes to popular perceptions of rapid city growth but it also presents a major challenge to formal housing and service delivery by city municipalities.
- ¹¹ The growth rates reported for the period 1996–2001 in the 2004 State of the Cities Report for Johannesburg (4,10%), Ekurhuleni (4,12%) and Tshwane (3,37%), which were based on the 2001 census data, were apparently far too high.
- ¹² United Nations (2004) *World urbanization prospects: The 2003 revision*. New York: Population Division, UN Department of Economic and Social Affairs.
- ¹³ The ASSA2003 AIDS and Demographic Model which was released on 28 November 2005 has not yet been placed on the ASSA website at: <http://www.assa.org.za/>. [Last accessed on 17 May 2006.]
- ¹⁴ Shisana, O. et al (2005) *South African National HIV Prevalence, HIV Incidence, Behaviour and Communication Survey*. Cape Town: HSRC.
- ¹⁵ It should be noted that figures in table 3-2 are not the same as those in the accompanying almanac. It was decided not to rely on the estimates of household numbers for 2005 calculated directly from the 2005 mid-year population estimates presented in the almanac. These were based on the 2001 average household size, which means that their use inevitably leads to a circular argument. A new estimation of the 2005 mean household size (as contained in Table 3-2) was therefore undertaken by the HSRC. The formula used for estimating the average household size was as follows:
$$Mean_{2005} = \left[Mean_{2001} * \left(\frac{Mean_{2001}}{Mean_{1996}} \right)^{\frac{1}{5}} \right]^4$$
where: $Mean_{2005}$ = estimated average household size in 2005
 $Mean_{2001}$ = 2001 census-based average household size
 $Mean_{1996}$ = 1996 census-based average household size
- ¹⁶ Erasmus, J. & Tomlinson, R. (2005) *Skills development strategies for inclusive and productive cities: phase 1 report*. Prepared for the South African Cities Network, October.
Hall, E. and Roodt, J. (2005) *An analysis of the skills profile of the cities of the South African Cities Network*. Report to the South African Cities Network (October)
- ¹⁷ Statistics South Africa (2006) *Labour Force Survey September 2005*. P0210

- ¹⁸ Figures for the expanded unemployment rate are higher than Quantec's unemployment figures, which are based on the official definition of unemployment. The expanded unemployment rate definition includes categories of work-seekers who are not part of the official definition of the unemployed.
- ¹⁹ Hall and Roodt op cit.
- ²⁰ Viruly Consulting (2006) *The South African Property Market. Report to the HSRC as an input to the State of Cities Report 2006.*
- ²¹ A-grade office buildings are generally not older than 15 years, unless they have had a major renovation. They are in prime locations, with high quality finishes, have adequate on-site parking and air-conditioning. Market rentals are near the top of the range in the metropolitan area in which the building is located.
- ²² B-grade offices are generally older buildings, but accommodation and finishes are close to modern standards as a result of refurbishments and renovation from time to time. They are air-conditioned and have on-site parking, unless special circumstances pertain. Rents will generally be lower than A-grade buildings.
- ²³ Viruly op cit.
- ²⁴ No indicators for education have been included in this chapter as these are not available at a municipal level. The only health issue addressed in this chapter is HIV/Aids. Although both health and education are provincial functions, local government should engage coherently with other spheres of government to ensure effective delivery.
- ²⁵ It needs to be acknowledged that pockets of poverty within cities, with poorer access to basic services than average, obviously remain. Unfortunately, the law of averages means that these tend to be lost when referring to city-level development indicators.
- ²⁶ The number of households without adequate refuse removal decreased by 3,1% over the period.
- ²⁷ This explains why the increase in the numerical backlog for all nine cities between 2001 and 2004 (at 90 073) remains lower than the increase in the numerical backlog for eThekweni (105 855 households).
- ²⁸ See for example UNDP (2003) *South Africa Human Development Report 2003: The Challenge of Sustainable Development in South Africa: Unlocking People's Creativity.* Oxford University Press, p.44, Hoogeveen, J.G. and B. Özler (2004) *Not Separate, Not Equal: Poverty and Inequality in Post-Apartheid South Africa.* Washington, D.C.: World Bank.
- ²⁹ UNDP (2003) *South Africa Human Development Report 2003: The Challenge of Sustainable Development in South Africa: Unlocking People's Creativity.* Oxford University Press, p.44.
- ³⁰ It should be noted that financial information from the Treasury data base provides information on budgets, whereas data from Statistics SA reflects actual revenues and expenditures.
- ³¹ Beall, J, Crackshaw, O, and Parnell, S (2002) *Uniting a Divided City: Governance and Social Exclusion in Johannesburg,* London: Earthscan.
- ³² Plummer, J. (2002) *Focusing Partnerships: A Sourcebook for Municipal Capacity Building in Public-Private Partnerships.* London: Earthscan.
- ³³ Interview with Mr Krish Kumar, Chief Finance Officer
- ³⁴ Jenks M. and Burgess, R. (eds.) (2000): *Compact Cities: Sustainable Urban Forms in Developing Countries.* London: Spon Press
- Jenks, M., Burton, E. and Williams, K. (eds.) (1990): *The Compact City: A Sustainable Urban Form?* London: Spon Press
- Williams, K., Burton, E., and Jenks, M. (eds.) (2000): *Achieving Sustainable Urban Form.* London: Spon Press
- ³⁵ Wendell Cox Consultancy 2001
- ³⁶ *Provincial Expenditure Review, 2006*
- ³⁷ Armstrong-Wright maxim
- ³⁸ www.joburg.gov.za
- ³⁹ *Provincial Expenditure Review, 2006*



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This chapter examines how the nine SACN cities responded to the bold new agenda for municipalities outlined in the Local Government White Paper, the Municipal Systems Act and the Municipal Structures Act. It focuses on the first term of office of the new municipalities and looks at a five-year period, from the time these municipalities were inaugurated after the local government elections on 5 December 2000 until the next set of elections on 1 March 2006.

The chapter explores the strategies of these new municipalities in coming to terms with the challenge of developmental local government. It asks some important questions:

- How did these municipalities understand the challenges?
- What did they plan to do?
- What did they actually do?
- How did this evolve over the five-year term of office?
- What were their achievements and what were their shortfalls?

Analytical framework

This chapter relies on the analytical framework of the 2004 State of the Cities Report, using the four quadrants of the productive, the sustainable, the inclusive, and the well-governed city. These concepts are used to describe different aspects of city management: the productive city refers to activities focused on the economy; the sustainable city refers to environmental issues; the inclusive city describes actions focused on social issues; and the well-governed city refers to processes of governance and administration.

The chapter is the result of a highly interactive process. The SACN held work-sessions with the management teams of each of the SACN cities, to find out from city managers themselves what they were doing. This was supplemented by questionnaires, interviews, some informal surveys and a review of key municipal documents. The analysis that has emerged from this process is largely comparative. What did the cities share in common in their strategic approach? Where did they differ? How might this be explained? What conclusions can be drawn? What are the outstanding and emerging challenges that cities will need to address in their next term of office?

The Municipal Systems Act and the Municipal Structures Act

The MStructuresA and MSystemsA of 2000 ushered in new arrangements for the nine SACN municipalities. Six of these became single tier metropolitan “category A” municipalities, amalgamating the former local and metropolitan councils of what had formerly been a two tier system. For some metros this involved a change in municipal boundaries, extending the reach – and increasing the challenges – of the new metropolitan councils. The remaining three SACN cities became “category B” municipalities, also incorporating other areas adjoining the former city boundary. These three non-metropolitan cities now fell within the boundaries of a district municipality.

Urban issues are complex and cross-cutting

Categorising urban activities into the four quadrants – productive, inclusive, sustainable, well-governed – is a useful technique but does not neatly resolve all the issues. Many urban activities straddle a number of different quadrants. HIV and Aids, for example, might primarily be categorised as a social issue because it disrupts households, but it also has an economic dimension because it erodes the city's labour force. HIV and Aids also impacts on governance as cities struggle to provide appropriate services to residents who are ill who are increasingly unable to pay for them. This suggests that the strategic questions for cities are typically complex, cross-cutting and inter-related. Any other scheme for categorising action in the cities would have similar problems. The categories are a somewhat arbitrary – but very useful – way of dividing a complex menu of municipal actions into digestible pieces.



City strategy and the productive city

In the immediate post-1994 period, urban policy focused on the provision of basic services to residents disadvantaged by apartheid. This took the form of housing, water, sanitation and electricity. Initially, very little attention was devoted to thinking about how these services might be integrated with improving the productivity of South Africa's cities and how they might enhance economic efficiency. The result is that many gains that might have been made by addressing basic needs have been compromised by lack of attention to urban productivity issues. This can be clearly seen, for example, from patterns of low-income housing delivery on the urban periphery. This locates residents far from economic opportunity and increases the costs of economic participation of the poor.

This emphasis on basic needs has been accompanied by talk of economic growth and job creation. Indeed, city participatory and technical planning processes have typically identified economic growth and job creation as pressing priorities. But this has rarely been translated into city strategies. While there has been some attempt at developing economic strategies and moving towards more integrated transport and infrastructure planning, the concept of productivity is often implied, rather than explicit. Productivity is narrowly interpreted as the return on public investment in municipal service provision. There is little explicit consideration of how municipal choices impact on broader notions of urban productivity such as the costs of doing business and costs of living.

Urban productivity is of increasing national concern with questions being raised about the role of cities in such processes.¹ Cities themselves have begun to recognise these challenges. Some city municipalities have been placing greater emphasis on improved billing, streamlined procurement, infrastructure upgrades, maintenance, and on public transport integration. Some cities have also been exploring partnership ventures with various economic stakeholders to tackle specific local productivity obstacles ranging from skills shortages to land development barriers. But these initiatives have had limited impacts at this stage. A 2004 report by the Small Business Project², for example,

Urban productivity

The concept of urban productivity describes outcomes from the multiple points of interaction between local economic processes on the one hand and urban management and development processes on the other. Urban productivity is the result of the actions, past and present, of many different institutions, organisations and processes found in cities. Definitions of productivity centre on the scale and scope of wealth generation effects that arise from choices made by individuals and groups in private, civic and public sectors.

Urban spaces are places in which people produce goods and services and also reproduce the labour force. They can inhibit productivity or enhance its effectiveness. If the right choices are made about the allocation of efforts and resources, they can help create wealth. According to contemporary urban analysis, productivity is closely tied to matters of sustainability, governance and inclusivity. Sustained levels of poverty and deprivation hinder productivity gains in the long run and productivity barriers, in turn, undermine development prospects.

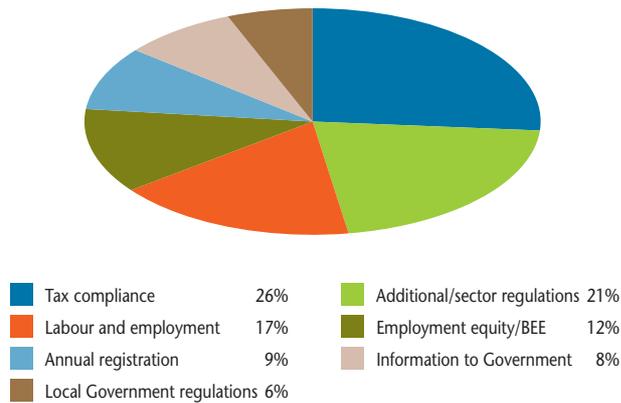
A wide range of factors impact on productivity:

- Social structure
- Skills
- Asset distribution and access to capital and land
- Governance (not just in the public sector but also in the private sector and the civil sphere)
- Provision of public goods and infrastructure
- Geography
- Effectively functioning markets
- Institutional density and capabilities

While local government can have a major impact on urban productivity – either constraining it, enhancing it or playing a contradictory role – it is critical to recognise that other spheres of government, other local stakeholders, global economic intersections and a host of other processes also contribute to urban development scenarios.

CITY STRATEGY continued

Figure 4-1: Breakdown of recurring compliance costs (Small Business Project 2004)



points to municipalities as key contributors to the costs of doing business (see figure 4-1). This suggests that matters of urban productivity need ongoing attention.

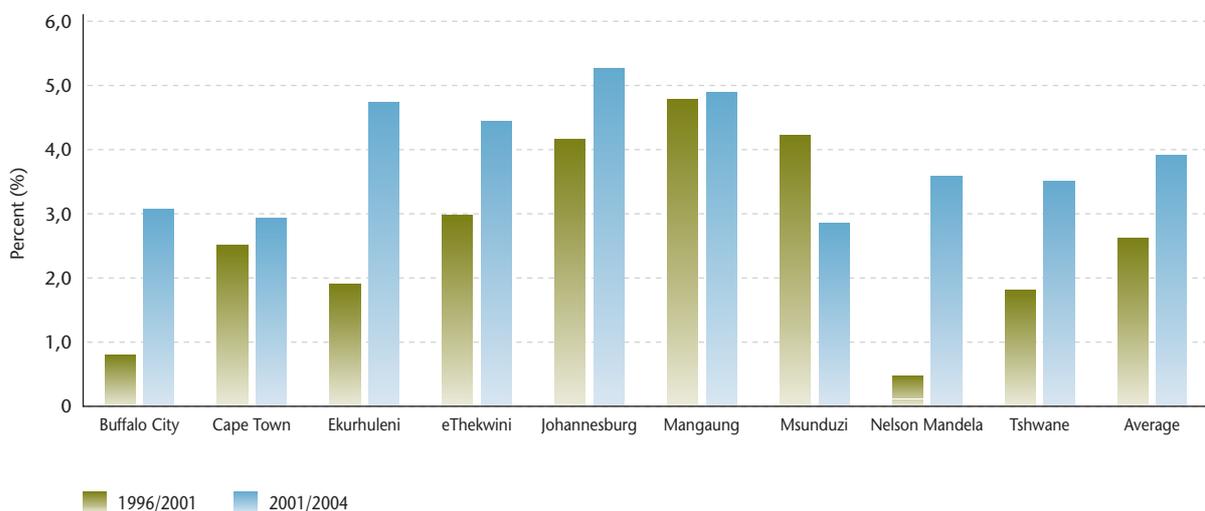
This section looks at how South Africa's city municipalities responded to the productivity challenges in four areas – economic development, 'second economy' interventions, transport, and spatial planning.

Economic development strategies and urban productivity

South Africa's economic restructuring in the past decade has had major, but different, impacts on all nine SACN cities. Depressed commodity prices and rising extraction costs saw the closure of mines employing tens of thousands of people in Ekurhuleni and Johannesburg. During this same period, eThekweni, Buffalo City and Cape Town experienced the loss of more than 50 000 clothing and textile jobs because of trade liberalisation and competition from cheaper imports. Between 1996 and 2001 the average rate of economic growth in the nine SACN cities was 2,65% rising to 3,94% in the period 2001 to 2004 (see figure 4-2). All cities saw a growth in unemployment during this period and most recorded only modest increases in formal employment. However, economic restructuring combined with favourable global trends have started to yield increased levels of growth for nearly all the cities since 2000.

In this context, economic development strategies in South Africa's nine largest cities went through a period of rapid evolution. A decade ago very few

Figure 4-2: Percentage change in total city product 1996/2001 and 2001/2004



urban centres in South Africa had explicit economic development programmes. Today each of the nine SACN cities has some form of economic development strategy. A key factor differentiating one strategy from another was the level of capacity built up during the late 1990s. Despite the focus on economic development issues in city integrated development plans (IDPs), some cities have dedicated very few resources to focused economic development programmes. Often, economic development units within municipalities consist of only one or two officials. Documented strategy material from these cities is generally less elaborate than that of cities with significant economic development staff capacity and matching budgets to buy in expertise.

The rationale behind economic development programmes in cities has tended to focus on low levels of local economic growth and high levels of unemployment and poverty³. A survey of the nine SACN cities conducted for SOCR 2006 shows that seven have stand-alone economic development strategies and the remaining two are in the process of developing these. The survey also showed which areas of local economic development (LED) were the most important for cities. These are shown in table 4-1,

Table 4-1: LED strategy focus areas in descending order of importance (based on average score for the nine cities)

1. *Regeneration of economic zones*
2. *Property development*
3. *Manufacturing sectors*
4. *Small business development*
5. *Partnership building*
6. *Regeneration of townships*
7. *Investment marketing and facilitation*
8. *Institutional development*
9. *Skills development*
10. *Improving city administrative effectiveness and efficiency*
11. *Development of new economic assets*
12. *Black economic empowerment*
13. *Urban agriculture*
14. *Informal economy development*
15. *Tourism marketing*
16. *New bulk infrastructure*
17. *Knowledge and services sectors*
18. *Information provision*

Examples of city LED-related capital projects

- *East London IDZ infrastructure (Buffalo City)*
- *ICC Durban expansion and ICC Arena (eThekweni)*
- *Bloemfontein-Mangaung LED corridor (Mangaung)*
- *Freedom Square in Pietermaritzburg (Msunduzi)*
- *Infrastructure maintenance in Kempton Park (Ekurhuleni)*
- *Khayalitsha node project (Cape Town)*
- *Inner City nodes in Johannesburg (Joburg)*
- *Beachfront upgrading in Port Elizabeth (Nelson Mandela Bay)*
- *Science Park (Tshwane)*

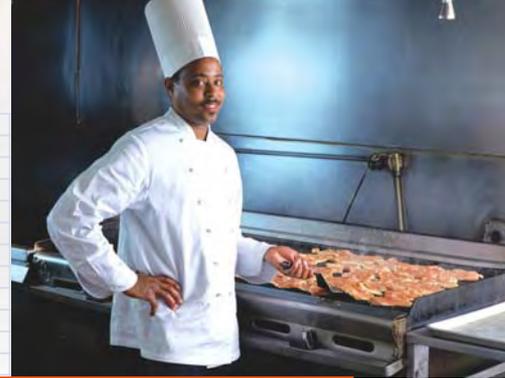
as identified by the cities in order of descending strategic importance.

Almost all the cities attributed some strategic importance to most of the items on the list. The four largest cities attach greater importance to knowledge and service sector activities while the smaller cities place more emphasis on information provision and development of local institutions. This is to be expected: the service sector is far more dominant in larger city economies whereas market and institutional failures are likely to be more common in smaller local economies.

City officials working in economic development also prioritised the closely related issues of regeneration and property development. The considerable influence and leverage of the city in these areas and the high visibility of these interventions, has resulted in a bias towards these types of activities. This suggests possible under-investment in more process-oriented interventions that might yield gains over a longer period of time, but in less tangible ways.

The survey of city officials also reflects a strong focus on the particular economic circumstances

CITY STRATEGY *continued*



of individual cities. eThekweni and Ekurhuleni have prioritised manufacturing sector development. Johannesburg on the other hand has a focus on the ICT sector as a prominent programme. Smaller cities with a significant rural hinterland, like Buffalo City and Mangaung, emphasised urban agriculture. Some cities have put effort into shifting their economies to faster growth sectors. In this context Michael Porter's caution deserves attention: "An equally if not more important policy focus is to upgrade the productivity of all the clusters in which the region has a meaningful position."⁴

Despite the widespread recognition of skills as a key factor in improving economic prospects it only enjoys a limited emphasis within city economic development planning. Only Ekurhuleni and Mangaung identify it as one of the most important focus areas in the IDP. eThekweni and Johannesburg give it some prominence in their longer-term city strategies. City officials explained that central and provincial governments did little to include local government in skills-related processes and that a lack of decentralised decision making did little to secure appropriate levels of municipal responsiveness.

There was broad consensus from the cities about their achievements in the last five years in the field of economic development. Most identified the creation of a dedicated local economic development (LED) capability, usually in the form of LED units, as a major step forward. Most also confirmed that small, medium and micro enterprise (SMME) development was seen as an arena where economic development strategy had been most effective. But these claims need further verification as most cities acknowledged weaknesses in their monitoring and evaluation systems.

The focus areas identified as the least successful included tourism, marketing and branding, procurement reform, and public-private partnerships. Cities also reported that there were governance and effectiveness problems with municipal economic development Section 21 companies. Cities expressed concerns about efforts to support non-sustainable SMMEs and the degree to which economic development has been integrated with other municipal activities.

The reasons for these failures generally include:

- Inappropriate institutional arrangements for economic development, particularly 'silo thinking' in municipalities, where each department focuses only on its narrowly defined mandate, without considering other interlinking issues;
- A tendency to manage processes in an excessively bureaucratic way, often compounded by inconsistencies due to changing procedural and legislative circumstances;
- Funds allocated to enterprise development programmes were often used to cover ever-rising fixed costs;
- Limitations on dedicated resources, both human and financial;
- Lack of integration of plans amongst local, provincial and national players with a particular concern at the lack of consultation about key economic policy matters;
- Lack of an effective organised local business voice;
- No coherent partnerships amongst business, civil society and government and a lack of leadership amongst these parties at the local level; and
- Poor management of decision making interfaces between politicians and officials leading to confused roles and responsibilities.

The prominence of economic development in city strategy is without question. All but two of the cities report that it is either the top priority or one of the top three strategic priorities in city strategy. How then does budgeting match up to this?

Analysis of city operational budgets reveals that the average allocation to support economic development work is 1,8% of total municipal operating spending. Remove the one city which spends more than 4% from the group, and the average drops to around 1%. This suggests that in



the realm of economic development, cities have a long way to go to match capacity and programme spending with their strategic intentions. If cities are to become significant local economic actors they will need funds from operating budgets to build capabilities and embark on productive programmes. One possible factor behind these low allocations is that LED operating budgets have been built up from a very low base or no base whatsoever. In a very constrained budgetary environment, this would involve shifting resources from one department to another and budget cuts elsewhere in the council. City officials also identified the limited – almost non-existent – programme funding allocated through central government grants to local economic development processes.⁵

The picture changes considerably when looking at the capital budgets of cities. Here economic development-related expenditure reported by cities appears to be much stronger proportionately and is generally growing as a proportion of total capital expenditure. The smaller cities, with relatively limited capital budgets, spend almost double the 4,3% average of all nine cities on LED-related capital projects with the larger cities in the 1,5% – 5% bracket. This reflects an attempt by the smaller cities to raise absolute spending on economic development-related capital spending closer to a sum which the large cities are spending in absolute terms. While one of the larger cities might allocate 4% of a capital budget to LED-related projects, possibly amounting to in the region of R70-80 million, a smaller city's 8% allocation of a capital budget might only amount to R20-30 million. This expenditure varies substantially from year to year according to the nature of projects being funded and shifting definitions of what constitutes economic development-related capital spending. Clearly all capital spending has some economic impact, but it is far from clear how much of the expenditure captured under this label was intended to have explicit economic benefits.

The mismatch between the scale of capital spending and operating funding of LED work requires some discussion. The cities expressed concern about the effectiveness and sustainability of much LED-related capital spending. Officials noted that to effectively leverage the projected benefits of a LED related asset, the project would need to be supported by a range of non-capital programmes. There is a tendency to

expect highly visible capital investments to have trickle-down benefits, but resources to 'sweat' the asset to ensure it can yield ongoing benefits are often missing. This situation points to a lack of post-project maintenance, and also an absence of institutional arrangements to ensure that the asset ultimately delivers on its employment-creation and economic growth objectives. Most cities identified this as a major challenge when a city's operational funds are limited and when staffing and support infrastructure costs are rising.

Municipal officials were also asked to identify the factors that would be most important to enhancing the effectiveness and impact of LED work in cities. Unsurprisingly for a survey conducted with municipal LED staff, the most important factor identified was that of increasing the skills and the number of LED staff. Closely related was a call for increased and more consistent attention to economic development challenges by municipal political and bureaucratic leadership. Municipal officials also identified improved partnerships with business and improved partnerships with national government as benefiting the effectiveness of LED at the municipal level. Smaller cities also indicated that improved, nationally-verified, low-cost data on the local economy was important in creating more effective policy and interventions.

According to officials, national initiatives that had most benefited local LED activities were:

- Auto cluster initiatives
- Industrial Development Zones
- Department of Labour support for skills development
- Stable fiscal policy environment and the emphasis on generating growth and employment
- Broad-based black economic empowerment
- The ongoing attention being given to SMME development.

CITY STRATEGY *continued*

The mention of the Motor Industry Development Programme and various cluster processes is not at all surprising, given that five cities are involved in manufacturing automotive components and motor vehicle assembly.

Officials also identified those national processes which had constrained the effectiveness of local LED strategies:

- Poor interaction and coordination amongst the three spheres of government
- The lack of delivery of explicit programmes across the spectrum of DTI work taking account of cities' particular needs
- Lack of a clear national perspective on cities in national policy
- Ongoing institutional changes
- Factors hindering creation of local development agencies.

Interactions with city officials suggest that cities and provinces often worked at cross-purposes on various programmes resulting in duplication or project delays, but there were some examples of productive co-operation, such as Gauteng's Blue IQ initiative. Officials consistently raised concerns that national government departments tended to roll out initiatives without engaging with city municipalities, who understand the local dynamics of their city economies and could provide useful input in the design and delivery of national programmes. For example, the commissioning of customised sector plans by the DTI did little to differentiate between regions in terms of their position in value chains.

The surveyed officials saw the past five years as a period of consolidation. They identified an increasing local acceptance of their LED role which was sometimes matched by the allocation of meaningful resources. This growing confidence should enable city municipalities to take more responsibility for economic development outcomes in the cities.

However, in many cases it appears that improved growth prospects and increased municipal confidence around LED interventions has been accompanied by declining attention towards other key issues relevant to urban productivity. Stakeholders outside local government make the point that insufficient attention has been given to 'getting the basics right' like improving the efficiency of administrative processes and regulations and keeping costs competitive. While some cities have created special teams to address strategic business

enquiries, most businesses find themselves having to deal with increased bureaucratic requirements and complex decision-making processes. These complexities have also been a factor in the burgeoning informal sector where policy changes and inconsistent processes of implementation have left street traders more, rather than less, vulnerable.

In an urban environment where up to a third of working-age people are unemployed there is an imperative for cities to understand the economic, and therefore urban productivity, ramifications for households of land-use planning, transportation and the provision of municipal services. Projects in Tshwane and eThekweni to roll-out low cost telecommunications access for poor households illustrate that it is indeed possible to generate urban productivity around the issue of telecommunications *and* ensure benefits to poorer urban households.

Second economy interventions

Cities have embarked on numerous interventions to support the 'second economy'. These include affirmative procurement policies, SMME support initiatives and the promotion and management of informal trading.

Yet despite a significant policy and legal basis for pro-poor LED that focuses on interventions in the second economy, the policy guidelines remain incoherent and elusive. Interventions by municipalities remain ad hoc with minimal results.

The debate between pro-poor and pro-growth strategies remains unresolved with some cities such as Johannesburg focusing more on pro-growth strategies to enhance their competitiveness in the global market, while others such as Mangaung focusing mainly on interventions targeting the second economy. The informal economy of Mangaung accounts for

First and second economies

Since 2000 the terms 'first economy' and 'second economy' have been used in many national government pronouncements and these terms are now widely used by policy makers in other spheres of government. National government policy documents present the 'first' and 'second' economies as having some of the following characteristics, primarily engineered under apartheid:

First Economy	Second Economy
Dominated by a small, mainly white, minority	The bulk of South Africans, almost all African
High skill	Low skill
Globally connected	Disconnected from global economic processes
Internationally competitive	Very weak competitive base
Access to capital and land	Little or no access to capital and land
Access to and know-how of information and communications technology (ICT)	Little or no access to and know-how of information and communications technology (ICT)
Operating from world class environments	Operating from isolated environments with poor infrastructure and services
Formal enterprise	Informal or micro enterprise

The purpose, according to national government policy, of identifying the 'two economies' is to ensure that policies can be tailored to the different issues operating within each economy. This is meant to avoid a situation where policy fails to respond to differentiated needs – especially the needs of the poor.

The 'two economies' framework has been criticised as too simplistic. Critics have argued that the character of the 'first economy' perpetuates the economic marginalisation of the majority.

Irrespective of the terminology, the challenge for local government is become relevant to both the poor as well as to those businesses that have potential to drive the performance of local economies in a sustainable way. This requires adoption of explicit policies and programmes that avoid actions which perpetuate inequalities.

almost 50% of local jobs. eThekweni is positioning itself to compete globally but is also promoting the second economy through interventions like small business support, community tourism, urban agriculture and by providing township business centres. Key initiatives include the Warwick Junction and the Regeneration Fund. Poverty alleviation through community-based environmental management programmes feature prominently in Cape Town's LED strategy. This involves disposing of 20% of the city's refuse via a partnership between the municipality, a non-governmental organisation and private business.

In most SACN cities there has been an acknowledgement that there is an overlap between first and second economy interventions. Even those that focus on global competitiveness

have paid some attention to small and informal businesses. An investigation of pro-poor LED in South Africa in 2005 conducted by Rhodes University demonstrated that cities have supported the second economy through a range of interventions including: infrastructure provision; social development; provision of free/subsidised services in terms of indigent policies; preferential procurement policies targeting under-resourced service providers; small-business development support, skills development and marketing.

CITY STRATEGY *continued*



Transportation strategies and urban productivity

Existing transport infrastructure has not served the economy well, with the result that private sector operators and the informal, private taxi industry provided the only meaningful alternative. In the immediate post-1994 period, local government tended to focus on:

- Extending the tarred road networks within townships and to peripheral nodes;
- Seeking means to restructure highly fragmented bus services and to stem the haemorrhaging of public funds;
- Establishing forums with various service providers – mainly private bus services and taxi operators – in an attempt to introduce a measure of regulation and co-ordination;
- Planning for the extension of services, improving levels of operation and lobbying for improved national policy frameworks to enable greater integration with other modes.

Local government progress on these key transportation issues has been patchy. The environment prior to 2000 was further complicated by policy inconsistency at the national level. National government failed to progress fully on the taxi recapitalisation process and there were stalled reforms to the commuter rail network. But some progress was made on the reallocation of municipality road budgets to new capital projects in the townships and the provision of extensive formal rank facilities for taxi operators. Municipalities also began to exhibit an emerging strategic planning capability as processes of transformation stabilised. Nevertheless, despite these positive signs most municipal officials concede that in the period prior to 2000 most residents who relied on commuter transport experienced erratic levels of service. Reasons for poor services included: reduced public bus services resulting from privatisation or budget cuts, old and poorly-maintained equipment, institutional conflict between role-players on the street and in the boardrooms, and the mismatches between funding for supply of public transportation services and the demand for these services.

These problems are eloquently detailed in the IDPs of the post-2000 municipalities. These IDPs suggest that many of the councils were seeking to move away from notions of transport services aiming purely at getting people from point A to point B.

Good urban transport is a win-win-win

One of the primary strategies for decreasing emissions, preventing climate change and improving resident health in cities is upgrading transport systems. Efficient mobility is essential to the economic success of cities, and mobility is facilitated by transport systems that are cost-effective, responsive to changing demands, environmentally sound, and accessible to all residents.

Source:
State of the World Cities 2006, UN-HABITAT

Instead, the IDPs argued that transport infrastructure investments could play a critical role in creating a more efficient and equitable spatial structure. Strategic public transport would help transform apartheid spatial planning as well as stem post-apartheid trends of urban sprawl. Some of the IDPs also made tentative claims about cities having to embrace changing economic circumstances by investing in new business development nodes. Some IDPs also directed significant resources towards maintaining existing transport infrastructure networks, particularly those serving economic zones experiencing rapid increases in freight and private vehicle use.

Many city strategy documents and business plans recognise that effective transport investments can contribute to spatial transformation and greater urban productivity. However, despite some common threads, responses to the strategic challenges remain relatively uneven. This unevenness can be ascribed to regional investment patterns by government in the past or the geographic location of the cities. Rail, for example, features prominently in eThekweni, Johannesburg and Cape Town but is rarely included in Msunduzi's and Mangaung's strategic transportation planning.⁶ In other cases the



unevenness continues to reflect the different institutional status of the municipalities in different cities. Buffalo City, Mangaung and Msunduzi, which are category B municipalities and fall within district councils, expressed some concern at the shortage of funds being allocated at the district level for city transport priorities. Neglect of critical rural-urban linkages has also been identified as a problem for all the cities. These generally have not been well-integrated with urban transportation.

Institutional matters also continue to present challenges to the metropolitan municipalities. Recently these debates have centred on the promulgation of the National Land Transportation Transition Bill. This bill allows metropolitan councils to establish Metropolitan Transport Authorities (MTAs) with the responsibility to:

- Prepare transport plans
- Develop transport policy
- Perform financial planning
- Manage movement of persons and goods
- Promote public participation
- Perform transport contracting function

eThekweni was the first of the six metros to try and establish a MTA, and many of the others have undertaken considerable planning work towards this objective. But eThekweni has reported that despite its ability to meet the establishment conditions, other transport stakeholders – including the National Department of Transport, Metrorail and National Treasury – have not yet made the necessary adjustments to their own practices to enable the MTA to fulfil its designated functions.

Despite the continued uncertainty in the institutional frameworks, the metros have proceeded with the development of Integrated Transport Plans (ITPs) and the roll-out of various programmes including the introduction of operating licences for service providers. Municipalities have tried to devise co-operative arrangements with sector stakeholders, like taxi operators, to try and achieve progress through negotiation. Co-operation around strategic transport investment has been a major topic of conversation in Gauteng City Region dialogue between the Gauteng Provincial Government and the major Gauteng urban areas (see page 2 – 17).

At a strategic level, the 2010 Soccer World Cup has accelerated city transportation planning in the prospective host cities. A key challenge identified by all the municipalities has been to ensure that the exceptional investments to meet the World Cup commitments will be able to serve the city long after the event itself. Officials from cities that will not be hosting matches have also committed themselves to substantially transforming the nature of public transportation in their cities in the next decade.

Many cities are developing more effective management and investment strategies to deal with freight transport. These cities are looking to improve the integration of road transport with rail, and at port and air platforms that better serve the economy. All the port cities have engaged in dialogue with Transnet and the National Port Authority because of substantial growth in maritime cargo handling and the shift in freight transportation from rail to road. While the Transnet family of transport parastatals have traditionally guarded their own plans, greater levels of co-operation are emerging around preparing for future investments. In Durban, Transnet and eThekweni Municipality have formed a joint planning forum to address day-to-day problems and to plan the future for the Port of Durban. There are similar attempts at co-operative planning between various Transnet and private sector players and the City of Johannesburg around the City Deep facility. The announcement of investment plans by the parastatals to increase capacity around strategic port and rail facilities during 2005 has added increased impetus to these interactions. But municipal officials have sounded a word of caution: weak maintenance spend on transport infrastructure and constraints to budgets for new investment could inhibit a number of projects.

CITY STRATEGY *continued*

The city's planning capacities might also be improved by the release of well-located, under-utilised, parastatal land. This is the result of a decision by the Department of Public Enterprises to dispose of more than R10 billion worth of non-core state owned enterprise property assets.⁷ City authorities in Mangaung and Nelson Mandela Bay have identified the transfer of these land parcels as being a key element in their plans for the economic development of their cities.

While transport has been an important issue across the municipalities in the past few years it has often come second to investments made by municipalities in housing and basic services. More recently cities are starting to see transportation investments as a mechanism to integrate cities spatially as well as a tool to link other elements of city strategy with one another. Tshwane, for example, has identified its proposed transport network as the binding element in its spatial strategy and as a core factor in ensuring the municipality can work successfully.

Transport systems are key factors in reducing the costs of social and economic interactions and allowing goods and services to be exchanged efficiently. Ineffective systems operating on poor infrastructure platforms will mean that cities cannot offer a productive environment for firms or offer points of access to the urban poor where they might find income generating prospects⁸.

Spatial strategies and urban productivity

Since the late 1990s, when municipalities were obliged to develop Integrated Development Plans (IDPs), these have been accompanied by Spatial Development Frameworks (SDFs). SDFs provide a strategic spatial context in which decisions about land use, urban management and infrastructure investment can be made. SDFs give insight into both the present distribution of various land uses as well as future investment intentions for the public sector, private sector and households.

While the approach to strategic spatial planning differs substantially in each city, influenced by different geographical, social, economic and political processes, the *intentions* behind the development of spatial strategies appear relatively uniform across the cities: Cities are increasingly looking to use spatial strategies to guide future public and private investment rather than simply recording its location as it happens. There is recognition that

many planning frameworks which guide existing urban development processes are inadequate to meet contemporary challenges. For example, structure plans developed in the 1960s and 1970s for older industrial areas have proved inadequate for the changing space requirements of today's businesses.

Strategic spatial planning has been seen as a tool to transform apartheid-based spatial relations that still characterise urban South Africa. As a result municipalities have used a common set of principles to guide strategic spatial planning processes, with terms like 'efficient' and 'equitable' appearing consistently. The spatial imagery developed during these processes has been central in influencing choices about where investments should be directed. This has driven a programme to extend services and develop community facilities in former black townships. There has also been a substantial increase in the accuracy of data being fed into these spatial planning processes. Most of the large city municipalities now have critical Geographic Information Systems (GIS) capability with information on the location of investments, levels of services, household characteristics, key institutions and public facilities. There is now potential to translate spatial plans into well-informed investment decisions. Cities no longer rely on the assumption-driven, vague city-wide spatial frameworks that dominated in the pre-2000 era.

While the capability of officials and politicians to do spatial planning has been significantly improved there are still challenges. Municipalities have not always used these plans to communicate effectively with various stakeholders. Transforming often complex images into legible material that might be useful to local communities has rarely taken place. Municipal officials admitted that the ongoing obsession in South Africa's large cities with strategic-level planning has meant

neglecting the critical bridge between macro-level frameworks and local-level, community-based spatial plans. Exceptions to this have occurred in inner-city redevelopment plans, township centre regeneration initiatives, industrial area revitalisation projects or plans for sensitive ecological zones. But localised planning has not been widespread. Mangaung has proved to be an exception with its consultation-intensive IDP processes. eThekweni has also begun to make some progress, largely within the five selected area-based management zones, but not all of these have translated into contemporary strategic land-use management frameworks at the community level.

The implications of this include a level of stakeholder fatigue with strategic macro-level planning, conflicts and indecision about development agendas in local areas and a level of disempowerment of stakeholders who struggle to access spatial planning frameworks with sufficient clarity to guide them in their decisions.

A key issue raised in the DPLG's IDP review processes has been the often contradictory nature of council investment decisions when mapped against the intentions in strategic spatial frameworks. For instance many municipalities have identified some form of 'urban edge' in an attempt to manage processes of sprawl and avoid its sustainability pitfalls. Yet these same municipalities continue to permit new greenfield investment nodes and facilitate new low-cost housing on the urban periphery.

There are many reasons for these contradictory processes such as the influence of pressure groups reluctant to accommodate new low-income settlements in their neighbourhoods and a lack of legal clarity about the status of strategic spatial plans. Government policy has also not always helped – a fact most clearly illustrated within the field of housing for low-income communities. In this case pressures to speed up greenfield housing delivery and to meet the constraints of the subsidy system have seen municipalities opting to locate projects on low-cost land with fewer competing development pressures on the urban periphery or even beyond. Patterns of investment have also not always supported spatial goals of using well-located land more effectively by redeveloping space closer to the urban economic core. Relentless private sector development pressures towards decentralisation have constrained

municipalities from realising the potential of strategic spatial planning.

Despite these widely recognised weaknesses, there is evidence that municipalities are seeking to tackle the disjunctures between strategic intent and action at the spatial level. Buffalo City has made some progress towards realising its intention of investing in corridors of movement between East London and Mdantsane. Mangaung is also developing the link between Bloemfontein and Botshabelo/Thaba Nchu. Tshwane is prioritising investments in transportation infrastructure and services to make their spatial planning intentions more meaningful. In eThekweni, road investments near the Riverhorse Valley Business Estate (a joint venture with the Tongaat Hulett Group), has seen the development of a new road linking a relatively isolated KwaMashu with a major employment growth area. Nelson Mandela Bay, Cape Town and eThekweni have also stepped up interventions to improve spatial form by limiting developments in sensitive environmental zones or areas without the carrying capacity and potential densities to make infrastructure investments viable.

A key challenge is to link the spatial planning processes in the cities with those of provincial authorities and with surrounding municipalities and districts. The importance of key urban spaces, as reflected in the National Spatial Development Perspective, is not necessarily carried through into spatial frameworks by some provinces. It is also highly problematic that strategic spatial planning processes often end at municipal boundaries when practical considerations would suggest that much closer alignment and shared governance is required over zones of interaction. It makes little sense for one municipality to identify a zone such as a river bank as having an important ecological role to play, whilst a neighbouring municipality plans to intensively develop its side of the river.

CITY STRATEGY *continued*



In terms of urban productivity, it is important to translate conceptual spatial planning, founded on relevant local principles, into meaningful investment processes. All the cities agree that sprawl and fragmented development present considerable challenges. To date, many of the municipalities have responded by redistributing expenditure to areas based on an evaluation of present needs. However, the long-term costs of investment patterns which reinforce sprawl are likely to undermine prospects of building on developmental thresholds. Rather, cities should redirect public and private investment to those processes that enhance urban productivity such as densification and regeneration. Patterns of low-density residential development, combined with fragmented economic nodes and weakly integrated service infrastructure will not benefit urban productivity in the longer term.

Strategic challenges for enhancing productivity

South Africa's cities have witnessed their municipalities developing a greater degree of consciousness around their roles in relation to urban productivity. In the period prior to 2000 the focus was on meeting basic needs. The period subsequent to 2000 has seen a more strategic approach on the part of municipalities to questions of urban productivity. Cities have been busy translating concepts and plans into action. Sufficient time has also passed to start measuring the impacts of these actions against their original intentions.

Over the past five years city officials have identified a number of key challenges in translating urban development processes into improved urban productivity for households and businesses. Municipalities have come to recognise that cities have both potential to enhance productivity, but also that "cities also destroy income – they create costs for urban dwellers."⁹ This suggests that municipalities and urban stakeholders need to look more deeply at the persistence of conditions that undermine urban productivity. For instance high levels of inequality can mean that small sections of the population capture a disproportionate level of public goods and monopolise these to the exclusion of other urban residents. Equally problematic would be persistent increases in municipal tax and service costs at levels consistently in excess of inflation which tend to have a disproportionate cost on the urban poor and small businesses.¹⁰

The Johannesburg Fashion District

This catalytic project has significant pro-poor growth implications. The initiative has involved over 1 000 clothing micro-manufactures many of whom are migrant workers from other parts of South African and the rest of the continent. Johannesburg has helped the micro-manufacturers focus on niche markets, which in turn has helped them compete with other global players.

The government's Accelerated Shared Growth Initiative for South Africa (Asgi-SA) has identified a number of productivity constraints that have ramifications at an urban level. For instance, there are concerns that South Africa's logistics costs as a percentage of GDP, presently at around 15%, are too high. This in turn has translated into a National Freight Logistics Strategy. Yet the strategy does little to identify actions to resolve critical investment, institutional and governance blockages at the city level where 25% to 50% of the logistics costs in supply chains present themselves. Equally, programmes related to skills development have tended to bypass effective interaction with city administrations as well as stakeholders in cities at a decentralised level. This has been aggravated by somewhat inconsistent attention to such matters by municipalities where the argument that 'It is not our mandate' holds sway despite claims of 'joined-up government'. Research on cities internationally has shown that "increasing the average level of education in a metropolitan area by one grade increases total factor productivity by 2,8%."¹¹ Evidence like this should drive concerted urban productivity enhancement agendas that have both economic growth enhancing effects as well as strong distributional benefits in urban societies.

As urbanisation proceeds apace and challenges for urban spaces become more complex, cities and



their municipalities will have to increasingly 'act smart' in identifying interventions that yield development gains through enhancing urban productivity. Interventions by eThekweni and Tshwane to pilot low cost telecommunications and data access for citizens and business over their electrical network and Johannesburg's wireless network programme suggest that such 'smart' thinking is finding a place in municipal agendas. 'Smart' thinking has also been displayed in projects such as Cape Town's Bandwidth Barn, Johannesburg's inner city Fashion District and Ekurhuleni's industry cluster processes.

In these cases municipalities have extended their notions of public goods provision where market failures present themselves. These new points of focus have been combined effectively with more traditional urban management and development tools to seek long-term repositioning of urban productivity platforms. In an increasingly globally competitive economic context cities, will have to show themselves to be adept at harnessing the knowledge spill-overs of such innovative urban practice, whether it originates in the formal public or private sphere or in the informal spaces that characterise so much of South African urban life. These knowledge gains should also be applied with some urgency to the negative externalities that characterise urban space such as crime, environmental degradation and the alienation of various social groups.

City strategies and the sustainable city

The World Summit on Sustainable Development held in 2001 in Johannesburg was a particularly significant event for South African cities. The summit did not lead to any direct change in the governance mandate for cities but it raised the profile of sustainability as one of the guiding principles of urban management. The period since the summit has seen municipalities increasingly involved in environmental management and sustainability planning. This shift has partly been one of consciousness, with cities following international trends towards the integration of sustainability concerns into public policy. It has also been due to national circumstances including the devolution of certain environmental management functions to local government. Municipalities are also paying more attention to the direct impact of environmental and natural resource constraints on cities themselves and the need to find local solutions to these problems.

Although there are some common threads, the nine cities have not all had the same response to the sustainable development challenge. This is appropriate, as the local environmental and developmental circumstances differ across the cities. The cities do, however, in large measure define sustainability in the same way: as the management of natural resources flows and environmental quality to allow cities to meet their developmental objectives.

Although a broad understanding of the concept of sustainability can include the sustainability of city finances, human resource capacity and other resources, the more narrow understanding of sustainability which focuses on environmental issues is used here. While the broader elements of sustainability are crucial, they are contained within the notions of the productive, inclusive, and well-governed city and are addressed under those themes.

Urban-level sustainability strategies

There are many opportunities in cities to enhance resource efficiencies in ways which support local economic development and environmental objectives. Water demand management, for example, reduces the net cost of water to firms while meeting a clear natural resource management goal. Similarly, programmes such as waste recycling can meet employment and small business development objectives while attaining an environmental objective.

It is becoming increasingly clear, from local and international experience, that improved environmental quality and reductions in natural resource use can provide virtuous cycles for urban development, economic growth, and social cohesion and equity. It is not inevitable, however, that environmental objectives will complement economic and social objectives. Real conflicts can arise, particularly between immediate and longer

CITY STRATEGY continued

The concept of a sustainable city

Cities are the centres of population concentration and economic activity. They are consequently the centres of consumption and transformation of natural resources. Resource consumption, in turn, leads to the generation of waste and pollution. The physical flow of resources from raw materials to waste in the economy is therefore channelled through cities, with cities being critical points of demand for these resources and generators of the consequent waste and pollutants.

The vast majority of resources used in cities are drawn from elsewhere – water, energy and raw materials come from a large hinterland. Typically these hinterlands extend beyond national borders. In South Africa both water and energy are, at times, imported. The Gauteng cities, for example, depend mainly on water from the Lesotho Highlands. Cities depend on regional, national and global systems to provide their resources. Similarly, natural environmental systems are required to disperse, breakdown or store air pollutants, solid waste and water effluent.

The physical growth of cities has major impacts. City expansion transforms agricultural and natural land outside city boundaries into paved surfaces, reducing arable land and species habitats and altering the hydrological characteristics of these areas. The changes in water flows, typically including more rapid run-off, in turn pose physical dangers to urban inhabitants in low lying locations.

These physical resource flows provide a basis for understanding urban sustainability: A sustainable city seeks to ensure that there is sustainable resource use over time as well as sustainable approaches to waste generation and disposal which do not undercut the very resources on which the city depends.

A complementary view of sustainability at the urban level focuses on those environmental hazards generated or concentrated by urban areas themselves. These are not problems of resource degradation or over-use but rather urban environmental problems due to the living environments created within cities. These problems include biological pathogens in the air, water, soil or food, chemical pollutants and physical hazards. Although all urban residents are exposed to these environmental threats in one form or the other, it is the urban poor who bear the brunt of these environmental problems in cities.

Environmental hazards are important causes of ill-health, injury and premature death for the urban poor. These hazards are directly linked to the common service delivery challenges facing South African cities, such as a lack of sufficient and affordable housing, and inadequate provision for water, sanitation, drainage and waste collection. The costs of these hazards extend beyond their direct impacts on those affected. They generate costs on the economy, including increased public health expenditure and reductions in private sector productivity due to absenteeism and illness.

Sources:

Hardoy, J., Mitlin, D., and Satterthwaite, D., (1992) Environmental Problems in Third World Cities. London: Earthscan Publications
Satterthwaite, D., (no date) The links between poverty and the environment in urban areas of Africa, Asia and Latin America. London: International Institute for Environment and Development

term objectives. The most common example in South African cities is the short-term need to provide affordable housing against the long-term need for compact, resource-efficient cities. The housing challenge has largely been met by low-income housing developments near the urban periphery, resulting in higher energy use for transport and service delivery and higher ongoing time and money costs for the urban poor.

The challenge of urban sustainable development strategies is to successfully create environmentally sustainable cities in the medium- and long-term while addressing current pressing social

development needs. This implies managing the impacts of urban processes at various levels.

- At the *local level*, the focus is on the creation of healthy and resource efficient housing; safe and pollutant-free neighbourhoods; and accessible green urban spaces. This includes resource-efficient and affordable transport between neighbourhoods and between home and work.
- *Regionally*, cities need to manage their impacts on water catchments and air-sheds

and to manage waste flows within the carrying capacity of the natural environment.

- At the *global level*, cities are increasingly accepting some responsibility for the management of global environmental services such as climate stability and ozone layer protection. This largely implies some form of city-wide energy strategy.

Sustainable urban development in South Africa

The history of urban development under apartheid created specific conditions which mitigate against sustainable cities. For example, large distance between white city centres and black townships led to high energy inefficiencies, air pollution and wasteful trip times. Post-apartheid housing policy has been forced to focus on low-cost and short-term housing delivery solutions, sacrificing long-term gains.

The long-term impacts on the economy of these spatial patterns are being recognised at the level of national economic strategy. The Accelerated and Shared Growth Initiative for South Africa, for example, sees spatial form as one of the structural constraints to economic growth partly because “the price of labour of the poor is pushed up by the fact that many live a great distance from their places of work.”¹² Encouragingly, there is an emerging consensus between economic development and sustainability objectives on this issue at least.

There are other special conditions that South African cities face, including the heavy reliance of the urban poor on coal for heating and paraffin for lighting in the absence of affordable clean energy sources. The search for shelter and locations near employment opportunities has led to settlements being established in dangerous and polluted locations like flood-prone areas in eThekweni¹³ and dolomitic areas in Johannesburg which carry a threat of sinkhole formation.

An extraordinarily varied set of responses are required to develop sustainable urban areas. Most require a range of municipal departments to alter their traditional ways of planning or service delivery. While the IDP process provides a framework for the integration of municipal plans, it is clear that sector plans are still being developed with considerable autonomy within cities. It is difficult for sustainability considerations to steer, or strongly influence, planning for infrastructure delivery, local economic development or spatial planning.

Urban environmental hazards

Informal settlements are known to be at greater risk from disasters – natural, technological or environmental. In Cape Town, many informal settlements are built on inappropriate sites such as former rubble dumps, like Sweet Home Farm in Philippi, and wetlands, like parts of Masiphumelele. These factors, coupled with high winter rainfall make informal settlements in Cape Town especially prone to flooding. The sub-standard level of housing in informal settlements means that residents are particularly susceptible to the extreme weather that often occurs in Cape Town including strong winds and freezing temperatures. Fires are also a risk to informal dwellings, because of high densities and the use of flammable building materials.

Source:
Cape Town, IDP Review 06/07

Also, the powers of local government are limited with respect to sustainability interventions. For example, the establishment of lead-free fuel standards implemented by the Department of Minerals and Energy in 2006 was not a solution available to municipalities facing high levels of urban lead pollution. Altering unsustainable resource use patterns within cities is also only partially under municipal control. While draconian energy restrictions could be implemented in theory, in reality municipalities are limited to fairly restrictive price incentives and persuasive tactics. However, even within this narrow band of options some municipalities have become very creative in achieving certain environmental objectives.

Integration of sustainability into city strategies

Interviews with the cities suggest that the SACN municipalities are increasingly seeing sustainable development as a core component of city strategies rather than a separate environmental function which they have to fulfil. This is supported by a consideration of the city IDPs in which sustainability, in one form or the other,

CITY STRATEGY *continued*



typically enters city development planning at the level of a strategic objective. It is highly significant that all nine SACN cities have placed environmental considerations within their formal IDP and strategic processes, with six of them elevating it to the level of a core strategic objective, priority or goal (see table 4-2).

It can be argued that local government in South Africa has advanced further than national government in the integration of sustainability into practical development strategies. This is due to the easier task of cross-sectoral integration at the local level but also due to placing sustainability at, or near, the core of strategic planning.

The idea of a sustainable city has clearly helped to shape policy in the major South Africa cities over the last five years in the areas of service delivery, such as water, waste management and electricity provision; in spatial planning and transport; and even within municipal government operations themselves. Although far from complete, the process of integration, or mainstreaming, of sustainability considerations into urban governance has clearly advanced considerably.

The translation of sustainability strategies into practice has, however, been variable, with some sectors far more advanced than others and some key sectors not yet managing to overcome their historical inertia and move onto a sustainable path.

From environmental regulation to sustainable development

The most significant conceptual change taking place within the SACN cities is a move away from environmental management towards including sustainability into the city vision. The major sectors impacting on the environmental sustainability of a city fall outside the control of traditional environmental departments. These include transport, housing, economic development and infrastructure services. Most cities are recognising the futility of attempting to drive sustainable development in these sectors solely through a single environmental management department and have identified the need to encourage all sectors of city management to think about sustainability in relation to service delivery.

However, despite real attempts at moving sustainability into the centre of city strategy, there are relatively few areas where city

Integration of sustainability into eThekweni's IDP

A major conceptual shift in understanding how to address sustainability occurred within the eThekweni IDP development process due to a comment received during a public consultation process. The city notes that “.. one astute observer, struck at the heart of the city's strategy when he questioned how the city was articulating its views on sustainability: ‘... but surely the issue of sustainability is everybody's responsibility, and does not just lie with a single cluster/department within the council and only in a single chapter of the IDP...?’”

“This observation that sustainability is not just about conserving the environment, nor is it the concern of a single municipal cluster or department, but the responsibility of the entire organisation, helped reshape thinking around how the city would engage with the issue of sustainability.... The revision process required a substantial re-conceptualisation and reworking of the city's approach to ‘sustainable development’. It necessitated rewriting Chapter Two of the IDP so that sustainability would become the lifeblood of the city strategy and not just one of the critical areas that needed focus. Given the renewed focus around city sustainability, the value of the debate sparked... cannot be underestimated.”

Source:
eThekweni Municipality 2004

actions have substantively been shaped by considerations of sustainability.

Alignment with service delivery programmes

The sustainability agenda has benefited from a clear alignment with city strategies of inclusivity and service delivery in the post-1994 dispensation. The emphasis on the provision of adequate and affordable shelter, water and sanitation, electricity, paved roads and storm-water drainage is arguably having the most immediate and long-term impact on addressing



Table 4-2: Sustainability as expressed within municipal IDP strategic objectives

City	Understanding of sustainability
Johannesburg	<p>The Strategic Agenda, which is the annually determined set of priorities, sits at the heart of the 2004/05 IDP. The Strategic Agenda comprises 13 strategic thrusts, including “sustainable development and environmental management”.</p> <p>Key targets include issuing food hygiene management certificates for informal and formal food premises across the city, implementing an energy retrofit and waste treatment works project to reduce energy demand, increasing the volume of waste recycled in the city by 5% and increasing the number of fines for contravening environmental health regulations – to 2 112 by June 2005 and 2 376 by June 2006.</p>
eThekweni	<p>The 2003-2007 Integrated Development Plan (IDP) establishes sustainable development as the core goal for local government.</p>
Cape Town	<p>A sustainable city that offers a future to our children and their children (IDP Review, 06/07 Financial Year)2020 goals include: water use and waste production down 30%; access to safe green space within walking distance for all; renewable energy share equal to 10% of energy consumed. (IDP Review, 06/07 Financial Year)</p> <p>directive to ensure that sustainability runs through the city’s broad development programme. In addition a number of cross-sectoral thematic or integrating strategies serve to support sustainable development within the city through implementation of projects in support of the city’s Integrated Metropolitan Environmental Policy (eg. Air Quality, Energy and Climate Change, Waste, Water and sanitation, Catchment management, Biodiversity, Coastal zone, Environmental health, Local Agenda 21, Education and training, and Scenic, cultural and heritage assets...</p>
Ekurhuleni	<p>Not explicit. Included within a number of strategic objectives within the IDP</p>
Tshwane	<p>Tshwane Vision: The leading international African Capital City of excellence that empowers the community to prosper in a safe and healthy environment.</p> <p>Environmental sustainability is not one of the city’s seven key strategic objectives.</p>
Nelson Mandela Bay	<p>Vision 2020: The Nelson Mandela metropolitan area practices social justice in a culture of public participation guided by an efficient, accountable, non-racial, non-sexist and sustainable municipality that focuses on sustainable environmental, social and economic development, improving the quality of life of its communities in a secured, safe and tourist friendly environment.</p> <p>Sustainable environment is broader than just identifying dumping sites for waste and litter management or even cutting of grass. It should rather take into consideration innovations of renewable energy uses and compliance with international environmental standards. The effect of this forward looking policy should result in attracting quality investments and improving the duration of our natural resources. The challenge must be to intensify public education on sustainable environment.</p>
Buffalo City	<p>Buffalo City vision is a people-centred place of opportunity where the basic needs of all are met in a safe, healthy and sustainable environment</p> <p>Keys issues include: Basic needs, Housing and building communities: Buffalo City Municipality has successfully re-oriented its administration to deliver on basic needs and housing, however, there still remains a huge challenge to meet the remaining backlogs within the targeted time-frames. The challenge is not just about providing basic services and housing, however, but about ‘building sustainable communities’ where residents have access to social and community facilities, economic opportunities, a healthy and sustainable environment and where further opportunities can be accessed through convenient public transport and a safe road network.</p>
Mangaung	<p>Mangaung Vision: By 2015 Mangaung is recognised nationally and internationally as a safe and attractive place to live, work and invest.Mangaung is attractive, safe, clean, green and healthy, and sought after by visitors and investors.</p> <p>This is supported by eight development objectives one of which is Mangaung has an attractive environment with clean, well-kept natural open spaces, parks and well-maintained built environment</p>
Msunduzi	<p>Environmental sustainability not a specific IDP objective but rather incorporated (mainstreamed) into the various objectives and strategies addressed within the IDP.</p>

CITY STRATEGY *continued*

environmental threats to urban residents. In many respects South African cities are replicating the major sanitation and service improvements that occurred in European cities a century ago. These interventions, alongside improved primary health care, should start bearing fruit in reduced illness, improved infant mortality rates and better quality of life for the urban poor.

Improvements in urban air quality have also come from outside of direct local environmental interventions. Most important have been the recent phase-out of leaded petrol, the paving of sand-roads in townships, and electricity extension. The largest remaining air quality problem across the cities, is low-level particulate and sulphur pollution from households' coal burning – especially in winter. This pollution also has an indoor component, affecting mainly women and children who are at home for longer periods.

The relatively high cost of electricity and electrical appliances for the urban poor has entrenched cheap coal as the heating fuel of choice – especially in those cities in the interior where coal is cheapest. Despite the increasing penetration of electricity connections, this remains a major unmet environmental challenge. This issue is on the environmental agenda of a number of cities but successful solutions to this problem require collaboration between cities and require the support of national government, industry and research institutions. Cleaner coal options, cleaner burning methods (like those popularised by the Department of Minerals and Energy), and appropriately designed appliances will all benefit from economies of scale that are hard to generate at a city level.

There is an increasing focus on the extension of safe and accessible green urban spaces. There is a trend to locate these recreational spaces within the context of planned city-wide open-space systems that are also intended to conserve biodiversity and maintain environmental services like floodwater retention and watershed management. But indicators on the actual impact of these open-space systems remain elusive.

But there are signs that other environmental health and safety challenges are not being met. For example, there is little evidence of city-wide strategies towards reducing the large number of household injuries and deaths due to paraffin

Sanitation is a women's issue

A disproportionate share of the labour and health burden of inadequate sanitation falls on women. For women living in slums, a long wait at the public toilet can mean that children are left unattended, or that a household chore is delayed. Unhygienic public toilets and latrines threaten the health of women, who are prone to reproductive health infections caused by poor sanitation. Also, because it is generally women who are responsible for the disposal of human waste when provision of sanitation is inadequate, they are more susceptible to diseases associated with contact with human excreta.

Although men may also suffer from the burden of poor sanitation they are more likely to resort to other means to relieve themselves. In many slums, men urinate or defecate along railway tracks or in open spaces. But women – whose anatomy, modesty and susceptibility to attack does not allow them to discreetly relieve themselves in public – have no choice but to wait until dark, usually early in the morning when there is less risk of being accosted. 'Going to the toilet' for these women often means squatting in a private spot or waking up before dawn to queue at public toilets.

Source:
State of the World Cities 2006, UN-HABITAT

poisonings and burns. Buffalo City is an exception, with an experiment to distribute of paraffin gels as a safer alternative.

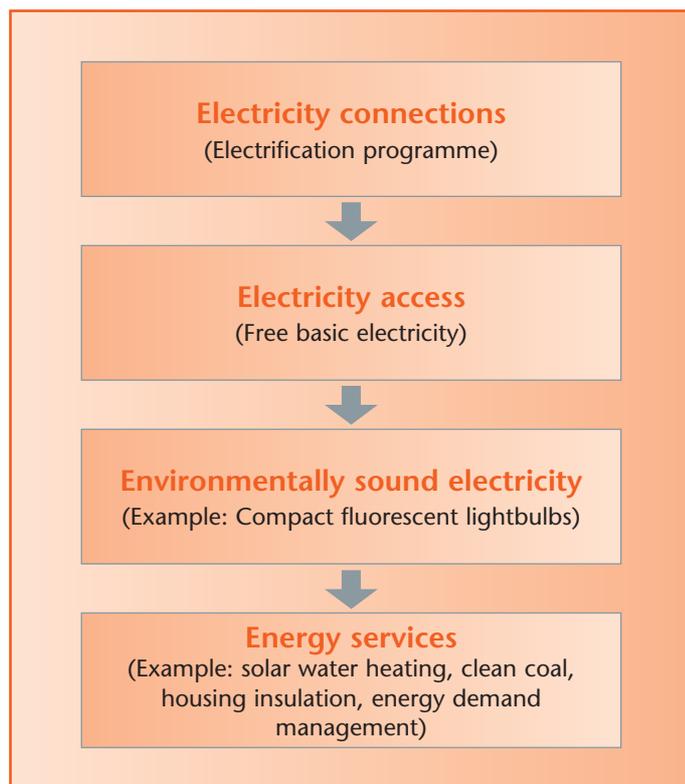
Evolution of city sustainability strategies

Despite the fact that most programmes around sustainability have been short-term and relatively limited in scope, there are indications of more substantial interventions directed at changing the urban form and economy. These longer-term interventions will be necessary in creating more sustainable cities and will require major alterations in the way city services are delivered.

There are for example, some shifts to more sustainable housing in Buffalo City, Cape Town, eThekweni and Msunduzi. These projects involve a broader consideration of household energy use and take into account the long-term costs to consumers and the city. The results are a greater focus on housing design and construction and the long-term impacts of housing location. In this way sustainability considerations, alongside ones of affordability and access for the poor, are being brought into the heart of urban planning and housing delivery.

Cities are also prioritising short-term actions to create safe and healthy living spaces. This approach translates into an emphasis on access to clean and adequate water and sanitation; open-space systems and conservation; waste management; and electricity provision. This provides the easiest alignment with the urban service delivery agenda. These considerations have been well-integrated into city service delivery and infrastructure planning and are bringing important improvements in the urban environment.

Figure 4-3: Evolution of energy strategies



Cities are also thinking in increasingly sophisticated ways about sustainability. Figure 4-3 illustrates the evolution of city thinking about electricity for example. From initially focusing only on provision, cities are also thinking about making electricity affordable to the poor, and then taking environmental issues into consideration. Ultimately cities are seeing electricity as one component or urban energy use with the long-term goal of providing sustainable energy services in the most appropriate form. Action is following some way behind concept but in strategic terms the evolution of thinking is important.

The local and the global

Cities are also seeing sustainability as more than just local environmental management. There is a growing concern with regional and even global sustainable development issues. The rationale for regional concerns is relatively clear as major cities will inevitably have a significant impact on water resources and regional catchment areas. It is also relatively easy to see how these catchment processes in turn will have an impact on a city's water resources. Cape Town, which has placed considerable emphasis on water demand management, is a case in point.

But cities are also beginning to consider issues of global concern, primarily climate change. The rationale for these considerations is less clear. South African cities alone are unlikely to have any noticeable impact on the process of global warming and they certainly have no legislative requirement to address this issue. Nevertheless, a number of cities, such as Ekurhuleni, Cape Town and eThekweni have noted that, as responsible global actors, they should reduce the levels of greenhouse gas emissions within their cities and have initiated appropriate programmes.

CITY STRATEGY continued



Cities and the Clean Development Mechanism

The Clean Development Mechanism (CDM) is a greenhouse emissions trading mechanism established under the Kyoto Protocol to help countries reduce climate change impacts. The CDM allows emissions reductions projects to be established within developing countries. The emission reduction credits generated by these projects can then be sold to countries or companies which can use them towards meeting their own emission reduction quotas under the protocol. The revenue gained from the sales of credits contributes to the financial viability and sustainability of the projects.

Municipalities in South Africa have taken the lead in utilising the CDM, and have been in advance of both the private sector and national government in understanding the benefits of this new market.

The first South African CDM project was the innovative Kuyasa energy efficiency project. This project, developed as a partnership between the NGO SouthSouthNorth and the City of Cape Town, is based on a set of energy efficiency measures for low income households including solar water heating, low energy lightbulbs and ceiling insulation. The pilot project has been implemented in Khayelitsha, Cape Town with the intention of extending it to 2 300 households. In addition to the greenhouse gas reduction benefits, the project will also reduce household energy bills; improve the comfort and quality of life of the participants; and create local skills in energy efficient technology.

Landfill gas recovery projects have been initiated in eThekweni, Ekurhuleni, Msunduzi and Cape Town. These projects recover methane gas produced by municipal waste. This gas can either be safely flared or, where viable, used for power generation or industrial heating. For example, eThekweni's project, supported by the World Bank, is at an advanced stage and will use the gas for electricity generation. These projects have the potential to both reduce local and global air pollutants from waste disposal and to make use of a currently wasted energy resource. There are other municipal emission reduction options under consideration in municipal buildings and transport fleets, waste water treatment and other areas that show promise as potential CDM projects.

Certain greenhouse gas mitigation measures also have local advantages. More energy efficient urban forms, transport policy which places emphasis on high-volume mass transit, landfill gas capture, and household energy efficiency all have local as well as global benefits. There are also potential financial benefits, in the form of the sale of carbon credits via the Clean Development Mechanism (CDM) of the Kyoto Protocol, for some of these interventions. Most of the cities are exploring the opportunities afforded by the CDM in the areas of landfill gas, wastewater treatment, and energy efficiency. A more cynical view is that the funding agencies driving these initiatives have successfully raised the profile of climate change mitigation efforts.

Whatever the rationale for the adoption of climate change programmes, one of the main outcomes has been an increased emphasis by cities on understanding their energy usage. The focus on energy was spurred by the adoption of the Cape Town Declaration on Energy for Cities in 2003. In line with the declaration, a growing number of cities have prepared, or are currently preparing, city energy strategies addressing

approaches to energy use, provision and generation. Underpinning these strategies is the recognition that sustainable energy management is vital for economic development, environmental sustainability and poverty alleviation¹⁴.

Despite increased attention to sustainability planning, the cities have not made any significant and widespread interventions with regards to energy use. Major interventions in changing household and industrial energy use patterns; altering the fuel mix to cleaner fuels and managing transport energy use still remain aspirations. Despite this, the evolution of strategic thinking towards energy services provides an illustration of significant progress in city strategy towards sustainability. This is elaborated in figure 4-3.

Cities are also becoming increasingly conscious of their own vulnerability to climate change. This is



Community co-operatives in Nelson Mandela Metro clean up townships

In Nelson Mandela Metro, council officials have helped some of the poorest township residents to form local co-operatives to keep their neighbourhoods clean. These co-operatives employ 194 people across the municipal area.

The co-ops are the product of a joint initiative by two metro departments working closely together:

- *The metro's Economic Development, Tourism and Agriculture Department was intent on creating jobs;*
- *The Department of Environmental Affairs was determined to provide township residents with affordable refuse removal.*



Rather than outsourcing cleaning to a large company, the metro embarked on an innovative scheme to allow township residents to clean their own areas, making sure that money circulated within the local community.

The metro chose to set up co-ops rather than conventional businesses in order to create more jobs. Co-operatives are initiated with the idea of employing a particular number of people. This differs from a close corporation, for instance, where there is no certainty about how many jobs will be created. Co-operatives are also less hierarchical.

The first opportunity to test the co-operative model arose when the metro's Department of Environmental Affairs issued tenders for refuse collection in various wards. The co-ops responded to the tenders – and won. By far the best example of this community-based maintenance programme is in Walmer Township, fifteen kilometres west of the Port Elizabeth central business district. Here co-op members, dressed in blue overalls emblazoned with the co-op's name Sodlasonke – which means "we will eat together" – collect refuse on a weekly basis from over 7000 households.

The co-op started with ten members in September 2004 and has since grown to 42. The co-op now also owns a truck for refuse collection. The co-op has both permanent employees as well as about 20 temporary staff employed on a rotating basis to ensure that as many residents as possible benefit from the initiative. Salaries range from about R3 000 to R1 000 – not a lot, but better than nothing in area where 83% of the residents are unemployed, 60% of which are women and the youth.

being factored into the long-term plans of a number of cities, typically focusing on water resource issues. Coastal cities are also aware of potential sea level rises and the possible spread of disease vectors, such as malaria-carrying mosquitoes, to the cities.

Emerging strategic directions

All nine SACN cities have placed environmental considerations within their formal IDP and are demonstrably moving towards integrating sustainability considerations across their areas of operation. This is not an even process and the various cities emphasise different elements of environmental management and sustainable development. Within these different emphases some commonalities are apparent.

A number of cities largely see environmental resources as the basis for economic or social development opportunities. Buffalo

City stresses its coast line and ports; Msunduzi focuses on agricultural potential and open space amenities for the promotion of investment; eThekweni, Nelson Mandela Bay and Cape Town ascribe importance to the protection of their respective natural resource amenities for tourism.

This instrumental view of the environment is an appropriate strategic response to city circumstances. In some cities the link between the ecosystem and economy of the city is pronounced. For example, eThekweni depends heavily on its local environment for tourism which makes up 24% of the city's gross geographical product¹⁵. It is also more vulnerable to direct environmental

CITY STRATEGY *continued*

disruption than Johannesburg or Mangaung because of flooding or sea level rises. It is not surprising then that environmental management and sustainability is high on the agenda in this city, and that sustainability planning is focused on those resources providing environmental services to the city.

Other cities have tended to link sustainability concerns to poverty alleviation measures and economic development interventions. There are projects in Cape Town, Nelson Mandela Bay, eThekweni, Mangaung and Tshwane which focus simultaneously on employment creation, local economic development and environmental protection. These projects typically address refuse collection, waste management and recycling. In Msunduzi there are alien vegetation clearing projects; the establishment of nurseries for indigenous medicinal herbs; eco-tourism projects; craft projects using local natural resources; and a range of urban agriculture initiatives for food production. Most of these projects are small scale, low-tech enterprises.

But more ambitious projects are being piloted in Cape Town and more recently in Ekurhuleni. These two cities have identified the installation of solar water heaters on a large scale as potentially important environmental interventions. They are also being seen as having poverty alleviation benefits by reducing household energy bills. More importantly, they represent an economic intervention in that they are intended to create a market for solar water technology. If this market is big enough, this will lead to the formation of local suppliers and employment in this new industry.

The distinction between cities that emphasise the instrumental nature of natural resource protection and those that emphasise the developmental aspects of environmental management is not clear cut. There are certainly elements of both approaches in all the cities. The majority of the cities have taken different routes from understanding the state of the city environment, to developing a strategic approach and then to identifying and resourcing priority areas for intervention.

Sustainability indicators and information management

Few cities have rigorous indicators of sustainability or performance management systems to monitor and review progress. There are also few transparent approaches to identifying environmental priorities – both threats and

opportunities. This translates into a lack of clarity regarding budget allocations: Only a few cities could provide a clear sense of how decisions about resources for environmental management are made.

There are signs of improvements, however, in the level of environmental information that is being gathered and managed and the clear expectation from cities that this will improve strategic planning for sustainability. Increasingly sophisticated GIS systems are particularly useful when managing complex environmental systems. These systems, together with other analytical software such as air dispersion models, have improved the accuracy of environmental controls.

There have also been attempts by many of the cities, such as Johannesburg, Ekurhuleni, Cape Town, eThekweni, and Tshwane to bring together an environmental picture of their cities through “State of Environment Reports” or similar documents. Unfortunately these documents are not produced regularly; do not have consistent performance indicators or monitoring systems; and often seem only tangentially linked to policy development. A possible reason for this is that these documents have been produced by outside agencies including the national DEAT and external donor agencies, rather than the cities themselves. This seems to have reduced the sustainability of the “State of Environment” reporting process itself, as well as the integration of these processes with development planning in the cities.

At the same time cities are developing more sophisticated and better informed managers and management systems to address issues of sustainability. Cities are clearly in a better position than five years ago to understand their urban systems and the interaction between urban processes and the natural systems in which they are located. There also appears to be a widespread

introduction of formal environmental management systems. This can be seen in Nelson Mandela Bay, Mangaung, Ekurhuleni and Buffalo City. These processes should assist in environmental integration across city departments and agencies.

A number of cities have also adopted broader environmental awareness and education as a local government responsibility. Johannesburg, Mangaung, Tshwane and Cape Town all place significant stress on public education and awareness-raising around sustainable development. These cities are making better information on the urban environment available to their citizens.

The use of economic approaches to ascribe value to environmental services is now also being pioneered. This has helped city planners prepare cost-benefit analyses which take into account the full costs of alternative service delivery options. Although not yet widespread, such methods have been used by eThekweni in planning their open-space system and in understanding the full costs of alternative locations for low-income housing.

Resource efficiency

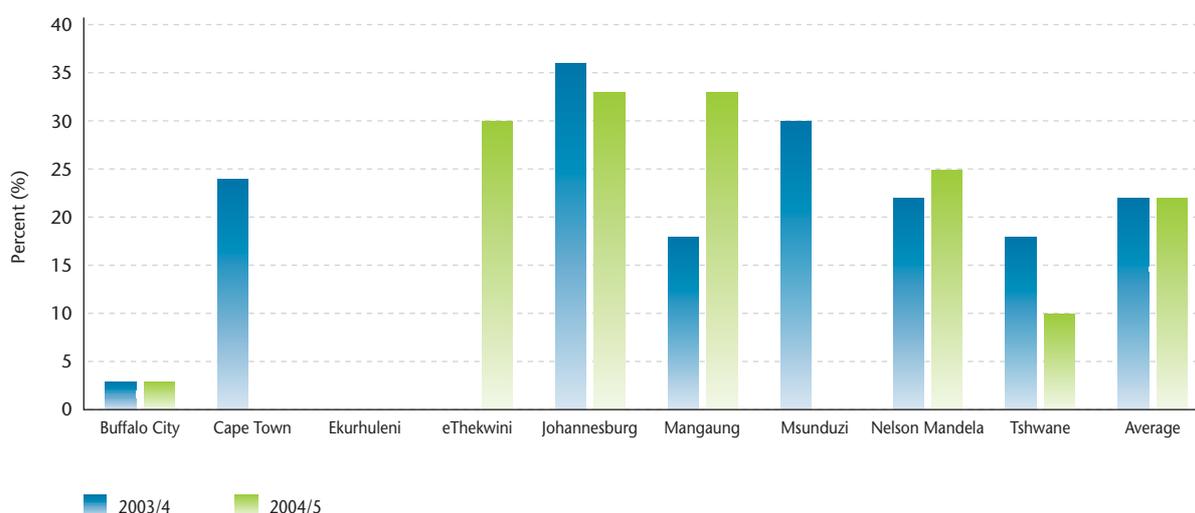
A common and often implicit theme emerging over the last five years has been improvements in the resource efficiency of cities. The initial spur for reducing resource use has been financial.

Unaccounted for water losses in particular, have had a massive impact on the finances of city water services and are a focus of attention in all the cities (see figure 4-4). Although there is significant variability of unaccounted water between cities it clearly represents an important natural resource and financial loss for most of the cities.

Attention is now being turned to the energy efficiency of cities, largely through city energy strategy processes. Energy efficiency has the merit of reducing household energy bills and hence alleviating poverty, as well as having environmental benefits. But it is not always financially attractive for municipalities who receive significant revenue from the sale of electricity.

Longer-term trends towards resource efficiency include the densification of the urban form, which is being driven by moves to improve public transport and create a more efficient taxi industry. Over time these trends should assist in reducing the resource intensity of city economies.

Figure 4-4: Unaccounted for water



PEOPLE BUILDING THE CITY



INDUSTRY COMES TO MSUNDUZI

David Gengan, a council official in Msunduzi municipality has a spectacular view from his ninth floor office. Laid out below him is the orderly grid of the old town centre, and in the distance are “the grass-covered and rolling hills, lovely beyond any singing” evoked by Alan Paton in the opening pages of ‘Cry the Beloved Country’.

But when Gengan gazes out of the window, he doesn’t look at the pretty landscape. He is gazing down at the busy traffic on the N3 motorway, the swooping roofs of the R270 million Midland Liberty Mall and the messy construction site next door, where Liberty Properties are adding on another 30 000 square metres of retail space. To Gengan’s eyes, these sights are more beautiful than the hills – indicators of Msunduzi’s impressive growth over the last five years and a vindication of Gengan’s hard work at attracting investment to the town.

Gengan explains that when he took on the job, “the city was not geared to assist in economic development. We had some industrial land for sale, but otherwise nothing.” His boss, Rob Haswell, joked that the economic development office consisted only of “David Gengan and a broken fax machine.” But today things are different. Msunduzi is pursuing one of the most aggressive local economic development strategies in the country. Gengan, the manager for investment attraction, explains that Msunduzi now has a business unit called Economic Development and Growth and that this is “breaking new ground for the municipality.”

Gengan knows of forty new businesses that have come to Msunduzi, and another forty that have decided to expand in response to the strategy. That translates into about 4 000 jobs, an impressive number for a city which seemed well on the way to collapse only five years ago.

“Pietermaritzburg was going through a trough in the early 2000s,” explains Gengan. “We were feeling the brunt of globalisation. Our footwear industry, once the mainstay of the town, was in trouble because of cheap imports. There was a sense of doom and gloom.”

But then a number of things happened. “We held our first investment conference ever in the city. We invited international, national, and local investors. We put out some commercial land

that was ready for development. We packaged a couple of projects that we thought would attract investment and we announced a concessions package.” The city also identified four key sectors that would attract investment:

- Aluminium downstreaming. The city is home to the largest aluminium rolling mill in the southern hemisphere
- Wooden furniture. The city is at the centre of the woodbelt running through the midlands
- Footwear and leather. The area has always been known as the shoe capital of South Africa, and
- Tourism. The city is located in the heart of the scenic midlands.

By all accounts the conference was a great success. Amongst the investors who attended were Theodore and Helmi Lodemann, a German couple in their late seventies, who were looking at an opportunity in the aluminium downstreaming sector. Torn between setting up a new factory in Pinetown, near their customers, or in Pietermaritzburg, close to their supplier – Hulett Aluminium – the couple elected to invest in Msunduzi. “They actually announced at the conference that they were coming to Pietermaritzburg,” says Gengan. “They were happy with our attitude to investment and with the concessions we were offering.”

These concessions include “a discount on rates, discounts on electricity, free connections for services, waivers on plan approval fees. If the company produces large amounts of effluent that would drain into our sewers – we negotiate.” It is precisely this willingness to talk through the problems that businesses experience that has endeared the municipality to local investors.

Dialogue between the municipality and developers takes place within an investment committee which has been set up by Gengan and



his colleagues. "It's multidisciplinary," explains Gengan. "Every department involved with development is on that committee – the environment people, the chief water engineer, the town planner... It's like a one-stop shop for the developer. We meet twice a month and invite developers to come and tell us about their plans. Then we tell the developer where there might be a problem and how we can overcome it. We have had very good feedback from investors about the committee."

Concessions packages are somewhat controversial in local government circles. Gengan acknowledges that while investors understandably love the rebates, the "treasurer almost fell off his chair when we proposed this. He said it was dangerous to eat into his budgeted income. We then said a new building is not part of your income yet. So we give a rates discount on new buildings starting at 100% in the first year, decreasing by 33% per year thereafter."

The incentive package clearly appealed to the Lodemanns. "The city sold us prime industrial land at cost" says Theodore Lodemann, "and today its value has probably doubled." "No, no!" interjects Helmi Lodemann, who has an equally firm

manager. "We were exporting more and more to China and India. We took on another 16 workers and we started with a third shift."

"Today," says Lodemann, "we employ eighty people, have four shifts, working 24 hours a day 7 days a week, producing two and half thousand tons of high-tech aluminium. That's worth a lot of money, because by weight aluminium is more expensive than gold. Counting all our workers' dependants, that means about 600 people rely on us."

Gengan is as proud of Alltube's success as the Lodemanns. He maintains good relations with the Lodemanns, and regularly takes other potential investors to see the factory. And in turn the Lodemanns maintain an amicable relationship with Gengan, plying him with Swiss chocolates whenever he comes by.

MSUNDUZI IS PURSUING ONE OF THE MOST AGGRESSIVE LOCAL ECONOMIC DEVELOPMENT STRATEGIES IN THE COUNTRY

understanding of the business, "It has tripled." "They also offered us a 20% reduction in electricity fees," says Theodore, "which is still far too high". "Nothing, not enough," insists Helmi, "We are an aluminium factory. We use a lot."

The Lodemanns started up their South African business in 2001, transforming flat aluminium strips into delicate aluminium pipes at their Alltube factory, strategically sited next to the Hulett's mill. At the time they employed eight people on the factory floor, and two others in the office, supplying only the local automotive industry.

Within two years they had employed another eight people to work a second shift and started exporting, and by 2005 the firm "was humming", to quote Kobus Hitchcock, the general



This time they want Gengan to wrangle further reductions on their electricity bill and to secure permission from the roads department to widen the factory driveway. Even without the Toblerone, it is likely that Gengan will oblige. It is his job to keep Msunduzi investors happy. "When I go back to the office," says Gengan, "I'll see what I can do."

CITY STRATEGY *continued*

Limitations and remaining challenges

The SACN cities are far from models of urban sustainability. But in the last five years cities have made important advances in setting sustainability objectives and in strategising about how these might be achieved.

There has been significant progress in improving the information base upon which cities make decisions. However, the complexity of sustainability issues makes the need for performance targets and indicators imperative. These need regular updating. While cities have been improving their “State of the Environment” reporting and environmental management systems these initiatives are still relatively ad hoc and limited. Common indicators and realistic benchmarks across the cities have not been agreed, making progress difficult to track objectively.

Many of the innovative sustainability programmes of cities have been funded from extra-municipal budgets. These include international development aid funding, DEAT poverty relief funds, and once-off funding attached to the World Summit on Sustainable Development. This indicates a lack of commitment from cities and also raises the possibility of external priorities driving city strategies. Cities are also confronting unfunded mandates. There is a particular concern about new responsibilities of cities that do not have corresponding financial flows from national government, specifically for air quality management.

There is little indication that cities are considering alternative service delivery approaches or that cities are utilising appropriate technologies at scale. There is scant evidence that alternative public transport options, small-scale sewage treatment plants; renewable energy sources; and water-efficient appliances are being considered by city governments. Where innovation exists, it is not clear that there are appropriate mechanisms to share knowledge or to encourage uptake of new ideas and technologies. A particular limitation, across the cities, has been the inability to move towards more sustainable and environmentally sound transport options, for all income levels. The other major limitation has been progress in controlling the urban form and in densifying cities.

Many of the controls over natural resource use and environmental management are not held at the urban level. Other spheres of

government as well as national and international market forces have impacts on resource use and management that can over-ride local interventions. Cities do not appear to have well developed approaches to working with these other institutions. In many cases there is a different institutional allocation of costs of environmental impacts versus the cost of mitigation actions. For example, air quality costs are borne by the provincial public health department whereas management costs are borne by the city. There is a similar situation with regards to transport costs associated with housing location.

Good governance is at the core of meeting the urban sustainability challenge. This implies both a recognition of the various dimensions of the problem; a prioritisation of those environmental hazards impacting on the poor; and a close integration of solutions with local economic development, financial sustainability and poverty reduction initiatives. It is very rare that community needs assessments identify environmental matters or sustainability as priorities. These items may be implicit in some expressed needs. But in some regards sustainability, in the sense of long-term stability and planning, remains a leadership and governance issue. Similarly, some environmental issues are technically complex and require responsible and informed government to make assessments of priorities based on identified needs.

City strategy and the inclusive city

Poor people are increasingly concentrated in cities. This is the result of urbanisation trends and the economic characteristics of globalisation. Cities are also marked by a widening of the gap between the wealthy, in high-wage occupations, and the poor, who are often unemployed or have marginalised low-skill jobs. This is both a global as well as national phenomenon.

What we know about anti-poverty success

Anti-poverty success requires a multi-dimensional holistic approach

There are at least five different approaches to defining – and attempting to reduce – poverty. One focuses on income. Another uses basic needs, like water and sewerage, schools and clinics. A third focuses on social exclusion including dimensions of racism, sexism and geographic isolation. A fourth involves decision making, and political empowerment. A fifth concentrates on human development through community participation, job creation and providing infrastructure. There is considerable debate as to which approach is most appropriate and experience shows that none is successful on its own. Reducing poverty requires an integrated approach that addresses the multiple facets and incorporates the actions of many stakeholders including all spheres of government, the private sector and civil society.

Anti-poverty strategies tend to be more effective when they are targeted at a neighbourhood level

Urban neighbourhoods are living and working environments of the poor which can best benefit from an integrated neighbourhood approach to local development. This implies a process whereby increased neighbourhood income triggers off both investment in housing, infrastructure and economic activities, and increased spending in the neighbourhood economy.

Effective anti-poverty strategies require a range of discrete customised interventions targeted at addressing the needs of different categories of poor people

Different measures are needed to ensure that the improving poor continue to improve; the coping poor graduate out of their precarious state, and the declining poor have an opportunity to reverse their condition.

It is important to recognise the resourcefulness of community initiatives and the informal sector in employment, housing and service strategies

People should be subjects rather than objects of development. This emphasis on citizen participation is not new. Slum upgrading and site-and-services approaches are based in the recognition that people can and should provide their own housing. Some thinkers argue that the need is to involve the government in the people's processes rather than the other way around.

The role of women in the development process should be explicitly acknowledged and women should be explicitly empowered in the process

Research shows that women and girls tend to work harder than men, are more likely to invest their earnings in their children, are major producers as well as consumers, and shoulder critical, life-sustaining responsibilities. Women's empowerment is particularly important for determining a country's demographic trends—trends that in turn affect its economic success and environmental sustainability. As a group constituting slightly more than half the population who are disproportionately poor, the extent to which women and girls benefit from development policies and programs in turn has a major impact on countries' overall development success.

Urban poverty is exacerbated by other trends. Poor communities located in a declining inner city or on the urban periphery find it difficult to access urban opportunities. Daily they confront the spatial disjuncture between jobs and housing and the limitations of current transport systems. Many wealthy people on the other hand withdraw into gated communities and 'privatised governance' arrangements.

The growth of inequality, the consequent decline of human solidarity, and the evident retreat from public life of the middle

classes, poses important questions about citizenship and identity. The existence in many communities of 'informal governance arrangements' where shacklords and gangsters control many aspects of community life also results in the denial of rights and exclusion.

This is reinforced by large-scale migration into cities creating increasingly culturally diverse urban areas. Most South African cities have a growing population

CITY STRATEGY *continued*



of immigrants from elsewhere in Africa, many of them illegal. Many immigrants who see their tenure in the city as temporary, may be more concerned with substantive economic and social rights than formal citizenship. Their marginality may be compounded by vicious xenophobia. Similarly, high-income residents with international work contracts are at once disengaged from local politics but demand a high quality of city life.

In this context of growing diversity, there is a greater emphasis on identity politics, with residents defining themselves on the basis of their sexuality, religion or ethnicity. This shift is reinforced by the changing shape of the city from one centred round a single, shared, central city core to a much more polycentric urban arrangement.¹⁶

This urban reality of poverty, growing inequality and deepening social polarisation, is largely driven by trends beyond the control of city municipalities. Yet municipalities have a responsibility to find ways of mitigating the impact of poverty and social exclusion through its partnerships, programmes and policies. Inclusivity is a central priority in the IDPs of all nine municipalities.

Basic service provision and indigent support

The sustainable provision of basic services to all residents on a fair and equitable basis has been the most critical municipal priority post-apartheid. This flowed from the imperative to redress the inequities of the apartheid legacy and the obligations of the Constitution. It was also a necessary response to the on-going challenge of rapid urbanisation during the first decade of democracy. It acknowledged the basic needs approach to poverty reduction, recognising that the foundation of inclusivity and poverty targeting was to ensure that the poor had access to the basics of water, energy, sanitation and refuse collection.

After 2000, all South African cities put significant effort into addressing their basic service provision backlogs. This action was supported by substantial national government grants. These grants covered both the capital requirements¹⁷ and operational subsidies to support the poor¹⁸. There has been significant improvement in the statistics across all cities both in the number of new households receiving some level of service and in the percentage of households receiving services (see pages 3 – 36 to 3 – 42).

The outstanding backlogs are largely a product of on-going formation of informal settlements flowing from in-migration into the city. Many of the backlog differences between cities relate to the rate of in-migration. Cities with below-average population growth such as Nelson Mandela Bay will have smaller service backlogs than the high-growth Gauteng metropolitan areas. The size of the backlog also relates to the size of the rural population living within the municipal boundary. Buffalo City, eThekweni, Msunduzi, Mangaung and Tshwane have large populations of relatively poor people living in rural settings. In these areas, service levels appropriate and affordable within more formal, urban settings tend to be unworkable. These cities have differentiated approaches to service levels in rural and urban settings.

Prior to 2000, government recognised that many residents were too poor to pay for the services they would receive. The extension of basic services was therefore accompanied by a mechanism to address the question of affordability. Charging the economic cost or even a subsidised cost to residents who did not have the capacity to pay simply resulted in a trend of low payment rates and rapidly rising municipal debt, undermining the viability and legitimacy of municipal financial management.

In line with national government policy, cities have adopted some common approaches to this challenge. The first has been the provision of a basic amount of free services to the indigent. This has been supplemented by other indigent support measures like rates exemptions for properties below a particular value threshold.

There is some variation between municipalities in the quantum of free basic services provided, especially in the allocation of free water. Some cities provide free basic services package significantly better than national norms.



The difference between the norm and the higher level package is paid out of the municipal rates account. Cape Town for example makes available 50 KWH of free electricity per month to those consuming below an average of 450 KWH per month. The national norm is to make the free electricity available only to those consuming less than 150 KWH per month. The variations are also the result of system constraints. There is often a difference between what the municipality would like to provide and what Eskom can technically supply.

This approach has improved municipal revenue collection mechanisms by reducing non-payment for services and enhanced the legitimacy of the municipality amongst residents. The approach has also been supplemented by the on-going roll-out of pre-paid meters for electricity which prevents the accumulation of arrears once the free limit has been exceeded, the upgrading of billing systems and increasing sophistication of credit control methods¹⁹.

Some cities have put effort into modelling the total municipal account in order to understand its impact on different categories of resident so that the pro-poor tariff structure is affordable and equitable to all.

There have been a number of different approaches to identifying indigents. Some cities register indigents and pay an indigent grant to cover services and to create a mechanism to write off historic debt. Others see the administrative burden as being unmanageable and only focus on self-selection via consumption level choices (see table 4-3).

In general, the concerted emphasis on extending service provision to all and providing a free quantum to the poor is having a number of positive impacts:

- These services represent a major transfer of resources to individual poor households;
- The extended provision of water, sanitation and electricity represents a major public good that will impact positively on public health and on air and water quality;
- The indigent approach has had a very positive impact on municipal debt management. The approach has contributed to improvements in collection rates by removing from the pool those who cannot afford to pay; and
- There has been a significant increase in the number and the percentage of poor households receiving basic municipal services.

There are inevitably some limitations:

- A significant number of the poorest households remain un-serviced or partially un-serviced. This means that they do not receive the free basic service benefit. Some municipalities are trying to find innovative ways of enabling households in un-serviced or under-serviced houses to receive the benefit. For example, Cape Town is exploring providing free fuel gel, which is much safer than paraffin, to informal settlements where it is not feasible to provide electricity.

Table 4- 3: Approaches to indigent relief and free basic services

Approach	Description	Example
Targeted	Indigent relief is aimed specifically at the poor and which requires households to register for a free or subsidised service.	Johannesburg
Self-targeted	Households receive access to free basic services providing they fall within a specified property value range and consume less than a specified limit of the service. This approach is self-regulatory, and households who qualify and who consume more than the specified limit of the free service, are penalised.	eThekweni
Blanket	All households are given a free portion of water and electricity, with a step tariff structure in place to subsidise the free portion of the service	Buffalo City

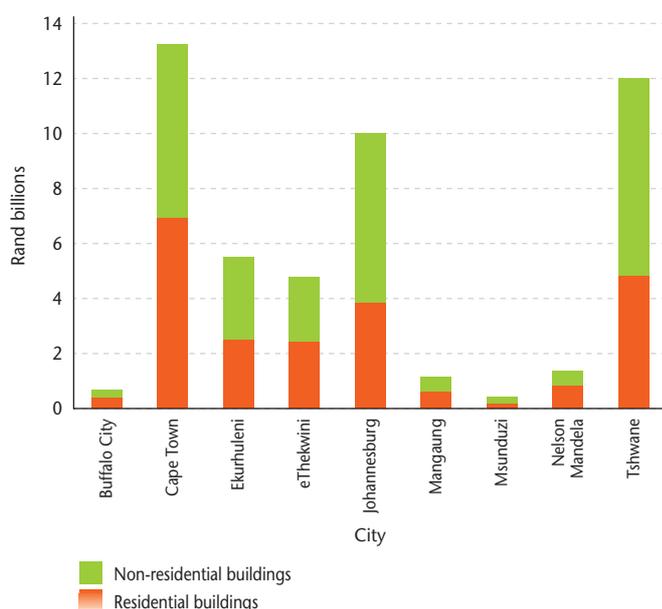
CITY STRATEGY *continued*

- The use of metered consumption as the primary means of delivering the pro-poor free service benefit excludes many of the urban poor. It assumes a certain household size in determining the threshold quantum. This does not take into account the extensive reality of backyard dwellers and multi-family households. Residents in these situations often pay a premium given the high aggregate consumption through a single meter.
- The on-going problem of illegal connections and by-passing of meters in some areas. This typically occurs where there are significant numbers of un-serviced dwellings close to serviced dwellings or where there is backyarding.
- There remain challenges regarding credit control in poor areas. What happens when poor households exceed their free allocation and incur debts which they do not pay? There are currently uncertain and varied credit control regimes that apply within and across cities.

Housing support and settlement integration

Residential development is a key driver of urban development. The value of building plans passed in the nine cities between 2002 and 2005 has risen very steeply from R17,8 billion in 2002 to R49,2 billion in 2005, at an annual average of 40,4% (see figure 4-5).

Figure 4-5: Value of building plans passed in 2005



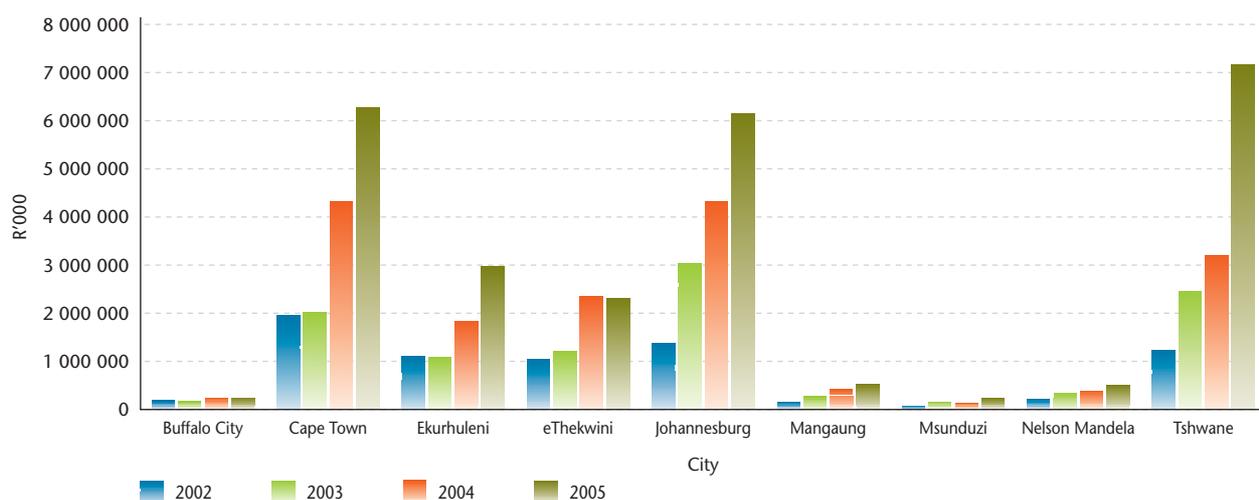
In 2005, residential buildings represented 47% of the value of all building plans passed, varying between 38,3% in Nelson Mandela Bay and 61,5% in Johannesburg. The value of residential building plans passed has also grown very significantly – from R7,5 billion in 2002 to R23,5 billion in 2005, at an annual average increase of 34,8%²⁰. Within the cities, the most impressive increase in the value of residential building plans passed has been in Tshwane. In 2005 alone, Tshwane passed residential building plans valued at 122,8% more than the previous year (see figure 4-6).

Property market buoyancy; a significant shift to denser, high-security housing options; and changes in household dynamics (especially the declining average household size) have all fuelled private housing delivery. Public investment in subsidised housing – although erratic over the last four years – has also spurred residential development in all the cities. Most of this construction activity is focused on the high end of the income scale. Most new housing construction involved houses worth more than R750 000. For example, in Johannesburg less than 15% of all private housing delivery involved units valued at less than R750 000 in 2003 and 2004 (see table 4-4).

The consequences of this skewed delivery pattern is significant. First, delivery of subsidised housing is not meeting demand, suggesting a spill-over into informal housing arrangements. Second, the lack of housing delivery that might be affordable to a household earning between R1 500 and R7 500 a month means that even households able to pay some of the costs of their own housing must opt for sub-optimal housing. They are forced down the housing market, in the absence of other alternatives.

In Johannesburg in 2004, combined private and public sector delivery was half the estimated

Figure 4-6: Value of residential building plans passed (2002 – 2005)



55 000 units needed annually just to keep up with population growth. It is unlikely, in this scenario, that the housing backlog will be eradicated even in the medium-term.

Public housing delivery is driven almost exclusively by the funding that is available for housing subsidies from the national government, disbursed via the provinces. The allocation for this conditional grant has seen steady growth in recent years, rising

from R3,8 billion in 2002/03 to R4,8 billion in 2005/06, at an average increase of 8,4% per year.²¹ Housing delivery has been relatively erratic with the annual number of subsidised houses completed nationally ranging from 203 588 units in 2002/03 to 129 552 units in 2004/05 (see figure 4-7).

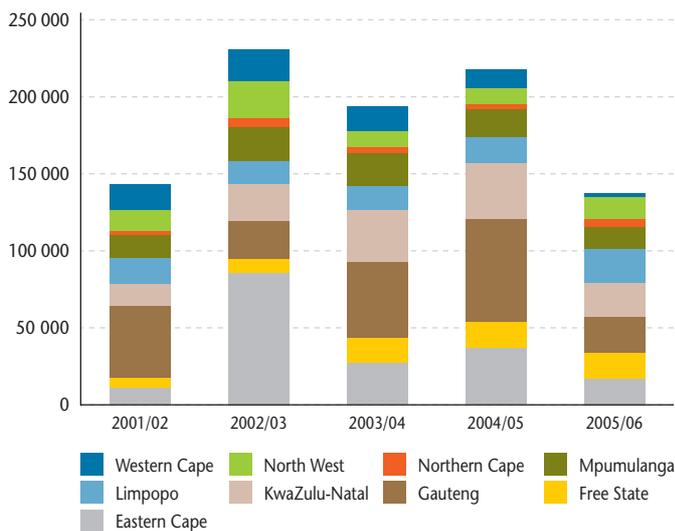
Table 4-4: Housing opportunities in Johannesburg in 2003 and 2004

	Ave value	2003	2004
Private sector			
Social housing	R350 000 – R750 000	–	200
Sectional title	R750 000 +	3 964	4 065
Better buildings	R200 000 – R750 000	–	–
Mortgage units (low income) 30-80m ²	R350 000 – R750 000	1 434	1 039
Mortgage units (high income)	R750 000 +	2 197	2 768
Total private		7 595	8 072
Public sector			
Formal housing	R0k-R3,5k	4 664	1 402
Incremental housing	R0k-R3	121	34
Social housing	R0k-R3	1 157	1 076
Total Johannesburg		5 942	2 512
Total new opportunities		13 537	10 584

CITY STRATEGY *continued*



Figure 4-7: Number of subsidised houses completed



In 2004 the Ministry of Housing presented a new strategy for public housing, the Comprehensive Plan for the Development of Sustainable Human Settlements, known as “Breaking New Ground” or BNG. This strategy has the potential to radically transform existing housing delivery, but there is a daunting list of legislative, institutional and administrative reforms still needed if public housing delivery is to achieve the principles of the BNG strategy. These include:

- Finalising the framework for the accreditation of municipalities, ensuring that housing administration functions are devolved and that funds are budgeted for the accredited municipalities.
- Rewriting the instructions and conditions associated with administering housing subsidy funds by amending the Housing Act and publishing a new Housing Code. This process provides the Ministry of Housing with a good opportunity to simplify the administrative systems and make it easier for provinces and accredited municipalities to promote appropriate housing delivery.
- Defining the partnership arrangements that will allow banks, investors and other financial services institutions to achieve the investment and lending targets for affordable housing, as set out in the Financial Sector Charter.

The BNG strategy is being piloted through nine major projects around the country, driven primarily by provincial departments of housing, sometimes in collaboration with the national Ministry of Housing. However, many of the cities have developed city-level strategies and implementation plans of their own.

Johannesburg is in the process of finalising a housing policy framework. This is intended to promote sustainable human settlements and integration, strengthen housing assets, and promote the upgrading of informal settlements. The city is also intent on achieving accreditation to administer housing programmes. Johannesburg is faced with a huge public housing delivery challenge. There is an estimated backlog of 336 972 affordable units in the city. This means that government needs to deliver 48 130 subsidised units per year if the BNG target of eradicating all informal settlements by 2014 is to be achieved. In terms of the current housing component of its IDP, Johannesburg is aiming to deliver 100 000 housing units in the next five years. This is a reasonable and achievable target for the municipality, but it is not adequate to meet on the national BNG target.

Johannesburg sees its role as mobilising and incentivising the private sector to deliver an appropriate range of housing across the affordability spectrum. As part of policy formulation, Johannesburg has identified small backyard landlords as a target for support. This is a relatively controversial strategy that is not addressed in national policy or in the BNG strategy. Housing for people with disabilities, child-headed households and other vulnerable and special groups is an important part of Johannesburg’s housing policy framework, but is taking place in the absence of appropriate subsidy instruments.



Understanding “Breaking New Ground”

In many ways, the comprehensive plan for the development of sustainable human settlements provides a welcome departure from the approach to public housing delivery that has become entrenched since 1994. The new strategy defines four major new housing delivery directions:

- A conceptual shift from a commoditised, project-based housing delivery model to a responsive, area-based human settlement development model, with a priority focus on upgrading some informal settlements.
- The introduction of new housing subsidy mechanisms – described as ‘sharper instruments’ – to satisfy a more diverse range of housing needs, like alternative tenure options and affordable rental housing.
- The principle of devolving the housing function to municipalities through an accreditation process.
- The shift from subsidising housing delivery purely to satisfy the constitutional mandate of ensuring adequate housing for all South Africans to regulating the entire housing market, making housing markets work for the poor and ensuring that subsidised housing units become economic assets for beneficiaries.

From housing to human settlements

The shift from housing delivery that happens largely through greenfields projects, which provide a standardised housing product for qualifying beneficiaries only, to an area-based development approach that upgrades or develops residential neighbourhoods on infill sites with adequate community services and amenities (like parks and libraries and community halls) is long overdue.

The Housing White Paper (1994) clearly articulates the objective of developing sustainable settlements, but the original housing subsidy instruments have not given effect to this objective. A key barrier to the development of affordable housing on well-located infill sites has been the reliance on private developers to identify and assemble land for subsidised projects. Where municipalities have played a stronger role in identifying land for housing and acting as developer (such as the erstwhile Durban Metro), housing projects were better integrated into the urban fabric.

The BNG strategy recognises this barrier and recommends a new approach to identifying and assembling land that is suitable for housing that includes co-ordinating information about public land between the Department of Land Affairs and municipalities, improving the efficiency of the process for the vesting of land, providing capacity support for national and provincial government to acquire land and defining the role of local government in the acquisition of land for housing.

Sharpening the housing instruments

The BNG strategy identifies a series of new housing subsidy mechanisms and proposes significant amendments to existing housing subsidies. The key changes include:

- Collapsing the conditional grants for housing subsidies and for human settlement redevelopment into a single conditional grant with a new framework of conditions that allows for a phased approach to human settlement development on an area by area basis (prioritised in order to upgrade all informal settlements by 2014).
- Introducing more responsive and flexible conditions to the funding of human settlement development that will allow for appropriate spending on land and infrastructure. These are two key variable cost components in human settlement development projects, and the previous limit on the proportion of housing subsidies that could be spent on land and infrastructure resulted in housing projects being built on the cheapest possible land with a minimum level of services (such as gravel roads and VIPs instead of water-borne sanitation in urban areas). This funding for land and infrastructure will not be limited only to qualifying beneficiaries (in terms of housing subsidy qualification criteria) but will apply to all households living in a settlement earmarked for upgrading.
- The BNG strategy also reviews the housing subsidy bands and the household income qualification criteria. The strategy proposes that housing subsidies should be extended up the income scale by making credit- and savings-linked subsidies available to households earning between R3 500 and R7 000 per month. Secondly, a new social housing capital subsidy is being introduced. This will provide a larger grant than the conventional housing subsidies in order to fund the urban restructuring and densification objectives of social housing because this type of housing is more expensive to build. Thirdly, the compulsory beneficiary contribution has been waived for households earning less than R1 500 per month, and those participating in peoples’ housing projects or self-built housing projects.
- The BNG strategy also proposes that social facilities and amenities, like multi-purpose community centres, parks, transport interchanges or sports facilities, should be constructed as part of every project.



Understanding “Breaking New Ground” continued



Roles and responsibilities for housing

The phased devolution of responsibility for the administration of housing subsidies to municipalities is an important element of the BNG strategy. An accreditation framework and targets for the phased accreditation of municipalities have been developed. Once a municipality is fully accredited it will receive a multi-year allocation from the integration housing and human settlement conditional grant (appropriated in terms of the Division of Revenue Act) and will be responsible for allocating grants for projects and administering the application and disbursement of the grants. This will allow municipalities to plan and co-ordinate housing delivery with other infrastructure funding. The Ministry of Housing has also introduced a provision that allows municipalities to use a proportion of their allocation from the integrated housing and human settlement development grant for operational spending in order to establish and run municipal housing units that will be able to fulfil these new responsibilities.

Creating housing assets

There are also new initiatives to support the development of the affordable housing finance market. The financial services sector has set itself lending and investment targets for affordable housing, and there have been discussions about the role of government in supporting the development of the affordable mortgage market. Other fiscal incentives are also being developed to promote public-private partnerships in the delivery of affordable housing.

The Ministry of Housing is also investigating the introduction of a new Housing Development Act that might introduce targets for residential property developers to set aside a proportion of their commercial housing projects for low-income residents in the hope of creating more integrated housing environments.

In Johannesburg, the human settlements focus is limited to sustainability in new housing environments, where the housing team has the most influence. The city acknowledges that this focus should be broadened to existing settlements and that there is a need to strengthen the understanding of sustainable human settlements in the planning components in the municipality.

eThekweni, believes that there are some simple administrative reforms that would have a big impact on the efficiency of housing delivery. eThekweni is constrained by limitations in the funding allocation for housing subsidies within its jurisdiction. Land invasions, evictions, household formation, and increasing migration are all manifestations of unsatisfied housing demand in eThekweni. The municipality has the capacity to deliver housing at a faster pace, and has developed a housing cost-model, based on an area-by-area analysis, that has revealed the following funding challenges:

- Land availability is a problem. State land is more difficult to acquire than private land because of administrative complexity. Given the high cost of private land, adequate funding for land remains a barrier to housing delivery.

- The proposal that land costs should be funded out of a separate subsidy through the Department of Land Affairs will increase the administrative complexity of housing delivery.
- There is a need to deal with complex funding and functional arrangements in the development of sustainable human settlements. Aspects such as greening and urban agriculture, spatial development plans, street lighting, multi-purpose centres, foster care, rainwater tanks and local economic development initiatives all need to be considered from both a capital and operational funding perspective when planning human settlement projects.

In order to address these challenges, eThekweni believes that the accreditation of municipalities should be fast-tracked to allow municipalities to approve their own projects and co-ordinate human settlement development. Housing funding partnerships remain a challenge. There is a need for consultations between the housing

departments and provincial treasuries and municipal finance officers to work out the best approach to raising bridging finance or facilitating finance partnerships within the prescripts of the MFMA.

In Ekurhuleni, municipal housing priorities include upgrading, densification and greenfields projects, affordable rental accommodation, social housing, PPPs and bridge financing in order to speed up delivery. Municipal housing sector plans have been developed at the precinct level, and are located within the spatial development framework for the city. Mixed income and life-cycle planning has also been undertaken at the neighbourhood level.

Having established a comprehensive range of plans, Ekurhuleni has chosen to implement these plans through a city-wide human settlement response. Within selected precincts, in six regions across the city, intervention strategies are defined and priced. Because the allocation of housing and infrastructure grants to Ekurhuleni are not adequate to fund these in full, the city is faced with the need to influence national budgets and mobilise private investment.²²

While all the cities are supportive of the broad objectives of BNG and the principle of delivering housing in sustainable human settlements, they would like pace of reform to be substantially increased.

The Expanded Public Works Programme

The Expanded Public Works Programme (EPWP) is a national programme to create work opportunities. This has the potential to make cities more inclusive by employing people who have difficulties finding jobs because they lack skills, and by offering training. Cities can contribute to the EPWP through infrastructure projects, economic development, social development, and the environmental and cultural sectors. In order to implement the EPWP, all the public sector institutions are required to prepare plans showing how they are going to increase the participation of the unemployed and marginalised in their areas of jurisdiction using their current budgets.

Different municipalities have responded differently in setting up institutional arrangements to drive implementation of the EPWP.

Cape Town established dedicated EPWP business units to co-ordinate the implementation of the EPWP, while eThekweni and Mangaung made use of the Municipal Infrastructure Grant (MIG) Programme Management Units (PMUs). Johannesburg established steering committees to drive the process and relied on all departments within the municipality to implement their projects using EPWP principles.

Most municipalities also appointed champions to drive the implementation of the programme at a political level. The majority of municipalities have also played an active role in the provincial steering committees set up to coordinate the work of the various EPWP sectors across local and provincial government.

The EPWP has largely been implemented through the infrastructure sector, with the exception of the eThekweni, Cape Town and Nelson Mandela Bay which have undertaken work in the social, economic and the environment and cultural sectors.

The EPWP Readiness Audit conducted by SACN in 2004 revealed that the eight member cities of the SACN (excluding Johannesburg) had a combined budget of approximately R8,5 billion for the 2004/2005 financial year, and R9,5 billion for the 2005/06 and the 2006/07 financial years for capital works that could potentially have been implemented through the EPWP. But only projects worth R1,08 billion utilised EPWP principles in six of the nine SACN cities. Although this falls well below the R8,5 billion potential budget, the figure of R1,08 billion represents a significant achievement in view of the difficulties experienced in implementing the programme (see table 4-5). There is still an opportunity to re-organise existing budgets to scale up the EPWP and enhance its impacts.

CITY STRATEGY *continued*



The State of Readiness Assessment estimated that a total of 107 000 jobs could be created if cities re-orientated their capital works budgets towards EPWP projects. By May 2006 approximately 20 419 job opportunities (697 318 person-days) had been created (see table 4-6).

Four groups have been targeted to undergo training related to EPWP: councillors, project managers, consultants, contractors and EPWP beneficiaries. But a review of training provided on a number of EPWP projects in six SACN cities suggests that very little accredited training is being provided, with a corresponding increase in non-accredited training. There has been approximately 5 330 person-days of accredited training compared to the 13 181 person-days of non-accredited training. This has been ascribed to limited accredited training service providers in the provinces and poor enforcement of accreditation requirements for the EPWP projects (see table 4-7).

Table 4-5: Budget allocation for EPWP for the SACN cities (2005/06)

Member city	2005/06 EPWP Budget	2005/06 Expenditure
Tshwane Municipality	R71 914 000	R38 848 766
Buffalo City Municipality	R38 200 000	R36 037 511
eThekweni Municipality	R242 998 046	R160 110 427
Mangaung Municipality	R36 136 782	R31 192 707
City of Cape Town	R647 119 088	R271 699 463
Nelson Mandela Bay	R38 000 000	Information not available
Totals	R1 074 367 900	R537 888 850

Table 4-6: Total number of jobs created by the EPWP per city (May 2006)

City	Number of jobs created	Total person-days of employment to date
Mangaung	901	60 037
Tshwane	829	59 343
eThekweni	7 369	139 226
Buffalo City	5 116	45 801
Cape Town	6 204	392 911
Total	20 419	697 318

In addition to EPWP projects implemented by the municipalities, there are a significant number of national and provincial EPWP projects being implemented in the SACN cities, often in partnership with the municipalities. In the first six quarters of the EPWP more than 22 000 work opportunities were created through these programmes for residents of the nine SACN cities. It is anticipated that this number will continue to grow.

Eight of the nine member cities also partnered with the National Department of Public Works and the Construction Education and Training Authority (CETA) in the Vuk'uphile Learnerships programmes to train contractors and site supervisors in implementing EPWP projects. So far a total of 480 learnerships have been implemented in the member cities through this programme. As part of their training, these learners will implement 480 EPWP projects in the member cities.

The employment demographics of the various projects have not always met the targets suggested in the Code of Good Practice for Employment and Conditions of Work for Special Public Works Programmes. For example, 45% of the jobs created have gone to women, compared to the 60% target set in the code. Similarly the employment of people with disabilities is approximately 1,3% compared to the 2% target set in the code. But the 40% of youths employed on the programme has exceeded the 20% target.

Safety initiatives

There is a perception that South African cities continue to be unsafe. This constrains urban investment and undermines citizenship with many urban residents retreating behind privatised security arrangements. Nationally, the two primary causes of deaths due to non-natural causes are murder and road accidents.²³ (see figures 4-8 and 4-9).



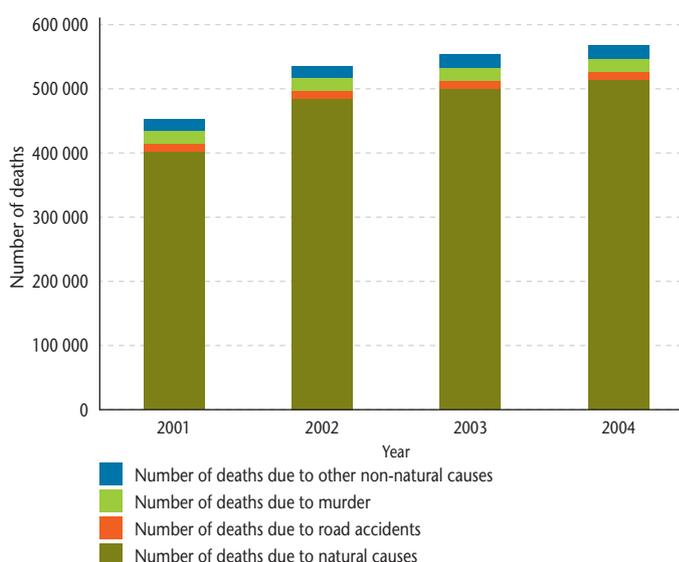
Table 4-7: EPWP related training in municipalities (May 2006)

City	Training of officials	Training of contractors	Sector
Mangaung	No information available	20 contractors and 40 site supervisors	Infrastructure
Tshwane	52 municipal officials	25 contractors and 50 site supervisors	Infrastructure
Johannesburg	No information available	12 contractors and 24 site supervisors	Infrastructure
eThekweni	60 municipal officials – NQF Level 5 15 municipal officials – NQF Level 7	24 contractors and 48 supervisors	Infrastructure
Buffalo City	5 municipal officials – NQF Level 7 4 municipal officials – NQF Level 5	10 contractors and 20 site supervisors	Infrastructure
Nelson Mandela Metro	31 municipal officials – NQF Level 5	20 contractors and 40 supervisors	Infrastructure
Ekurhuleni	No information available	25 contractors and 50 site supervisors	Infrastructure
Cape Town	157 municipal officials attended 102 municipal officials – NQF Level 5 NNF L7 candidates assessed on 8 May 2006 and awaiting results	24 contractors and 48 site supervisors in a partnership with the province	Infrastructure
Total	269 municipal officials	160 contractors and 320 site supervisors	

Municipalities play a role in mitigating the risks that cause these deaths by taking responsibility for metro policing services, and traffic law enforcement.

The safety and security function is largely a national government function, with the National Department of Safety and Security managing the South African Police Service (SAPS). There are 1 121 SAPS-run police stations around the country, and 264 or 24% of these are located in the nine SACN cities (see table 4-8).

Figure 4-8: National causes of death



In addition to SAPS, metropolitan police officers have become a visible feature in five of the cities. These include the Durban City Police (established in July 2000), the Johannesburg Metropolitan Police Department (April 2001), the Cape Town City Police Department (December 2001), and the Tshwane and Ekurhuleni Metropolitan Police Departments (both established in February 2002)²⁴. The statutory functions of a municipal police service are traffic policing, policing of municipal bylaws and regulations, and preventing crime.

On average these cities anticipate spending approximately R400 million each in 2006/07 to staff and operate their metropolitan police services. When total spending on public safety is considered in these cities (metro police and emergency response services) it accounted for an average of 8% of total operating spend in 2004/05. The other cities have significantly lower spending on public safety (at an average of 5% of total operating budgets in 2004/05).²⁵ (see figure 4-10).

CITY STRATEGY continued

Figure 4-9: Proportion of deaths due to non-natural causes (2001 – 2004)

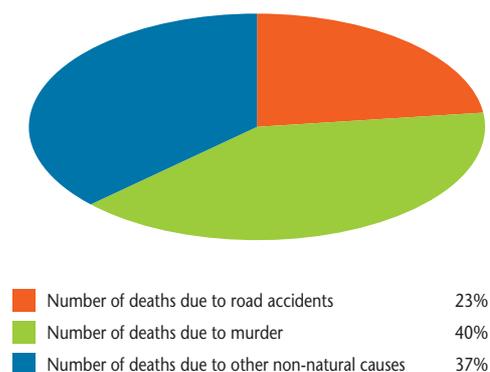


Table 4-8: Police stations in the SACN cities

	Number of police stations	Area km ²	Average area per police station
Cape Town	58	2 460	42
Johannesburg	38	1 644	43
Nelson Mandela Bay	17	1 958	115
Buffalo City	22	2 527	115
Ekurhuleni	36	1 924	53
eThekweni	43	2 291	53
Mangaung	14	6 283	449
Msunduzi	8	633	79
Tshwane	28	2 174	78

A sample comparative analysis of five provinces with SACN cities shows that there are about 82 000 SAPS officers, 5 200 metro police officers and a further 1 896 provincial traffic enforcement officers, making up a total of almost 90 000 enforcement officers.²⁶ This yields an average coverage of one enforcement officer per 6 km² and one enforcement officer per 369 people. Even more telling is the ratio of one sworn police officer to 378 people. This can be compared to equivalent international ratios of 1: 242 in Australia, 1:286 in the UK, 1:392 in the USA, 1:517 in Denmark, and 1:647 in Finland.

Most of the new metropolitan police officers were previously municipal traffic officials, and have been relatively successful in

fulfilling their traffic law enforcement responsibilities. A June 2002 activity report for the Tshwane Metropolitan Police Department revealed that of the 20 476 hours worked that month, 43% were related to traffic policing, 23% to crime prevention and 2% to by-law enforcement, with the remainder devoted to other duties such as administration, court appearances or training.²⁷ Similarly, of the 12 828 calls logged by the Johannesburg Metropolitan Police Department in the last quarter of 2003, 80,5% were traffic-related, 10,5% related to by-law enforcement, and 9% to crime.

The enforcement of by-laws has been complicated by the process of rationalising the different regulations from former municipal jurisdictions into a single, consolidated metro-wide set of by-laws. These processes have taken metropolitan councils longer than anticipated.

When it comes to policing, providing a deterrent is key to the notion of crime prevention. Tactics such as visible police patrols, roadblocks, search and seizure operations, and targeted arrests are important deterrent strategies. Previous research has found that metropolitan police departments have interpreted their crime prevention mandate in different ways. Some have established specialised units to tackle targeted crimes like hijacking, others focus on joint operations with SAPS, and others have social crime prevention units that focus on public education and awareness activities with schools and other community structures²⁸.

In general, crime statistics over the period 1996 to 2004 have shown a steady rise in most major categories. Between 2002 and 2004 many of the more serious crimes such as murder and hijacking showed signs of stabilising and perhaps decreasing slightly. On a city-by-city analysis, the

Figure 4-10: Proportion of operational spend on public safety 2004/05

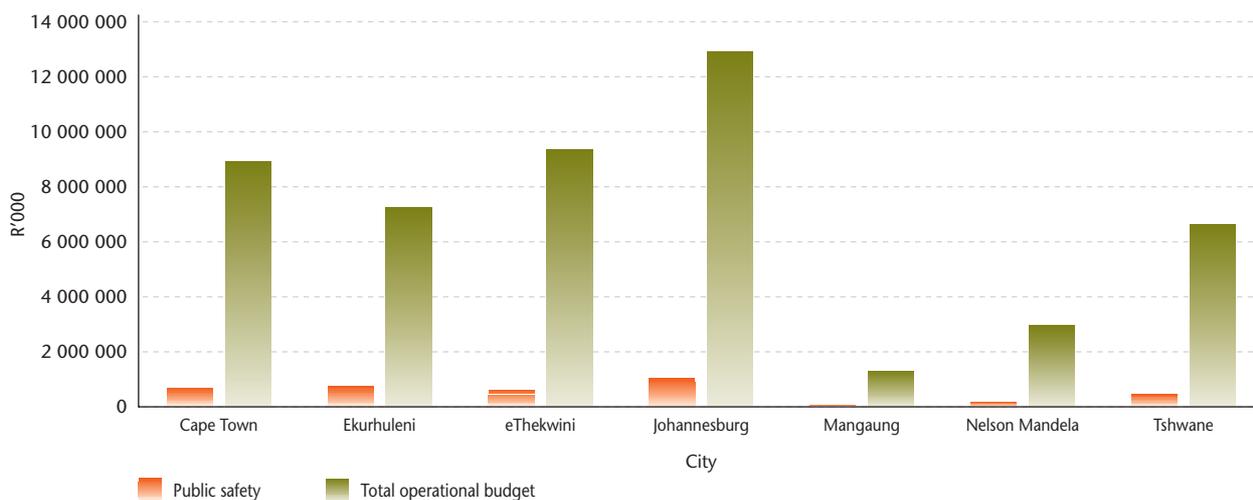


Table 4-9: Enforcement capacity in the provinces accommodating the nine SACN cities

	Provincial population (million)	Provincial area km ²	City area km ²	SAPS sworn police officers	Number of metro police officers	Number of provincial traffic officers	Total number of enforcement officers in Province
Eastern Cape (2 cities)	7,1	169 580	4 485	15 020		272	15 292
Free State (1 city)	2,9	129 480	6 283	8 339		357	8 696
Gauteng (3 cities)	8,9	17 125	5 742	24 717	3 245	430	28 392
KwaZulu-Natal (2 cities)	9,6	92 100	2 924	18 740	1 142	422	20 304
Western Cape (1 city)	4,5	129 370	2 460	15 416	798	414	16 628
Total				82 232	5 185	1 895	89 312

trends are more difficult to read. Figure 4-11 shows the number of cases of public violence by city for 1996, 2001 and 2004. In Buffalo City, Cape Town and Johannesburg there were more reported incidences of public violence in 2004 than ever before. eThekweni has a fairly stable pattern of annual incidents, and Ekurhuleni, Tshwane, Mangaung and Msunduzi recorded fewer incidents per year over the period.

Many city residents continue to believe that the police – both SAPS and metro police – do not have effective crime prevention strategies. Figure 4-12 shows how few residents are satisfied with crime prevention in their neighbourhoods.

The broken windows theory

The 'broken windows' theory suggests that the metro police should have a different approach to crime prevention than the SAPS. According to this theory, crime thrives in localities where order appears to have broken down. Factors such as broken windows, uncut grass and weeds, graffiti, loud noise, unregulated squatting, hawking or parking and illegal dumping all contribute to an environment that breeds insecurity. This undermines community cohesion, and criminal elements start to gain control, contributing to the likelihood of serious crime.

CITY STRATEGY continued



Figure 4-11: Public violence 1996-2004

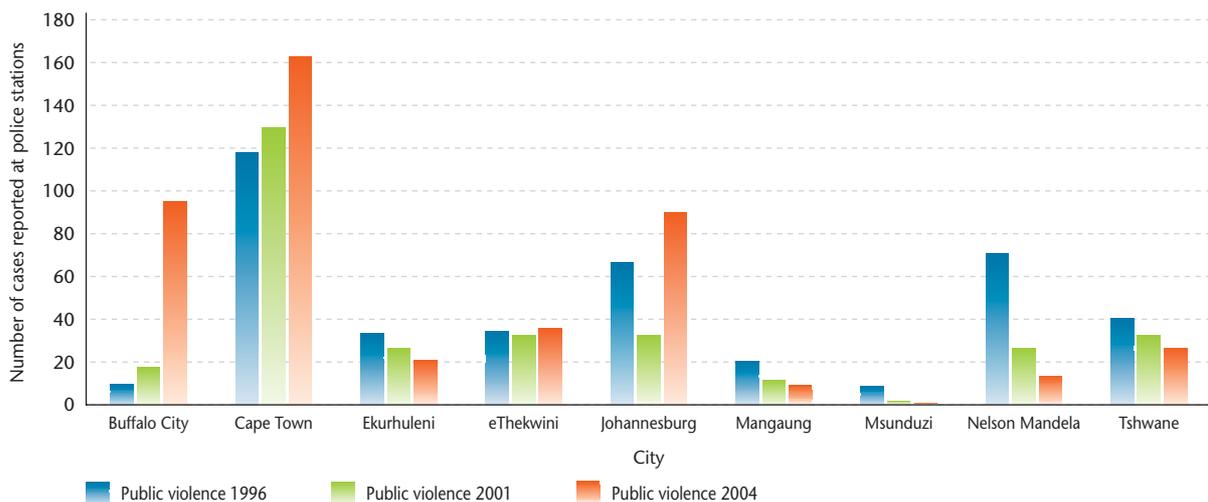
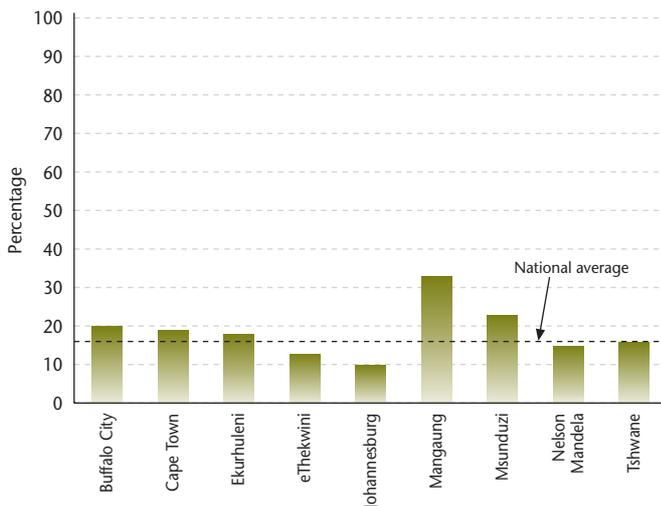


Figure 4-12: Percentage of surveyed residents who are satisfied with how Government handles crime prevention in their neighbourhood (HRSC survey 2005)



HIV and Aids

HIV prevalence and Aids deaths in the nine SACN cities have increased significantly since 1996 (see page 3 – 5). This destroys households, undermines social stability and perpetuates social exclusion. Aids deaths also impact on urban productivity and urban governance.

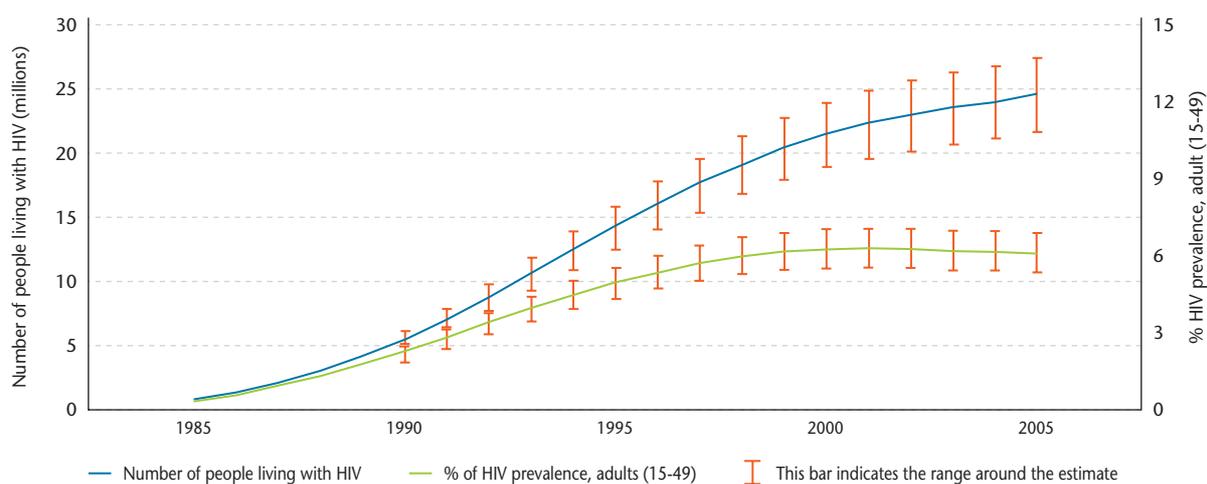
The report on the global Aids epidemic released on 1 June 2006 paints a bleak picture of progress towards reducing HIV and Aids. Although the spread of HIV appears to have levelled off on the African continent, HIV mitigation efforts still lag behind with insufficient commitment of human, financial and institutional resources to fight the disease (see figure 4-13).

The HIV and Aids pandemic is often seen only as a health problem, and therefore the sole responsibility of health departments. This narrow interpretation obscures the more complex interrelationships between the pandemic and other urban processes like population movements, urban poverty, access to housing and services – and the increasing inability of the poor to pay for these services.

Common indicators for HIV prevalence among households include race, age, gender and settlement type. It is most common in Africans aged 25-34, among women, and in people living in informal settlements. This last factor is most significant for urban managers given that it is most difficult in these places to deliver the urban



Figure 4-13: HIV epidemic in sub-Saharan Africa, 1985-2005



services – water, sanitation and electricity – that might help mitigate the effects of the disease.

HIV and Aids increases the economic pressures that create migrancy, and migrancy in turn increases the spread of HIV and Aids, a vicious circle that puts the most vulnerable households at even greater risk. Complex population shifts arise: the disease drives infected people out of the cities and back to families in rural areas for care in the final stages of the disease. Orphaned children are sent back to rural areas to be cared for by grandparents or relatives. A reverse pattern also occurs, driving infected people from rural areas to cities in search of better health care, and placing increasing strain on the cities to deliver appropriate services.²⁹

HIV and Aids tends to be elusive: no symptoms are immediately visible, and the disease acts slowly over a number of years. An urban manager can be easily misled into assuming that no crisis exists, and that therefore no urgent response is necessary at the urban level. City officials need to understand the trajectory of the disease, which tends to affect residents during their most productive years, both as workers and as parents raising children. Children become orphans, spreading the economic burden to the families of relatives. These problems are worsened by stigmatisation, compounding exclusion and division in the city.

A vicious cycle emerges, in which urban poverty exacerbates HIV and Aids, and HIV and Aids exacerbates urban poverty. The problems of social access associated with poverty, such as inadequate housing, sanitation and urban services, and inadequate nutrition, exacerbate the spread of opportunistic diseases that may strike during the later stages of the disease. At the same time, the increased need for households to spend money on medicine, coupled with the inability of breadwinners to earn a living, plunges households into poverty. The impact of poverty is experienced not only by households where one or more members are affected by HIV/Aids, but by the families of relatives or friends, who must take up their burdens. This impacts on the ability of increasingly impoverished households to pay for municipal services, which in turn impacts on urban governance.³⁰

Because of the particular trajectory of the disease as it transforms from HIV into Aids, illnesses and symptoms change over time. The various stages of the disease will have different impacts on how households respond to prevention and care,

CITY STRATEGY *continued*

which in turn relates to housing and municipal services. Table 4-10 shows the nature of households' various needs for housing and municipal services to deal with various stages of the disease. For example, in stage 3, clean water and sanitation are necessary for preventing diarrhoea, for replacing fluids, for providing care, and for preventing the illness from spreading.

This suggests that municipal managers can play an important role in mitigating the effects of HIV and Aids by ensuring adequate provision of housing and the delivery of municipal services.

A number of South African mayors and city managers have made combating HIV and Aids a priority during their terms of office. This has resulted in the establishment HIV and Aids units which reports to the city manager, taking the discussion about HIV beyond the health department. The cities have also mobilised different strategies to manage the impact of HIV and Aids ranging from:

- a multi-sectored approach

Table 4-10: Examples of illnesses and the role of housing and services

Stage 1. Acute HIV infection. Infected person is fully active and asymptomatic	
<i>For example:</i>	Seroconversion illness
<i>Symptoms:</i>	Glandular fever-like symptoms including fever, rash, joint pains and enlarged lymph nodes at the time of seroconversion.
<i>Comments:</i>	These illnesses do not depend directly on services for care and prevention
Stage 2. Early disease. Infected person has symptoms but remains quite active	
<i>For example:</i>	Herpes zoster or shingles
<i>Symptoms:</i>	An intensely painful rash with blisters.
<i>Comments:</i>	Poor personal hygiene creates a predisposition to many infectious skin conditions and is a risk factor for the development of secondary bacterial infection in skin conditions whatever the cause. Poor hygiene may put other household members at risk of infection.
Stage 3. Late disease. Infected person is bedridden < 50% of normal daytime	
<i>For example:</i>	Unexplained chronic diarrhoea
<i>Symptoms:</i>	Usually watery rather than bloody stools
<i>Comments:</i>	Caused by drinking water contaminated by sewage or eating food that has been in contact with contaminated water, flies or soiled hands. The risk of infection higher with inadequate sanitation and overcrowding. Domestic, personal and food hygiene is very important in preventing infection and access to plentiful, clean water needed.
Stage 4. AIDS. Infected person is bedridden > 50% of normal daytime	
<i>For example:</i>	Tuberculosis that has spread beyond the lungs to other organs
<i>Symptoms:</i>	Coughing, loss of appetite and weight, fever, night sweats. Because it is widespread throughout the body symptoms also relate to site of infection.
<i>Comments:</i>	Probably the most common AIDS defining illness. The risk of infection is higher with overcrowding.
Source	
Tomlinson, R and Mkhabela, I (2005) HIV and Aids and urban poverty. Discussion document prepared for SACN	

- political and administrative support (championing)
- mainstreaming within the local government departments.

The cities have been providing ongoing prevention, voluntary counselling and testing, care and support for the infected and affected, anti-retroviral treatment programmes, as well as general wellness programmes. Municipalities have also been providing similar programmes for their own employees. Through workplace testing that has included senior managers, local authorities have been able to remove some of the fear associated with HIV.

Structurally, HIV and Aids custodianship is often a victim of organogram failure, with HIV and Aids units being placed under the jurisdiction of inappropriate departmental reporting lines. This undermines the performance of the overall HIV and Aids strategy. Some cities have successfully translated commitment into action by restructuring departments and ensuring that the HIV and Aids manager holds an influential position in top management.

Cape Town has been proactive in developing HIV related services and in coordinating its services with those of provincial government and non-governmental organisations. An interesting innovation based in Cape Town – Cell Life Project – uses cellular phone technology for recording patients' adherence to anti-retroviral treatment and tracks home-care visits. In Johannesburg, the Esselen Street Clinic project targets vulnerable groupings where services are tailored for the needs of refugees and non-national migrants. Translation services are provided within the voluntary counselling and testing programmes. In Alexandra, an innovative housing project will provide cluster homes for foster care, integrated within the fabric of the residential area.

Many of the smaller cities are tackling HIV and Aids as a workplace and community issue with little or no resources, with the result that these initiatives are uneven. Only a small number have launched and maintained sustainable HIV and Aids programmes due to lack of funds, lack of political and administrative will, limited support and resources. Msunduzi and Buffalo City have provided strong political support for HIV and Aids programmes. Msunduzi's HIV and Aids strategy has been showcased as an international best practice case study illustrating how the city has orchestrated partnerships with local hospitals and clinics, non-governmental organisations, faith-based organisations, funding agencies and organisations concerned with children in distress.

PEOPLE BUILDING THE CITY



CECELIA SATO: CARING FOR PEOPLE WITH HIV AND AIDS IN THE ABSENCE OF BASIC INFRASTRUCTURAL SERVICES

There is nothing remarkable about long queues when food is being handed out for free, particularly in poor areas. This is what happens in Diepsloot, in the north of Johannesburg one warm, summer afternoon. Small clusters of people are lining up waiting for the arrival of a bakkie bringing food from the local Pick 'n Pay. Then they stream into the Vuselela Drop-in Centre, a one-stop shop for HIV and Aids counselling and awareness, to choose between bread-rolls that have reached their sell-by-dates or cakes that are slightly stale.

But for Cecelia Sato, the retired nurse who established the drop-in centre and runs it on a daily basis, the long queues are a small victory. "When we first started giving free food, people thought it was poisoned, that it gave you HIV. They wouldn't eat. When they saw me in the street they called me 'Sister Aids.'"

But today that has all changed. Thanks largely to the work that Sato and her colleagues have been doing at Vuselela for the past six years, some of the stigma associated with Aids has been removed. "Now, they eat, and now they call me Ma Cecelia!"

Cecelia Sato established the Vuselela Drop-in Centre in 2000, working out of a two-roomed corrugated iron shack, no different from other structures in the immediate vicinity. Now her organisation has spilled out into five additional containers, wheedled out of medical companies, residents of the nearby upmarket suburb of Dainfern and US-based Aids NGOs.

Today she works together with two professional nurses, three peer educators and 38 volunteer home-based caregivers, educating, counselling and caring for people in Diepsloot, Johannesburg's most impoverished region. The centre has been identified by the Department of Health as a "non medical site" and receives support from the department in the form of small stipends for the home-based caregivers. The peer trainers create awareness of HIV and Aids: "How do you get it, how do you prevent it, how do you live with it". Other volunteer counsellors

run support groups for the infected and the directly affected. "It is very difficult," says Sato, "particularly in an environment where people are being rejected from homes because they have HIV."

Sato firmly believes that home-based care needs to be complemented by visits from a professional nurse. "There will be patients that need TB injections, but they cannot even get up to go to the clinic. It is not an easy thing to do – home-based care – but it is an essential service. It's often not safe. Nursing work is done by females. You go all by yourself to places where there are tsotsis. You are at risk of being raped. There is often a language barrier, particularly with foreigners. The worst nightmare is the ambulance. You can phone and wait for an hour. Another challenge is food. You see, we service a very poor area. That is why I have a relationship with Pick 'n Pay. You cannot distance poverty from HIV."

Sister Eunice Khubeka is one of the professional nurses who works out of Vuselela. She has the matronly authority of a nurse with decades of experience, tough and gentle at the same time. Every day she accompanies the home-based care workers on their rounds, making sure that she gets to see her sixty or so "clients" at least once a week. She accomplishes this on foot, on roads that are "not level, in a settlement that is very scattered."

"When we come into a client's house there are a lot of variables," says Khubeka. "But the big thing is poverty. I want to wash – but there is nothing. So I take a bag with washcloths. Then there is the basic need for food. Most people here are unemployed. We get a food supplement from the



Department of Health called Pilane. Then we can give the medication. Or sometimes there is food but no fuel. In extensions 7 and 9 there are communal toilets only. This is not conducive if you have diarrhoea. Sometimes the home-based caregiver will tidy the house, or if there are school-going children will wash their uniforms. I want people to feel proud.” Sister Khubeka sees her role as four-part, offering psychological, physical, social and spiritual comfort.

“Unfortunately,” says Khubeka, “Some patients are not compliant. Diseases are blamed on witchcraft.” Michael Mohapo, one of the youth workers, confirms that this is a problem. “You get to hear what people feel. They know about HIV but there are myths – myths that HIV can be cured by a traditional healer.”

Both Sato and Khubeka also face serious challenges due to the lack of infrastructure in the area. Khubeka echoes Sato’s complaints about the transport problems that arise in a neighbourhood with badly rutted sand roads and few tarred access routes. “When we phone for an ambulance, we are told

reinforced what I teach about HIV. You are not dead because you have HIV. HIV is a condition that people can live with for a number of years. If we teach it right, people can live longer. People can contribute provided they discover early – which is why I advise people to get tested. The big unfortunate part is that people will go very late to the hospital.”

WHEN WE PHONE FOR AN AMBULANCE, WE ARE TOLD TO BRING THE PATIENT TO A MAIN ROAD. BUT WHAT IF THE PATIENT CAN’T WALK?

to bring the patient to a main road. But what if the patient can’t walk? Then we have to hire a taxi. Then the taxi driver says: ‘This one who is so sick... not in my taxi.’”

A lack of basic services also hampers the operations of the drop-in centre. There is no Telkom line, even though Sato has applied repeatedly. The stove and fridge built into the kitchen container cannot be used, because there is no electricity.

One of Sato’s happier stories is about a young couple, both of whom had HIV, who wanted to get married, but could not afford the festivities. “So,” said Sato, “I phoned Kaya FM and people responded... and they had a lovely wedding. Gauteng MEC Gwen Ramaghopa even came.” “For me, the wedding



CITY STRATEGY *continued*

Culture and creativity

In the face of increasing diversity in cities, and the tendency of different groups to splinter off in pursuit of identity politics, many cities are beginning to recognise that culture can play a role in fostering tolerance and building a collective identity. This coincides with a recognition that cities are crucibles of artistic creativity.

Cities are using culture as a key tool to build urban citizenship and to redevelop urban spaces for economic benefit.³¹ Cities promote culture through physical projects – through urban renewal, the creation of public space, and the development of cultural precincts. They also celebrate, showcase and support culture in more symbolic ways – through financial support, promotion of civic identity, and events.

Some municipalities have used urban renewal, or the physical redevelopment of obsolete buildings to create distinctive precincts that give a city a particular character. South African inner city regions have witnessed such renewal in areas like Newtown in Johannesburg; the Cape Town central city; Florida Road, Morningside and Stanford Hill in eThekweni; and Hatfield in Tshwane. South African coastal cities have also redeveloped their docklands, converting disused port infrastructure into mixed use, retail, business, residential, entertainment and cultural spaces. The V&A Waterfront in Cape Town and the Point development in Durban are successful examples.

Culture can be a catalyst of employment growth. There is evidence that using cultural capital to transform older parts of cities has enhanced urban employment, tourism and cultural regeneration. But equally, there are signs that not everyone benefits. Gentrifiers, who are able to pay higher prices, alter the character of areas, displacing low-income residents and disrupting the social spaces of original tenants.

Cities in developing countries have focused on reviving traditional crafts. These have fed a tourist appetite for cultural heritage. The promotion of arts, crafts and services that are locally authentic has become a mechanism for marketing developing cities and for creating jobs.

Urban culture is also recognised as a potential strategy for harmonising different social interests in a city. The assumption that culture is a point of connectivity and inclusivity in the city has led to the development of public spaces and cultural amenities where public art, performance art, festivals and unique cultural events can be showcased and made accessible to all citizens. Cape Town is pursuing a vision of establishing places of inclusion in the 'Uluntu Plaza Dignified Places Programme', a project intended to create high quality urban environments and social facilities as lead projects in key areas across the city.³² The new Constitutional Court, erected on the site of Johannesburg's notorious prison complex, now houses institutions that celebrate democracy and human rights in post-apartheid South Africa.³³

There is also a trend towards developing 'cultural districts' which spatially concentrate economic activities. This can be seen in Newtown and in the fashion district in central Johannesburg, and in the proposed cultural precinct in the inner city of eThekweni and Cape Town.

Various annual festivals in South Africa's cities and towns have been conceptualised with a view to celebrating cultural diversity, stimulating economic growth, and promoting tourism. The National Festival of the Arts in Grahamstown, the Macufe Festival in Mangaung, the Klein Karoo National Arts Festival in Oudtshoorn and the Aardklop National Arts Festival in Potchefstroom attract over 500 000 visitors every year. The annual Celebrate eThekweni event includes a mix of social, family, heritage, sports, artistic, cultural, environmental and spiritual events that highlight the region's diversity.³⁴

While many events take place in city centres, the Absa Soweto Festival is a unique cultural event in that it takes place in the heart of the township. This festival combines a lifestyle and leisure exhibition, an SMME development programme, a

careers village, entertainment, a fashion show and beauty pageant, a boxing tournament, a kids zone, a travel and tourism expo, arts, crafts and heritage tours. The festival helps break down the artificial barriers that exist between the people who live in the townships and those who live in the suburbs in an attempt to promote urban inclusivity.

Limitations and remaining challenges

The focus of municipal poverty reduction and social inclusion efforts during the period 2000 – 2006 has been on infrastructure linked initiatives – basic services, the provision of subsidised housing, and job creation linked to infrastructure provision and urban renewal.

There have been substantial achievements. In particular, a widely adopted approach of providing an equitable package of basic services to all residents, including a defined quantum of free services to the poor, had been implemented. Financial support for the free basic services via the Municipal Infrastructure Grant and the Equitable Share grant has limited the subsidy burden on the municipal fiscus. The success and viability of this approach is reflected in rising collection rates, major increases in service provision to informal settlements and increasing investments in infrastructure maintenance, although this is still too low. The infrastructure-focused services have also developed established ways of working more effectively with poor communities – in situ upgrade, labour intensive construction and maintenance in line with EPWP principles.

There is recognition that the ways in which these infrastructure-based efforts have been implemented have had some unintended, negative consequences. A consequence of much housing and service delivery interventions for the poor over the past decade has been the creation of large dormitory settlements of low-cost mass housing on the urban periphery where the price of land is cheap. These areas are typically far from economic opportunity and have limited and expensive transport access. They also tend to reinforce the segregation of the city along racial and income lines. This is likely to trap people in poverty and imposes long-term social costs.

In an attempt to address these limitations, municipalities are placing an increasing emphasis on “integrated human

settlement” in the approach to housing the poor. These efforts are focused on facilitating denser, better-located, mixed income, environmentally sustainable government-assisted housing in line with Breaking New Ground. But there is still considerable work to be done in developing the policy, regulatory and financial instruments required for this approach to be implemented at a meaningful scale.

All the city municipalities have put an emphasis on the social development aspects of inclusion and poverty reduction efforts. There is an explicit recognition in all the IDPs that the development of social and human capital is a crucial part of the development process. Many innovative programmes have been tried in areas including HIV and Aids, gender, safety and security and community building.

However, it is acknowledged that this remains an area of conceptual weakness and that most cities lack any integrated strategy for building social and human capital. City programmes have generally focused on symptoms and relief but have no clear strategies or sustained programmes to build social and human capital.

Overall, the infrastructure service emphasis has predominated over the ‘softer’ social services. An inevitable consequence is that there has been a decline in proportion of both capital and operating budgets allocated to the social functions over the past five years. National transfers to municipalities have also been almost exclusively focused on basic services and on housing.

Part of the reason for neglecting the human capital issues has been the relatively unclear definition of local government’s role regarding social development. Social functions such as education, welfare, policing are either provincial

CITY STRATEGY *continued*



Balancing rights

Should the municipality be required to provide illegal occupiers of land or property with alternative accommodation before it evicts them from that land or property? This question has come into sharp focus in the Johannesburg inner city, where municipality has undertaken many high profile evictions of poor urban residents from illegally occupied 'bad' buildings. The Johannesburg Inner City Regeneration Strategy points to some 235 bad buildings that need to be cleared and renovated.

Joburg argues that such evictions are unfortunate but justifiable and necessary. They suggest that the renovation of 'bad' buildings is crucial in turning around urban decay and creating dignified and liveable accommodation. They argue that such redevelopment attracts investment, creates employment opportunities and contributes to growth and collective well-being. They also argue that the state of many of these buildings is hazardous to the health and safety of the residents and those living in the area and that they have a legal duty to intervene.

Joburg has further taken the view that they cannot be required to provide alternative accommodation in the inner city for those who are evicted. This would result in a lack of fairness and equity where other individuals might have a stronger claim to such housing because they are higher on the housing waiting list or have a greater need. It would also undermine a planned and systematic approach to dealing with housing backlogs and would ultimately encourage illegal occupation because this then improves the occupiers chances of accessing housing.

Anti-eviction organisations contest this reasoning. They dispute whether the rights of poor inner city residents to housing can be overturned by an appeal to a more general public interest. They suggest that the "trickle down" impact of inner city regeneration has little affect on the urban poor and that the evictions have a devastating impact on the poorest of the poor. They also point out that the evictions do not solve the problem, but simply displaces it elsewhere. The evicted residents generally remain in the area creating homelessness and overcrowding in other areas.

They also contest the way in which the evictions have been carried out and the timing of timing evictions, which compromises the already precarious situation of the poorest urban residents.

Importantly, the courts have taken a different perspective to that of the municipality. The landmark Jajbhay judgement of March 2006 ruled that the Johannesburg's housing policy failed to comply with the Constitution because it does not cater for the needs of the inner city poor. He ordered Joburg to devise and implement a comprehensive plan to cater for residents of the inner city needing accommodation. The judgement says that poor residents of "bad buildings" of the inner city of Johannesburg must be given alternative housing in the inner city if the municipality wants to evict them.

The judgement is now on appeal.

or national functions. Other social functions represent shared mandates with major problems related to unfunded mandates and poor intergovernmental coordination. Health, libraries and support for arts and culture are the most notable examples.

There is also an acute recognition that the process of realising the socio-economic rights articulated in the Constitution poses a range of difficult dilemmas. How should these rights be realised given resource constraints? How, for example, do cities address the problem of tenants living in derelict buildings in the inner city? Do cities support economic growth in the area in the hope that enhanced income will enable residents to solve the

accommodation problem themselves? Or should cities invest resources in upgrading buildings? How do cities deal with the unintended consequences of gentrification which will displace the poor? When derelict buildings have been upgraded, who is entitled to live there? Do the illegal former tenants of the derelict building have first right to or do those higher up on the housing waiting list have preference? These are dilemmas for which there are no easy answers and where new wisdom can only emerge from practice.



The well-governed city

There is growing recognition internationally that the quality of city governance makes a profound difference to the development potential of a city and its ability to successfully tackle its development challenges.

The first term of office of the new municipalities established in 2000 was above all a grand experiment in developing forms of urban government and governance more appropriate to the needs of cities in a changing context.

There were many drivers of innovation in government and governance.

- The Municipal Structures Act established strong city governments with boundaries that generally encompassed the functional region of the major urban centres. These are led by executive mayors. It also tried to promote new relationships with communities through mechanisms such as ward committees and sub-councils.
- The Municipal Systems Act sought to modernise municipal administration and to establish a new relationship between government and the citizens in line with the governance ethos.
- The Municipal Finance Management Act sought to improve corporate governance and financial management practice.

But change and innovation is not simply a response to legislative imperatives. Good local and international practice has been a strong influence. The severe nature of South Africa's urban development problems and the historic challenge of building a sound relationship between city and its citizens has also driven municipalities to find new ways of deepening this relationship.

This section explores some of the key areas of change in government and governance practice focusing on those areas which have most dominated the agendas of city municipal leadership:

- The functioning of political structures
- Organisation and transformation of the administration
- Strategy and performance management
- Relationship with citizens and stakeholders and mechanisms for participation
- Corporate governance
- Inter-governmental relations

Defining the well-governed city

Governance, as distinct from government, is a relatively new concept that emerged as an important policy idea during the 1990s. It flows from the recognition that power exists both inside and outside the formal structures of government and that the inter-relationship between government, private sector and civil society is a critical factor affecting the performance of cities, regions and countries. It also lays stress on 'process', where decisions emerge from a complex set of relationships between many actors with varied agendas. "Urban governance is the sum of the many ways individuals and institutions, public and private, plan and manage the common affairs of the city. It is a continuing process through which conflicting or diverse interests may be accommodated and cooperative action can be taken. It includes formal institutions as well as informal arrangements and the social capital of citizens." (UN HABITAT)

Urban governance refers to how a city community organises itself, determines its priorities, allocates resources, selects who has voice and holds each other to account.

However, the even more challenging and debate relates to what might constitute "good governance." Again there are a number of definitions. A common thread points to inclusive planning and decision-making processes as being key to good governance. Typically, the discussion about "good governance" tends to have an outcome orientation. UN-HABITAT for example promotes the following definition of good urban governance: "Urban governance is inextricably linked to the welfare of the citizenry. Good urban governance must enable women and men to access the benefits of urban citizenship. Good urban governance, based on the principle of urban citizenship, affirms that no man, woman or child can be denied access to the necessities of urban life, including adequate shelter, security of tenure, safe water, sanitation, a clean environment, health, education and nutrition, employment and public safety and mobility. Through good urban governance, citizens are provided with the platform which will allow them to use their talents to the full to improve their social and economic conditions."

CITY STRATEGY *continued*

Political structures

The Municipal Structures Act resulted in major changes to the political structures of local government. The Act replaced the ceremonial position of the mayor with the position of speaker. The position of mayor was expanded either as an executive mayor supported by an advisory mayoral committee which applied in all provinces outside of KwaZulu-Natal and the Western Cape (from 2000 to 2002) or as chairperson of an Executive Committee where executive authority is not vested in the office of mayor but in the committee.

There is an acknowledgement that there have been many advantages in creating executive mayors. Many mayors have become influential and high profile political players and have provided a focal point for leadership and city positioning. It has also facilitated a more responsive executive, able to make decisions speedily and efficiently.

However, care needs to be taken that the decision-making process remains transparent and accessible. Some mayoral committees (Maycos) have tended to come to conclusions in caucus without the participation of officials. Different models of the mayoral committees have emerged in practice from quasi-cabinets where individual Mayco members have political responsibility for their portfolios, to limited advisory bodies where power largely resides with the executive mayor and the city manager.

The existence of large metropolitan councils, sometimes with more than 200 councillors, has required careful management and good resourcing. Ordinary councillors have participated through Section 79 and 80 committees and ward committees. But there are common complaints that ordinary councillors have not participated actively or have been marginalised. There is recognition that new ways of enhancing the role of non-executive councillors in oversight, representative and community-liaison functions are critical. Different councils have provided different levels of support to councillors ranging from extensive help, including training, provision of laptop computers and ward offices, to fairly minimal assistance.

In many municipalities there has been significant instability in the political and administrative relationship. City managers were

suspended or replaced during term of office in six of the nine SACN cities and mayors were suspended or changed in three cities (see table 3-11). The respective roles of executive councillors and top managers and the lines between political and administrative responsibilities have not always been clear, given that legislation has increased the power of both the executive mayor and municipal manager. Experience has shown the personal relationship between the mayor and city manager and their respective profiles is very important in determining how these tensions are resolved in practice.

A key conclusion from the past term of office is that political legitimacy, continuity and a sound relationship between the political and administrative leadership are key determinants of effective municipal management and consequently of the performance of the municipality as a whole.

Administrative transformation

On 5 December 2000, the previous two-tier system of local government for metropolitan areas was dissolved. All employees, assets and commitments of the previous councils were transferred to the new metropolitan councils. The three non-metropolitan SACN city municipalities also incorporated adjoining areas but now fell within district municipalities.

The creation of these new entities with extensive powers and functions, large areas of jurisdiction and strong fiscal capacity can be seen as a major intervention. This has helped municipalities undertake the urban restructuring required to address the apartheid legacy of inequity and spatial fragmentation and to position the city in an era of increasing global competition amongst cities.

Each city has faced the task of both amalgamating a number of previous municipalities into a single

organisation while at the same time re-organising its way of working to address daunting developmental challenges. Re-organisation was based on the acknowledgement that a major change in the functioning of the local government administration system was required. The traditional hierarchical bureaucracy with its characteristic departmental 'silos' has been seen as no longer adequate. Municipalities have tried to shift towards more 'networked' organisations, characterised internally by less hierarchical and bureaucratic forms of organising and externally by greater use of partnerships, alliances and outsourcing.

In some instances this restructuring followed a series of ad hoc initiatives across the different municipalities since 1996 to modernise their organisations. These have included:

- The adoption of a 'strategic management-type' structures which sought to break down functional silos or line departments by focusing on integrated strategic management;
- The introduction of some matrix-type structures of both a project and geographic nature; and
- Some business process experimentation with organisational boundaries including the establishment of community partnerships, joint venture companies with the private sector and the outsourcing of identified non-core functions.

The amalgamation of the pre-2000 administrations and their reorganisation into new unified and integrated single city administration typically involved placing all staff into an interim holding arrangement based on the previous structures. This took place while a new top management was appointed and a new organisational structure was determined. This organogram was then populated via appointment and placement. Large scale mergers of this nature tend to displace a significant percentage of senior staff. A conscious effort to limit redundancies was generally made given the cost implications, and only a limited number of voluntary severance arrangements occurred. No city municipality experienced any serious disruption through industrial action or lack of service continuity during the process.

Each city has chosen to restructure in different ways because of the very different legacies they inherited. The time scales of the exercise also varied considerably. Johannesburg, for example,

had largely completed its restructuring as a single administration prior to 2000. Cape Town, at the other extreme, only finalised its new organisation in 2005.

The key underlying challenge has been to design structures that gave effect to the new strategic perspective of "developmental" local government which could play a more proactive role in the cities. Again, there are many common features across the city municipalities in their approach to organisation design.

The first feature is the general emergence of stronger corporate centres. This is reflected in a significant increase in human resource capacity in corporate strategic functions including integrated development planning, performance management and communication. In many instances, these functions have been located within the office of the city manager. In other instances, it has been placed under a strong corporate executive director. Tshwane and Cape Town have appointed chief operations officers in order to free up city managers to focus on corporate leadership functions.

A second common feature has been the emphasis on establishing strong city or metropolitan scale service delivery organisations. In almost all instances individual services – whether these were infrastructure focused services such as water reticulation or whether it was community services – have been centralised into single city-scale service departments or entities. This is understandable given the need to integrate different former administrations, to build a unified culture, and to achieve an equitable allocation of resources.

A number of different organisational formats for achieving these focused city-wide service departments or entities were used.



Managing the service portfolio

The business of South African city municipalities is extremely diverse and they are responsible for a wide range of very different functions. These range from highly standardised services such as electricity and water reticulation delivered to individual households which generate their own income through tariffs to property rates funded customised community services such as municipal health and community development addressing complex local problems to regulatory functions such as enforcing traffic laws.

Each of these different categories of service fulfills a different strategic role in supporting city development and each faces different strategic challenges. The table below splits municipal functions up into three kinds of services with different focuses and logics.

Services portfolio analysis for South African cities 2006

	Household services	Community services	City-wide services
<i>Associated functions</i>	Electricity, water, sanitation, solid waste	Housing, safety and security, municipal health, libraries, community facilities, sport and recreation, community and social development, local area management.	Spatial planning, land use management, economic development, environment, transport and roads planning and management, disaster management
<i>Provider status</i>	Municipality as monopoly provider	Alternative providers (the market also provides and municipal focus on poor who cannot access market)	Municipality as authority (regulator and planner)
<i>Funding</i>	Service tariffs supplemented by grants	Rates and levies supplemented by user fees and grants	Rates and levies supplemented by designated grants
<i>Recipients/beneficiaries</i>	Individual households	Communities (of place and of need)	City as a whole
<i>Funding logic</i>	Income grows as provision expands	Budget pressures as demand grows	Funding uncertainties
<i>Provision challenge</i>	Expanding provision to all through cross-subsidisation	Focused smarter provision for viability and equity	Allocating limited resources to strategic priorities
<i>Contribution to city development</i>	Basic infrastructure and service provision	Community cohesion, safety nets, "stairway"	Urban efficiency, jobs, competitiveness
<i>Progress 2000-2006</i>	Sustainable model for basic service extension in place but underinvestment in maintenance	Innovative projects but lack of mainstreaming and impact.	Major improvements in urban planning and capacity
<i>Strategic challenge</i>	"continuous improvement and sustainability"	"rethink way of work"	"coherent strategy for grow and share"
<i>Critical issues for 2006-2010</i>	<ul style="list-style-type: none"> • Infrastructure maintenance and upgrading for growth • Sustainable development practices 	<ul style="list-style-type: none"> • Framework for human settlements and housing provision • Framework for human and social capital development 	<ul style="list-style-type: none"> • Transport and connectivity investments



The Johannesburg iGoli 2010 utilised a bold ‘client contractor’ approach to create a corporate centre with capacity to manage individual services via service level contracts. The services themselves have been recast as quasi-independent public entities. The tighter legislative environment associated with the Section 78 procedures of the Municipal Systems Act and the practical challenges of managing ‘client-contractor’ relationships has meant that most cities re-organised within the framework of internal service departments. Johannesburg itself has sought to tighten its control over the entities over the period of office.

The internal service re-organisation focus has been typically supplemented by some attention to ring-fencing in order to improve service transparency and improve management. There have also been many examples of getting out of non-core business. Cape Town, for example, sold off its fresh produce market and abattoir.

No municipalities have made use of the public-private partnerships envisaged in the Local Government White Paper as a possible mechanism for delivering the major services of the municipality. Service delivery partnerships that did emerge tended to be very specific and often related to new technology. For example, a number of cities entered into service partnerships with private companies around traffic enforcement cameras and close-circuit television monitoring. The further restructuring of specific sectors such as the anticipated restructuring of the electricity distribution industry into REDs (see Chapter 5), the establishment of transport authorities and the like, will now occur within the context of capacitated city government with an enhanced ability to oversee municipal entities.

This focus on establishing strong corporate management and metropolitan-scale service delivery entities has been supplemented in some cities by a level of area-based administration. Johannesburg is the only city that has established a general form of area management. This involved the establishment of 11 regions with regional managers who had line responsibility for the delivery of certain local services, such as health, as well as a broader oversight for services in the region.

Other city municipalities maintained decentralised offices. For example, Mangaung and Buffalo City maintain offices in Thaba Nchu and King Williams Town respectively. These function as local management centres and customer complaint points, although service management and operations are the responsibility of the head office.

A further form of area management is focused on ‘priority zones’. This took a number of forms from the growing emergence of City Improvement Districts enabling higher levels of urban management and top-up funding as pioneered in Cape Town to the area-based approach of eThekweni where dedicated management capacity was created for five specific areas.

There has also been an effort to improve horizontal and vertical integration and communication and to facilitate ‘joined-up’ government including:

- Growing allocation of resources to cross-functional projects which require services to work together towards common goals;
- The use of service clusters as a way of breaking down functional silo thinking;
- Performance management focus on outcomes rather than service inputs and outputs;
- The introduction of one-stop-shop facilities where different services can be accessed at a single point.

There is general acknowledgement that the human resources (HR) situation has been a challenging one. HR practice in local government has historically been inflexible with rigid job descriptions and job grading systems, weak supervisory systems and long-term under-investment in building capability and skills. Change in this area has been hindered by a highly unionised and antagonistic labour relations environment. At the start of the term,

CITY STRATEGY *continued*

municipalities also had staff profiles that were not representative of the population, particularly at middle management level.

Transformation and ensuring better representivity have been key priorities for all councils and major improvements in employment equity have been achieved in all councils. Change management and service improvement initiatives have been common to all city municipalities but the impact of these programmes is unclear at this stage. There is a shared view that internal human capital development has been very uneven and that the national skills deficit is also reflected within the city administrations. The need for upgrading staff skills at all levels is critical.

The restructuring of South Africa's municipalities has been accompanied by major efforts to modernise management and operations. All cities have made substantial investments in information and communications technology (ICT) infrastructure to provide a single integrated system for the whole municipality as well as enhanced management information and service delivery capacity. These include:

- Large scale system change through installing major enterprise resource planning systems (such as SAP) as was undertaken by Cape Town³⁵ and is now being pursued by a number of other cities including Tshwane and Johannesburg;
- Developing customised open source systems (as pioneered in eThekweni);
- Replacing legacy systems with common accounting, database and application software solutions. Msunduzi, for example, has successfully implemented a Promis system across the new council, representing significant modernisation.

There is acknowledgement within the cities that these initiatives have required a major investment of money and management resources and that it often takes longer than planned for these new approaches to be bedded down.

How do city budgets measure up to private sector entities and parastatals (as per 2004/05 financial statements)

Organisation	Revenue 2004/05 as shown in audited statements of financial performance
<i>Transnet</i>	R42 259 million
<i>Eskom</i>	R41 127 million
<i>South African Airways</i>	R17 442 million
<i>Nampak (industrial)</i>	R15 481 million
<i>Edcon (retail, includes Edgars, Boardmans etc)</i>	R13 590 million
City of Johannesburg	R13 149 million
<i>Woolworths Group</i>	R12 988 million
<i>Santam (insurance)</i>	R11 355 million
eThekweni Metropolitan Municipality	R9 778 million
City of Cape Town	R9 292 million
Ekurhuleni Metropolitan Municipality	R8 064 million
<i>Harmony Gold (mining company, listed on NYSE)</i>	R7 822 million
<i>Netcare (hospitals and health care)</i>	R7 533 million
<i>Highveld Steel</i>	R7 155 million
City of Tshwane	R6 948 million
<i>Illovo Group (sugar producer)</i>	R5 143 million
<i>Mr Price</i>	R4 636 million
<i>Johnnic Group (media and entertainment)</i>	R4 225 million
<i>Rainbow Chickens</i>	R3 830 million
<i>African Bank Investments Ltd</i>	R3 383 million
<i>Mustek Ltd (computers, includes Mecer)</i>	R2 942 million
Nelson Mandela Bay Metropolitan Municipality	R2 924 million
<i>Concor (construction company)</i>	R1 624 million
Buffalo City Municipality	R1 547 million
Mangaung Municipality	R1 415 million
Msunduzi Municipality	R1 228 million
<i>Basil Read (construction company)</i>	R469 million

Are city managers and staff overpaid?

Much publicity has been given to the salaries paid to municipal managers. The following table gives salaries for each city for 2004/05.

Salaries of municipal managers of the nine cities 2004/05 (R'000s)

Buffalo City	854
Cape Town	1 104
Ekurhuleni	1 102
eThekweni	1 027
Johannesburg	1 000
Mangaung	1 057
Msuduzi	707
Nelson Mandela Bay	738
Tshwane	973

The following table shows the salaries of some comparable positions in the public and parastatal sectors.

Salaries of Chief Executives of key parastatals and national government departments

Entity	CEO remuneration	Comments
Director-General in national government department	R872 628 – R940 056	Total package differs according to notch
SAA	R2 295 million (7 months)	Basic: R2 180 000, Retirement: R115 000. But note that this was only for a seven month period
Eskom	R13 045 million (15 months)	For 15 month period to end March 2005: Basic: R3 794 000, Bonus: R2 765 000, Additional bonus and restraint of trade: R6 486 000
Transnet	R2 599 million	

Of more significance to municipal finances are the relatively high salaries paid to unskilled employees, compared to the market equivalent. The following table shows the total cost of employment of the lowest paid unskilled permanent employee in the City of Cape Town in 2005/06. Note that because employees have often retained conditions of service from previous administrations there is variation across the metropolitan council. The amounts given here are typical amounts. It is possible that labourers could be paid more – up to a maximum, theoretically, of R87 291 if all benefits, such as the health benefit, are used to the maximum, but this is unlikely. While this total cost of employment may be unremarkable in the context of capital intensive industries, in the highly labour intensive municipal sector it is not only high but represents a very significant cost driver.

Total annual cost of employment of lowest level employee (labourer) in City of Cape Town 2005/06

Item	Amount	Comment
Basic wage	R44 930	This is across the metro
Pension contribution paid by employer	R8 087	Most receive 18% of basic wage although some members of SAMWU provident fund get 12%
Medical contribution by employer	R9 312	This is an average lower end cost based on actual figures. Figure could in theory be up to R23 439 (National capping level)
Housing subsidy	R5 040	Assumes a bond up to R85 000 is utilised.
Group Life Insurance	R322	This figure varies quite significantly but is not a major component of total package
13th cheque	R3 744	
Total	R71 435	

CITY STRATEGY *continued*



Strategic and performance management

The core focus of strategic planning in the municipalities has been the development of Integrated Development Plans (IDPs). Producing such plans with significant citizen participation is a legislative requirement. All the cities have compliant five-year IDPs that were developed through on-going annual reviews.

There is acknowledgement that the discipline of the IDP process has resulted in a significant general improvement in strategic planning capacity over time. Business plan and budget alignment with the IDP has also improved. The IDP, as an explicit annual public statement of priorities linked to budgets, provides an important basis for accountability to citizens and stakeholders.

However, a number of questions regarding the strategy process have emerged. Is the IDP primarily the business plan of the city administration or is it a multi-stakeholder strategic plan for city? Or is it both? Is it long-term, medium-term or short-term? Or is it all three simultaneously? Does it have a narrow strategic focus or is it a comprehensive operational plan where all elements of the municipal operation are reflected? How do cities balance the conflict between legal compliance, which often produces a very detailed and lengthy document, and usability?

Most cities have distinguished between a long-term city development strategy and a five-year 'operational' plan. Sometimes, both elements are contained within the IDP. In other instances, a city development strategy distinct from an IDP has been produced. The City of Johannesburg devised Joburg 2030 as a new economy-focused, long-term plan. eThekweni and Ekurhuleni have produced long-term development strategies as separate informants of their IDPs. Tshwane has a distinct City Development Strategy. Buffalo City is also adopting this path.

Most cities have produced readable citizen-friendly summaries of IDPs that complement the extensive documentation required by compliance.

All cities have introduced performance management systems in compliance with the Systems Act and its regulations. The balanced scorecard is the most popular method used by almost all cities but the alternative business excellence model is also used.

A number of cities, for example eThekweni, have also introduced a networked software-based system. All the cities have also tried to link the performance management system to the individual appraisal and the performance bonuses of some employees.

It is difficult at this stage to evaluate the impact of the significant investment in performance management on actual municipal performance. Some concerns about performance management in practice have been expressed. It has tended to be resource intensive and many of the city municipalities have employed new staff to support performance management, sometimes at the expense of this becoming part of ordinary management responsibility. Some criticism suggests that an overly bureaucratic approach predominates with an emphasis on compliance rather than on the substance. Other criticism suggests that the focus on individual performance bonuses has tended to incentivise individual effort and to weaken collective accountability.

The absence, at this stage, of national benchmarks also makes performance comparison across city municipalities very difficult. This will hopefully be an important area of development in the future.

The relationship with citizens and other stakeholders

All the cities have undertaken extensive consultation processes regarding their IDPs as the primary vehicle for stakeholder participation in setting the direction of the council. Mechanisms have included public meetings, stakeholder forums and ward committee processes. These have also been supplemented by meet-the-people initiatives such as 'Mayor's Listening Campaigns' in Buffalo City and Cape Town.

Ward committees, established in line with the Systems Act, have been another key participation



mechanism in all cities. Most have used a process of nominations by sector to appoint the maximum ten members of the ward committee. Mangaung used a formal election process. The effectiveness of ward committees has been variable with indications that many ward committees across the cities have been ineffective or dysfunctional. Ward committees will require considerable nurturing and development if they are to be sustained as dynamic models of local democracy and catalysts for local action. In particular, sustained and meaningful involvement will require a deeper, more substantial vision of the ward committee role than currently exists.

One innovation has been the use of the community-based planning methodology as a way of developing a coherent ward plan. The ward committee becomes the custodian of the plan. This gives focus to its activities and establishes a meaningful long-term agenda. This approach was pioneered in Mangaung and has also been introduced in eThekweni.

City municipalities generally tried to establish on-going relationships with key stakeholders, especially the private sector. The Ekurhuleni Executive Mayor, for example, has a monthly forum with organised business. There are also examples of partnerships with the tertiary academic sector. But there have been very few concerted efforts to engage with marginal groups, such as immigrant communities or disaffected youth, and bring them into the governance processes.

A number of factors inhibit the ability of external stakeholders to engage meaningfully with the municipality. Community structures nationally are currently weak. There is also limited civil society capacity to engage effectively on policy issues, given that the range and capacity of non-governmental organisations and

lobby groups focused on urban policy has declined over the past decade. As a result there is a need to consider what the city can do to support the re-emergence of a critically engaged civil society that complements its development activity and provides critical external comment and new thinking.

There has been an emerging focus over the period on improving customer relations management (CRM). Johannesburg has pioneered both an integrated call centre capacity – Joburg Connect – and walk-in People’s Centres as more accessible and integrated service points for individual citizens. Most cities either have already established or are in the process of establishing these services.

The establishment of the call and contact centres has gone hand in hand with big strides in building the e-government capability of the municipality – the single integrated complaint logging system being one important component of this growing capability. Most cities have also undertaken service satisfaction or quality-of-life surveys.

Communication historically has enjoyed a low priority within South African municipalities and has generally been weak and under-resourced. But most municipalities now see the strategic value of communication and there has been a significant increase in resources allocated to communication. Most municipalities now have communication departments and communications and events budgets. Most municipalities have also adopted the brand management approach and have revised their corporate logos and slogans in line with brand management principles (see table 4-11).

Table 4-11: Slogans of some South African cities.

City	Slogans
Cape Town	“This City Works for You”
Ekurhuleni	“A Partnership that Works”
Joburg	“A World Class African City”
Mangaung	“City on the Move”
Msunduzi	“City of Choice”
Nelson Mandela Bay	“Working together for Ubuntu”
Tshwane	“We are the same”

CITY STRATEGY continued

Comparing city budgets

The largest metropolitan areas have very substantial budgets. Johannesburg is the largest, followed by eThekweni and Cape Town. Nelson Mandela Metropolitan Municipality is considerably smaller, while the budgets of the three aspirant metropolitan councils are each less than an eighth of the size of Johannesburg. The combined capital and operating expenditure of the nine SACN cities represents some 64% of the total expenditure of all South Africa's 284 municipalities (National Treasury website 2004/05 budgeted figures)

Total operating and capital budgets for each of the SACN cities for 2006/07

Draft budgets of SACN cities 2006/07

	Operating budget R 000's	Capital budget R 000's	Total R 000's
Buffalo City	1 620 000	476 900	2 096 900
Cape Town	14 123 493	3 023 488	17 146 981
Ekurhuleni	10 237 735	1 222 512	11 460 247
eThekweni	11 289 433	2 847 033	14 136 466
Johannesburg	17 858 097	3 193 219	21 051 316
Nelson Mandela	3 151 723	1 374 173	4 525 896
Mangaung	1 542 775	541 148	2 083 923
Msunduzi	1 508 239	176 421	1 684 660
Tshwane	7 914 164	1 769 345	9 683 509
Total	69 245 659	14 624 239	83 869 898

Source

Reports to various municipal councils

There has also been a significant increase in brand advertisement spend. Ekurhuleni's high profile "Go East" campaign is an example. All the city municipalities have web-sites and their functionality and content has expanded considerably over the period to 2006.

Corporate governance, probity and financial management

The period 2000-2006 has seen considerable attention to improving corporate governance practices and general probity. This has partly been driven by legislation, particularly the Municipal Systems Act and the MFMA. However, most cities have also put additional effort into strengthening controls and governance practice.

New practices include:

- The implementation of asset management as a strategy and a compliance requirement;
- The establishment of independently chaired audit committees;

- The strengthening of internal auditing processes with stronger forensic capacity, stronger independence and better access to the city manager;
- Monthly financial reporting as required by MFMA and the introduction of Generally Accepted Municipal Accounting Practice (GAMAP) to improve transparency and accountability within the accounting environment;
- The introduction of public performance reporting as required by the Systems Act.

Considerable attention has been given to improving financial management. A consequence of this has been a general improvement in the financial indicators of almost all city municipalities over the five years:

- Steady improvement in collection rates through improved systems and indigent

Spending and income patterns across the nine SACN municipalities

Table A illustrates the operating and capital expenditure in the nine SACN cities and illustrates the importance of water and sanitation functions and electricity for city finances. These functions feature prominently in both the capital and operational expenditure of cities. Similarly there is a high share of finance and administration in both capital and operating spending. On the operating side this is partly explained by the fact that interest on external loans is included here. In terms of capital expenditure it reflects the impact of the massive institutional re-organisation that has taken place over the last five years, with its associated spending on items like the renovation of administrative buildings and new computer systems.

Housing and road transport, on the other hand, are major capital expenditure items, while featuring far less on the operating side.

Function	Expenditure by function of the nine cities combined	
	Operating expenditure %	Capital expenditure %
Executive and Council	2,4	0,6
Finance and administration	15,1	14,3
Planning and development	1,7	3,5
Health	2,2	0,9
Community and social services	2,2	4,3
Housing	2,9	12,5
Public safety	6,8	2,8
Sport and recreation	3,6	2,9
Environmental protection	0,3	0,3
Waste management	4,3	3,7
Road transport	6,4	17,5
Water and sanitation	23,7	20,0
Electricity	26,2	15,5
Other	2,2	1,2
Total	100,0	100,0

Table B shows a breakdown of costs across the nine cities. There are some differences in how costs are measured and categorised, which explain some of the differences across councils. Generally, however, the importance of both employee remuneration and bulk service charges is clearly evident. Repairs and maintenance costs are generally low across most councils, although this may be explained to a greater or lesser degree by the fact that some of this activity is incorporated under other expenditure items.

	Proportional breakdown of operating costs by economic classification across the nine cities									
	Buffalo City %	Cape Town %	Ekurhuleni %	eThekweni %	Joburg %	Mangaung %	Msunduzi %	Nelson Mandela %	Tshwane %	Combined %
Employee costs	32,0	30,3	29,3	27,8	22,0	30,9	27,0	29,9	31,4	27,4
Remuneration of councillors	0,9	0,6	0,6	0,4	0,3	0,8	–	0,8	0,5	0,5
Bad debts	5,9	6,1	8,6	1,3	5,7	0,5	–	0,6	4,2	4,6
Depreciation	4,3	7,2	6,0	8,4	6,3	9,3	10,2	5,4	7,0	6,9
Repairs and maintenance	5,3	7,7	5,9	9,8	1,5	7,0	3,7	7,3	7,8	5,9
Interest external borrowings	4,2	3,9	2,8	5,6	4,6	0,2	–	1,3	3,5	3,9
Bulk purchases	20,4	19,3	33,1	23,3	21,6	27,8	29,7	18,9	24,4	23,5
Contracted services	0,2	5,0	4,2	4,2	9,0	1,8	–	–	–	4,7
General and other expenses	25,8	20,0	9,6	10,1	13,3	21,6	27,1	21,8	21,2	17,4
Contribution to/from provisions	–	–	–	(0,7)	(1,0)	–	7,4	–	–	(0,2)
Internal transfers	1,0	–	–	9,7	16,6	–	(5,1)	14,0	–	7,2



Spending and income patterns across the nine SACN municipalities continued

Table C shows the importance of own revenues to the overall financing of the nine cities. There are some interesting patterns in the differences across the cities. eThekweni collects the greatest proportion of its revenue in property rates. This is partly because sanitation charges are effectively included in rates, and because it has, for historic reasons, collected relatively less in RSC levies (known as Joint Services Board levies in eThekweni).

The importance of the RSC levies in the six metropolitan councils is evident in the table.

	Proportional breakdown of revenue sources across the nine cities									
	Buffalo City %	Cape Town %	Ekurhuleni %	eThekweni %	Joburg %	Mangaung %	Msunduzi %	Nelson Mandela %	Tshwane %	Combined %
Rates and penalties on rates	16,5	27,7	19,8	29,6	21,5	13,6	26,5	18,6	20,0	23,2
Service charges – Electricity	25,0	25,4	30,9	29,1	24,5	31,1	34,9	32,4	33,6	28,4
Service charges – Water and Sanitation	16,1	14,6	14,4	12,8	20,5	14,0	15,0	12,2	14,3	15,6
Service charges – Refuse removal	5,4	4,2	3,6	0,9	2,0	4,9	2,7	2,4	2,9	2,7
Service charges – Other	0,1	2,1	0,5	1,0	2,3	–	7,6	–	–	1,4
RSC levies	–	9,1	7,2	5,4	12,2	–	–	7,1	9,0	8,1
Rental of facilities and equipment	0,6	2,1	0,6	0,8	0,5	0,3	1,1	–	0,8	0,9
Interest earned on external investments	2,1	2,2	2,9	1,8	2,2	3,1	1,3	4,6	1,5	2,3
Interest earned on outstanding debtors	1,9	1,3	1,1	0,7	0,2	1,2	1,6	1,8	0,8	0,9
Fines, licences and permits	1,4	1,4	1,6	1,3	1,4	0,3	0,6	0,3	0,8	1,3
Operating grants and subsidies	17,0	4,9	5,6	6,1	5,5	15,8	8,0	6,4	4,9	6,1
Capital grants and subsidies	9,7	1,5	3,4	9,8	2,6	5,3	–	4,0	5,2	4,4
Other revenue	4,1	3,4	8,5	0,8	4,4	10,5	0,8	10,2	6,1	4,8
Total	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0

policies. Generally, municipalities are collecting between 90% and 95% of income billed³⁶, with the figures better for electricity – which is more easily disconnected in cases of non-payment – than rates or water;

- There is clear, measurable, progress in dealing with bad debt (see table 3 – 16);
- The quality of Auditor General results has improved although problems remain;
- The uncovering of long-standing corruption in a number of municipalities points to improved forensic oversight as much as it identifies control failures;
- There has been a general improvement in credit ratings over the period (see table 3 – 11). Most municipalities have access to reasonably cheap finance through the banking system. The Johannesburg bond issue innovation has not been

generally replicated because other cities have had access to cheap finance;

- Rates of capital spend have also generally increased over the term of office (see table 3 – 12).

These improvements have been supplemented by the economic upturn and the rapid increase in property values nationally since 2003/4 which have had buoyant impact on municipal revenue.



However, a number of problems have emerged:

- Few city municipalities have been able to consistently achieve unqualified audits as indicated in table 3 – 11;
- A number of municipalities have been rocked by allegations of fraud and corruption at different levels particularly around the procurement process;
- Some of the cities have been included as priority municipalities within the Project Consolidate, a national initiative to improve local government performance;
- Procurement processes, revised to comply with MFMA requirements, are still controversial in some cities and there are many complaints about procurement inefficiencies.

Inter-governmental relations

There is a constitutional obligation on the different spheres of government that their relationships should be characterised by the principle of “co-operative governance”. At the same time, there has also been growing recognition that strong inter-governmental co-operation and co-ordination is essential for effectively managing dynamic urban processes. Cities are inter-governmental entities where national and provincial government departments and the state-owned enterprises (SOEs) are crucial role-players.

Table 4-12: Examples of inter-governmental and related partnerships

City	Examples of inter-governmental projects
Buffalo City	Mdantsane Urban Renewal Programme
Cape Town	Presidential Urban Renewal Programme
Ekurhuleni	Co-operative Industrial Hives Programme
eThekweni	Phoenix East Integrated Housing Development Project
Joburg	The Development of Kliptown
Mangaung	Mangaung-University of the Free State Community Partnership Programme (MUCPP)
Msunduzi	Acacia Park Housing Development
Nelson Mandela Metro	Coega Port and IDZ
Tshwane	Mandela Development Corridor (DTI – Tshwane)

All municipalities have put significant effort into engaging with their national or provincial counterparts around key sector issues and common projects. All cities can point to examples of joint projects with provincial or national government like the Blue IQ projects of Gauteng and the city-province partnership to create and fund the Cape Town International Convention Centre (see table 4-12).

However, there is concern that cities are not getting the level of inter-governmental attention that their strategic importance and complexity requires. This is reflected by:

- The absence of any definitive national strategy regarding the urban centres;
- The variable and sometimes contradictory agendas of different national departments regarding the role of cities within the national political economy. Are cities core focus areas for national development strategy given that they are points where both the opportunities for growth and deprivation are concentrated? Or are they relatively well-off and self-sufficient entities that require limited national investment?
- The lack of major national investment in key urban infrastructure such as transport since 1994;
- Unresolved issues regarding unfunded mandates such as health.

There is also a general sense that city IDPs have been produced with very limited national or provincial input, despite significant efforts by most cities to involve them in the process. The IDPs have essentially reflected the agenda of municipal government rather than being an inter-governmental plan for the city. Similarly, the provincial growth and development strategies have generally been produced with limited reference to municipal plans or involvement of municipal leadership. The national and provincial

CITY STRATEGY *continued*

Unfunded mandates

All nine network cities traditionally provided primary health clinics. Municipal health has been defined as referring only to Environmental Health. Yet in all nine cities continue to run primary health clinics and contribute significant amounts to this service. This can be considered an unfunded mandate. The following table compares the expenditure on health by the cities with the revenues received from provinces for implementing the functions.

Functions	Buffalo City	Cape		eThekweni	Joburg	Mangaung	Msunduzi	Nelson Mandela		Total
		Town	Ekurhuleni					Metro	Tshwane	
Expenditure on health	39 655	304 881	275 239	217 009	188 794	31 117	33 138	173 904	163 464	327 201
Subsidy received	17 886	100 921	58 390	27 336	40 090	12 049	8 185	60 035	10 494	335 386
Deficit	21 769	203 960	216 849	189 673	148 704	19 068	24 953	13 869	152 970	991 815

evaluation of IDPs has also tended to focus on legal compliance rather than the content of the strategy. But this is starting to change and there is recognition that the national 2005 IDP hearings and the new emerging evaluation framework represent a more useful engagement with the substance of IDPs rather than simply their form. All cities have also noted a lack of engagement by some critical SOEs in the city development planning process.

There are some important shifts in establishing a stronger inter-governmental approach to the management of South Africa's urban centres. The implementation of the Inter-governmental Relations Framework Act of 2005 should improve the level of engagement between the spheres of government. The Premiers inter-governmental forums, envisaged by the Act, can serve as important co-ordinating mechanisms. Some cities and Premiers

already have established forums focused on the city or city region. This reflects a shift in some areas to adopt a more regional approach to the planning and managing, involving the province, relevant national departments, the affected metropolitan and city municipalities as well as adjoining districts. The Gauteng Global City Region initiative is the most well-known example. Another is the inter-governmental initiative in early 2006 which produced a common agenda for action for the Cape Town functional region, enabling much stronger alignment of national, provincial and municipal planning.

Endnotes

- ¹ Cabinet has set up a special regulatory impact assessment mechanism and in 2005 National Treasury initiated a study to examine the impact of various spheres of government on the costs of doing business (Administered Prices Report by David Storer and Ethel Teljeur downloaded from <http://www.treasury.gov.za/>)
- ² Downloaded from Administered Prices Report by David Storer and Ethel Teljeur www.treasury.gov.za
- ³ Nel et al (2004)
- ⁴ Porter, 2003: page 568
- ⁵ A similar problem has faced the environment function in cities, despite its strategic relevance and the fact that it existed in many cities before local government reforms began.
- ⁶ Although both Msunduzi and Mangaung recognise the economic benefits from being located on major rail routes this does not translate into strategic thinking about public transport as the network is too poorly developed to fulfil this function or to have the potential to fulfil this function.
- ⁷ Mercury Business Report, 10 April 2006
- ⁸ Ekurhuleni's research work into the local economy identified inadequate and costly transport services as a major barrier to firms wishing to expand and to the unemployed in their search for work.
- ⁹ Overman and Venables (2005) page 8
- ¹⁰ "Raise the real wage of workers by holding down their cost of living. This needs to be undertaken to an extent consistent with efficiency objectives. Rising productivity in food staples and falling real food prices have been two of the most important contributors to raising real wages in many countries. Efficient investment in housing for poor families (including sites and services projects) can be important, although care must be taken that the spending not be directed toward middle-income groups. Subsidising low-cost urban transportation, which is often desirable on efficiency and environmental protection grounds, can have the added advantages of keeping the cost of living down and increasing job access for the poor. If there is disguised unemployment in the sense that market wages are above the social opportunity cost of labour, such subsidies can also be justified on economic efficiency grounds, helping to overcome market imperfections." (USAID, 2004: page 14)
- ¹¹ Cited in Appleseed Inc 2003 in Wu, 2005: page 12
- ¹² Republic of South Africa, 2006: A Catalyst for Accelerated and Shared Growth in South Africa (ASGISA), Summary background document, September 2006
- ¹³ Daily News, 2003: Flood flushes Durban informal settlement, November 27, 2003, from <http://www.iol.co.za>
- ¹⁴ See for example, Ekurhuleni Metropolitan Municipality 2005
- ¹⁵ Durban State of the Environment 2004
- ¹⁶ Castells explains this duality by asserting that societies are increasingly structured around a bipolar opposition between the Net (the new organisational formations based on the pervasive use of networked communication media) and the Self (the activities through which people try to reaffirm their identities under the conditions of structural change and instability flowing from these new organisational forms). (Castells 1996 volume 1 page 3).
- ¹⁷ A range of capital grants over the period now consolidated into Municipal Infrastructure Grant (MIG)
- ¹⁸ Via the Equitable Share
- ¹⁹ There are different approaches to credit control in a context of free basic services – some municipalities have no evictions policy, others take stronger enforcement.
- ²⁰ Data on building plans passed is drawn from Stats SA's annual statistical release: Selected building statistics of the private sector as reported by local government institutions (2005) P 5041.3
- ²¹ National Treasury, Estimates of National Expenditure, 2006
- ²² The overview of housing strategies in Johannesburg, eThekweni and Ekurhuleni are a reflection of inputs at a special workshop on the implementation of the BNG strategy hosted by the National Department of Housing and the SACN in June 2006.
- ²³ Data on natural and non-natural deaths from Statistics SA, Statistical Release P0309.3, Mortality and Causes of Death in SA 2003 and 2004, March 2006. Data on fatalities due to road accidents from Road Traffic Management Corporation Reports. Data on number of murders from SA Police Service statistics.

CITY STRATEGY *continued*

- ²⁴ Gareth Newham, *Crime Quarterly No 15, 2006, Institute for Security Studies.*
- ²⁵ No data was available for Buffalo City and Msunduzi on going to print.
- ²⁶ Gareth Newham, 2006; and Road Traffic Management Corporation, 2006
- ²⁷ Gareth Newham, 2006
- ²⁸ Gareth Newham, 2006
- ²⁹ Singh, G. (2005) *Patterns of Migration, Settlement and Dynamics of HIV and AIDS in South Africa. Discussion document prepared for SACN*
- ³⁰ Tomlinson, R and Mkhabela, I (2005) *HIV and Aids and urban poverty. Discussion document prepared for SACN*
- ³¹ UN-Habitat 2004: *The State of the World's Cities 2004/2005: Globalisation and Urban Culture*
- ³² <http://www.capetown.gov.za/planning/dpp.asp>
- ³³ Gevisser, M (2004) *From the Ruins: Constitutional Hill Project in Public Culture, Vol. 16 No. 3, Duke University Press*
- ³⁴ <http://www.artsmart.co.za/music/archive/3170.html>
- ³⁵ The city was awarded the highly prestigious Smithsonian prize for this achievement as the best IT project worldwide in the government and NGO sector in 2003
- ³⁶ The collection rates published by cities from time to time are somewhat contentious in that there are often subtle differences in definition which can produce figures which are not strictly comparable.

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EMERGING STRATEGIC AGENDAS

5



The preceding chapters reflect on the past performance of cities, examining what cities have done over the last five years. In contrast, this chapter looks towards the future. It focuses on a number of large-scale national plans which are beginning to emerge and which will profoundly affect cities over the next few years. It also examines the implications of devolution for cities.

In some instances, national agendas might impede urban functioning, necessitating strategic approaches to overcome these constraints. In other instances, cities will be offered unique opportunities to harness new initiatives that have potential to fundamentally improve urban performance. What is certain is that cities will have to respond creatively in the future, to both the challenges and opportunities presented by these new initiatives.

This chapter is divided into five sections exploring some of the new plans and policies that will impact on cities:

- The urban development agenda;
- The urban growth agenda;
- The urban fiscal agenda;
- The urban services agenda; and
- The urban governance agenda.

CITIES WILL HAVE TO RESPOND CREATIVELY IN THE FUTURE TO NEW LARGE-SCALE NATIONAL PLANS WHICH ARE BEGINNING TO EMERGE

The chapter concludes by suggesting that municipalities can be most effective if they are able to exert meaningful control over all the built environment functions. This raises questions about current fragmentary governance arrangements which relate to the key urban development drivers – transport and housing. Although fundamental to the development of cities, some of the main responsibilities linked to housing and transport functions rest with national and provincial government. This undermines the ability of a city to determine urban form, to target subsidies strategically and to finance key components of urban infrastructure.

The urban development agenda

This section addresses four issues. It provides a broad overview of national government's attempts at developing a coherent urban policy; it provides information about new grant funding for urban development projects; it outlines the new tax incentives for urban regeneration; and it explores how cities can engage with the new housing strategy emerging from the Department of Housing.

Emerging urban policy in the national sphere

In 1997, the South African government produced its first major discussion document on cities, the Urban Development Framework (UDF). This was approved by Cabinet as a framework defining a future vision for urban settlements in South Africa. The UDF did not gain wide currency for two reasons:

- Produced within the Ministry of Housing, the UDF did not garner sufficient support across other government departments. This was

partly due to the absence of an urban development mandate in any single national government department, and partly due to the absence of a communications campaign to raise awareness of the UDF.

- In 1997 the South African Government was in the midst of tremendous change with new policies and programmes being announced every month. As a result, the UDF was out-of-date almost before its print was dry.



Subsequent attempts to review the UDF did not progress beyond initial research stages.

In 2003 the Presidency led an intensive process to define Spatial Guidelines for Infrastructure Investment and Development. These guidelines had significant implications for public investment in South Africa as a whole, not only in cities. Cabinet approved the publication of the National Spatial Development Perspective as a discussion document defining the objectives that should guide public investment (see Chapter 2).

In 2001, Cabinet agreed that the UDF should be reviewed and re-formulated as a national urban policy. The Minister of Provincial and Local Government was mandated to lead this process which culminated in the Urban Development Framework for the 2nd Decade of Democracy in South Africa in 2004. This was the outcome of a series of workshops held with development specialists including representatives of government. The document sets out a strategic framework for government and its development partners in order to:

- Increase the status of urban issues in public policy and programmes.
- Prevent institutional exclusion by fostering participatory, transparent and democratic urban administration.
- Maximise the impact of government action in urban areas by aligning policies, investment and enforcement.
- Introduce new instruments and incentives for urban reforms that meet social need, create economic opportunities and protect the environment.
- Improve intelligence on urban dynamics to inform policy, planning and spending.
- Develop human capacity for urban management and co-operative governance¹.

The framework outlines twenty primary actions where government – and its development partners – can make a difference in the second decade of democracy (see table 5-1).

Although much attention has been devoted to cities, South Africa, like most other countries in the world, remains without a coherent national urban policy.

There are many reasons why it difficult to define an urban agenda in South Africa:

- The historical inequities between urban and rural areas mean that a policy focus exclusive to urban areas remains unpalatable to many.
- The varied range of urban settlement types in South Africa forces national policy-makers to limit policy objectives to those that apply to all these urban settlements, so undermining the nuanced policy response that is required².
- The complex intergovernmental relations around public funding for urban development results in a fragmented set of objectives. For example, funding for subsidised public transport is channelled through all three spheres of government with unintended consequences such as competition for routes between bus operators funded by province and municipal bus services.
- Unacknowledged contradictions in public policy objectives mitigate against developing policy consensus³.

Urban decision-makers are waiting for the revised Urban Development Framework with much anticipation, in the hope that the document will provide policy direction for cities in South Africa.

Grant funding for urban development

Regardless of the national urban policy limitations, there have been significant developments in allocating public funding for urban development.

Urban development funded through public investment in South Africa is driven largely by massive public grants for affordable housing and municipal infrastructure. Over the next three years, the national fiscus intends funding R68 billion worth of infrastructure, largely in urban areas⁴. This includes R23 billion on the integrated housing and human settlement grant, R21,5 billion on the Municipal infrastructure

EMERGING CITY AGENDAS (continued)

Table 5-1: Activities to strengthen urban development in the second decade of democracy

1. Increase the status of urban issues across government	2. Prevent institutional exclusion among urban residents	3. Align policies, investment and enforcement in urban areas	4. Instruments and incentives for urban reform	5. Urban intelligence, monitoring and evaluation
a. Promote economic integration zones and global city region concept	e. Roll out a social safety net to urban citizens and indigent support for legal residents.	i. Institutionalise NSDP/PGDS/IDP alignment.	m. Financial incentives for urban developments.	q. Define 'urban' and 'rural.'
b. Facilitate the global role of cities through a national trade and investment strategy.	f. Register all informal and illegal urban dwellings.	j. Promote city safety and security, as well as the principles of the NSDP, NEMA and BNG policies.	n. Social cohesion incentives to promote race and class integration.	r. Monitor and evaluate government action at the urban scale.
c. Develop the role of secondary cities in the national urban hierarchy.	g. Equitable protection for all urban residents from by-law application and enforcement.	k. Establish a special Cabinet cluster to address urban issues.	o. Make urban land markets work for the poor and foster the secondary property market.	s. Report at the urban scale on South Africa's international commitments e.g. MDGs
d. Foster the rural service role of towns.	h. Foster youth and migrant inclusion into urban opportunities.	l. Develop an integrated public asset management strategy, especially for urban land.	p. Strategic economic infrastructure investment platform.	t. Establish an Urban Research Commission.
6. Develop human capacity for urban management and co-operative governance				

Table 5-2: Summary of urban development items to be funded through the national fiscus

National vote	Item	2005/06	2006/07	2007/08	2008/09
Budgeted allocation (R'm)					
Housing	Integrated housing and human settlement grant	4 843	6 350	7 937	8 721
Provincial and local government	Municipal infrastructure grant	5 436	6 265	7 148	8 053
Transport	Commuter rail infrastructure total	688	4 451	4 043	3 764
Of which:					
Transport	Commuter rail infrastructure (SARCC)	688	1 210	1 892	2 028
Transport	Commuter rail infrastructure (Gautrain)		3 241	2 151	1 736
Sport and Recreation	World Cup 2010 stadium upgrading grant to DBSA		1 000	1 000	1 000
Transport	Public transport infrastructure and systems grant	242	519	624	1 790
Minerals and Energy	Electrification grant to Eskom	783	893	932	1 059
National Treasury	Neighbourhood development partnership grant		50	950	1 500
		11 992	19 528	22 634	25 887

The FIFA 2010 World Cup

The FIFA 2010 Soccer World Cup is now less than four years away. As the host country, South Africa faces both a huge planning challenge – but if tackled strategically – a major development opportunity.

How many visitors will come?

It is hard to estimate the number of international visitors who will come for the World Cup. The experience of Germany 2006, where more international spectators arrived than expected, suggests that the appeal of the World Cup spectacle should not be underestimated. Yet as a long-haul destination, with fewer air connections, the number of European visitors is not expected to equal the 2-3 million who travelled to Germany. Around 350 000 international ticket holders are expected, who will attend an average of four matches. At least another 150 000 visiting supporters without match tickets, from other continents and from other African countries, might attend.

Even if the tourism and hospitality sector manages to spread the peaks, international air arrivals in South Africa will double to over 25 000 daily passengers a day for about ten days. Border posts will also be under immense pressure dealing with the 10 000 visitors from other African countries who will arrive by road each day.

How will people get around?

With teams moving for each opening-round game there will be around 150 000 inter-venue movements of international visitors alone on the busiest World Cup days. On top of this, South African supporters travelling within the country will add another 40 000 trips. Domestic air services will potentially accommodate between a third and a half of this total, leaving road and rail services to transport the rest – even though sea travel between the coastal venues, is an option. A clear concept, creative ideas and fast action are needed, from both the public and private transport sectors to improve long-distance surface transport.

What is the government going to do?

The initial priority in planning for the event involves building and upgrading the stadiums where the official games will be played. The national fiscus will finance most of the capital works on these stadiums. But municipalities will be expected to play a key role in planning and co-ordination. Municipalities will also have to ensure that this public injection of funds levers significant private investment in the areas surrounding the stadiums in ways that benefit the city as a whole.

Government will also be making major capital investments in public transport infrastructure. A Public Transport Infrastructure and Systems Grant was introduced by the National Department of Transport in 2005/06 with the intention of funding over R3 billion worth of public contributions to transport projects identified by municipalities. With an initial focus on the 2010 host cities, this grant has been allocated for projects like the development of road-based public transport corridors and interchanges, railway station upgrades, intelligent transport systems, and infrastructure that encourages non-motorised transport – walking and cycling. The ultimate objective is to improve the public transport experience.

The provision of quality transport services to move large numbers of people safely and quickly around the country, and within host cities is a pre-requisite for a successful tournament. Getting transport right, and making sure that this has a lasting benefit for cities probably represents the most complex planning challenge.

Beyond infrastructure provision, integrated operations between the most suitable transport modes for given corridors is the goal. Investment in quality vehicles, stops and stations, lines and dedicated ways, information, security, and ticketing and overall system management is crucial. The municipal planning challenge is to align these special event needs with the regular transport needs of ordinary citizens.



EMERGING CITY AGENDAS (continued)



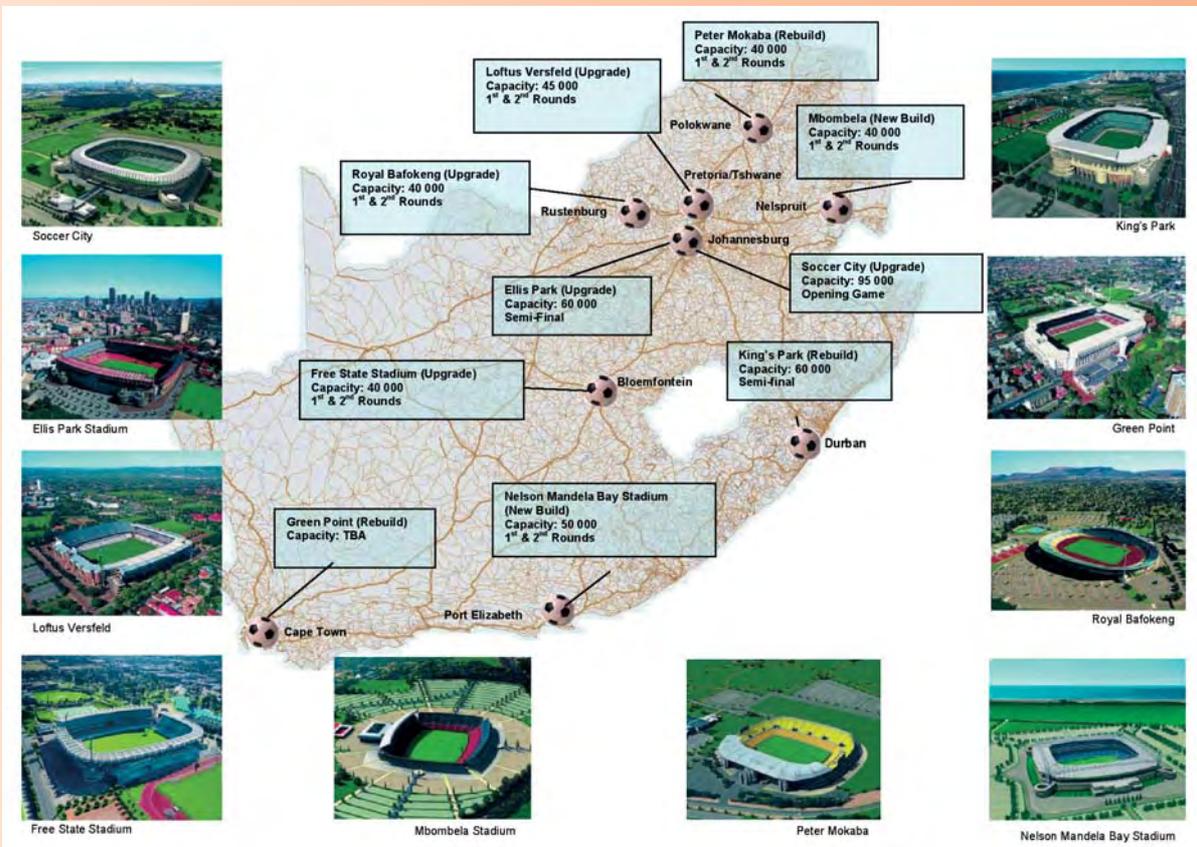
The FIFA 2010 World Cup (continued)

Private transport companies can help

Scheduled public transport will not meet all visitors' needs. A large market share will be serviced through:

- chartered operations – quality small buses and minibuses
- on-demand services – metered taxi as well as some quality minibus-taxis; and
- car-hire companies.

Given that these private entities can offer flexibility and rapid response to the transport challenge, it is vital that cities support the contribution of this transport segment in the run up to the event and beyond.



grant, and R12 billion on commuter rail infrastructure, including the development of the new Gautrain Rapid Rail Link between Tshwane, Johannesburg and Ekurhuleni at a cost of just more than R7 billion to the national fiscus, a contribution to the capital costs of the project which totals R21 billion (see figure 5-1).

In addition to the 'big ticket' items, there are three major new grants for upgrading the soccer stadiums in the host cities for

the 2010 FIFA Soccer World Cup, public transport infrastructure projects in municipalities, particularly 2010 host cities, and for delivering community facilities and amenities in townships and other under-served neighbourhoods. Finally, almost R3 billion will be spent on the continuing electrification programme being implemented by Eskom (see table 5-2).



The FIFA 2010 World Cup (continued)

What does the FIFA World Cup mean for cities?

Of the venue cities, Johannesburg and Tshwane when combined will together host the greatest number of World Cup matches and international visitors. It is expected that at the peak of the World Cup up to 40% of all international visitors, or 200 000 could be in Gauteng at any one time. Up to 15-20% (75 000 to 100 000) could be in either Cape Town or eThekwinini, and 8%-10% in Nelson Mandela (40 000 to 50 000). The attraction of the smaller inland venues cities will be boosted if significant additional accommodation is accredited, including university residences and Bed & Breakfast establishments. Table A compares the impact of the 2010 World Cup on the host cities.

	Number of matches	Proximity to other venues	Accommodation availability	Population	Regular tourism visitor numbers	Regional transport connections
Gauteng (Johannesburg and Tshwane)	*****	*****	*****	*****	*****	*****
eThekwinini	****	**	****	****	*****	***
Cape Town	****	*	*****	****	*****	****
Nelson Mandela Bay	***	**	***	***	***	**
Mangaung	**	***	*	**	*	**
Rustenburg	**	***	*	*	**	*
Mbombela (Nelspruit)	**	***	*	*	**	*
Polokwane	**	***	*	*	*	*

* low impact or capacity

***** high impact or capacity

Even though matches will only be hosted in nine venue cities, the effects will be felt nationwide in all urban centres. Many international visitors will visit and seek accommodation outside of the venue cities. Non-host towns and cities can host special events and erect public viewing facilities to attract visitors.

The total allocation for infrastructure supporting urban development is set to rise by a staggering average of 29% per year over the next three years. This is undoubtedly a positive development for cities. However, additional expertise and capacity will be needed to spend this money. The South African Institute of Civil Engineers has already warned of the limitations of the existing civil engineering industry⁵.

Two striking shifts have emerged in the public grant environment. The first is that despite significant attempts to consolidate all capital grants to municipalities under the umbrella of the municipal infrastructure grant (MIG), there are a number of new sectoral municipal grants. It is possible that the one-size-fits-all approach taken in the MIG has failed to satisfy

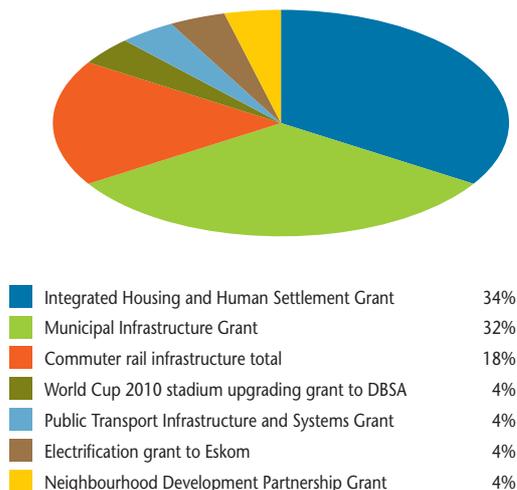
specific sectoral needs and delivery targets. The second involves a shift towards promoting infrastructure partnership projects over those funded exclusively through public grants. The Neighbourhood Development Partnership Grant, the upgrading of the soccer stadiums, and the Gautrain Rapid Rail Link are all driven by public-private partnership arrangements. Even the additional funding announced for the housing grant (R3,5 billion over the next three years) is largely for social housing (affordable rental housing) and credit-linked subsidies, encouraging partnerships with private landlords and lenders in the delivery of affordable housing.

EMERGING CITY AGENDAS (continued)

Other fiscal incentives for urban development

Another incentive not reflected as a direct cost to the fiscus is the urban development zone tax incentive introduced in the 2004 budget. The UDZ tax incentive is aimed at encouraging inner city renewal across South Africa. Any taxpaying, property owning, individual or entity may claim the tax benefits of the UDZ incentive. The incentive takes the form of a tax allowance covering an accelerated depreciation of investment in either refurbishment of existing property (5 year depreciation) or the creation of new developments (17 year depreciation) within a designated zone in any of the 16 cities and towns earmarked for the incentive. By May 2006, 13 of the qualifying municipalities had received approval for a designated zone, including the nine SACN cities. It is still too early to measure take-up of the tax incentive, but the level of interest amongst developers is a clear indication that the incentive will change private sector investment patterns in the cities.

Figure 5-1: Allocation of funding for urban development infrastructure from the national fiscus (2006/07-2008/09)



Tax credits have been used successfully in the United States since 1986 to create affordable housing, emerging as that country's most successful housing subsidy programme. The system attracts \$7-8 billion from private investors for affordable housing each year, equity that is leveraged with another \$7-8 billion of debt financing from largely private sector sources. About 1,5 million homes have been built using the credit. In

recognition of the programme's success and the continuing need for affordable housing, in 2000 the United States government expanded the amount of credits available by 40%.

South Africa's National Treasury and the national Department of Housing are exploring the feasibility of a housing tax incentive scheme to supplement the current grant arrangements.

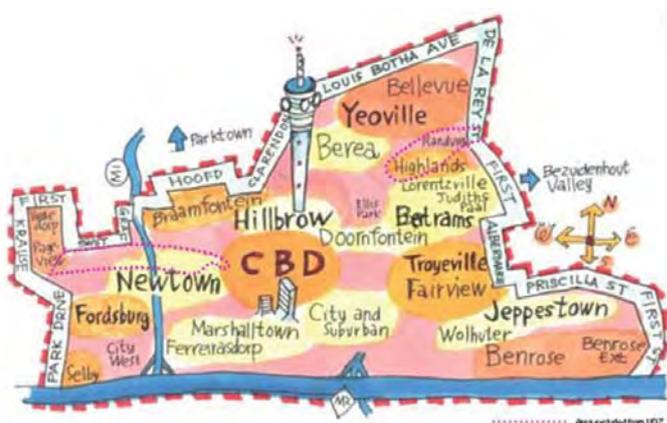
The new housing strategy: "Breaking New Ground"

The Breaking New Ground (BNG) strategy of the Ministry of Housing has the potential to be a key driver of public investment in cities. One of the primary objectives underpinning the BNG strategy – the development of sustainable human settlements – encourages housing officials to go beyond providing only housing, and think more holistically about neighbourhoods that include social facilities and amenities. But, it is clear from the discussion in Chapter 4 that there is still confusion over municipal roles and responsibilities in housing delivery and administration, the status of the accreditation process for municipalities, and the level of skill and capacity required to manage area-based developments funded from multiple sources. There are a few forward-looking responses that will be needed from municipalities.

Developing a city-level understanding of the housing market

Most public housing development strategies in South Africa have been built around analyses of housing backlogs rather than an understanding of local affordable housing markets. The Housing Minister and Provincial Housing MECs approve grants to provinces on the basis of a formula weighted heavily towards housing needs – defined by the number of people living in inadequate housing, population growth, and the number of poor households.

Figure 5-2: Map of Johannesburg's urban development zone defined by the city council and approved by the Minister of Finance for the urban renewal tax incentive



There are at least three reasons why this approach to housing delivery needs to be rethought. Firstly, while there are ‘free’ houses that are fully subsidised there will always be a housing waiting list. As a result, the demand for subsidised housing will remain inflated until every person eligible for a subsidy has received it. Secondly, a mono-dimensional analysis of housing need ignores the sliding scale of affordability. This results in standardised housing products that limit the development of a functioning housing market. Thirdly, this approach can give rise to the belief that informal settlements can be eradicated if enough affordable houses are delivered. The reality is that there are complex social and economic reasons that underpin the choice to live in an informal settlement or backyard shack⁶. Figure 5-3 illustrates the spread of housing in South Africa by type, tenure, and income. Based on 2001 census figures, this provides a conceptual representation of the complexity of the housing market⁷.

Cities clearly need to reconsider the notion of housing demand and develop a deeper understanding of the whole housing market within their jurisdiction. Cities should look at demand-side aspects such as population growth at the neighbourhood level, market indicators of demand such as property prices and rents, affordability constraints (both capital and limited access to loans), and housing use patterns that define the willingness to invest in housing as an asset. Cities should also understand

supply-side aspects such as gaps in the housing product range, the capacity of the local housing supply industry, and the supply inefficiencies due to municipal regulation and administration (particularly land-use management regulations and building plan approvals).

Strengthening municipal housing units

Municipalities already play multiple roles in planning and managing public housing delivery and regulating residential property development across the board. However, the accreditation of municipalities as housing providers will create additional responsibilities for administering public housing subsidies. Similarly, the new emphasis on building housing through partnerships will demand new skills to nurture relationships and manage complex property developments with multiple funding sources. While the accreditation process accommodates an incremental approach to building the required administrative skills in municipal housing units, cities will have to consider how best to build project and partnership management capacity to deliver on the BNG principles.

Ensuring appropriate sequencing of the housing process

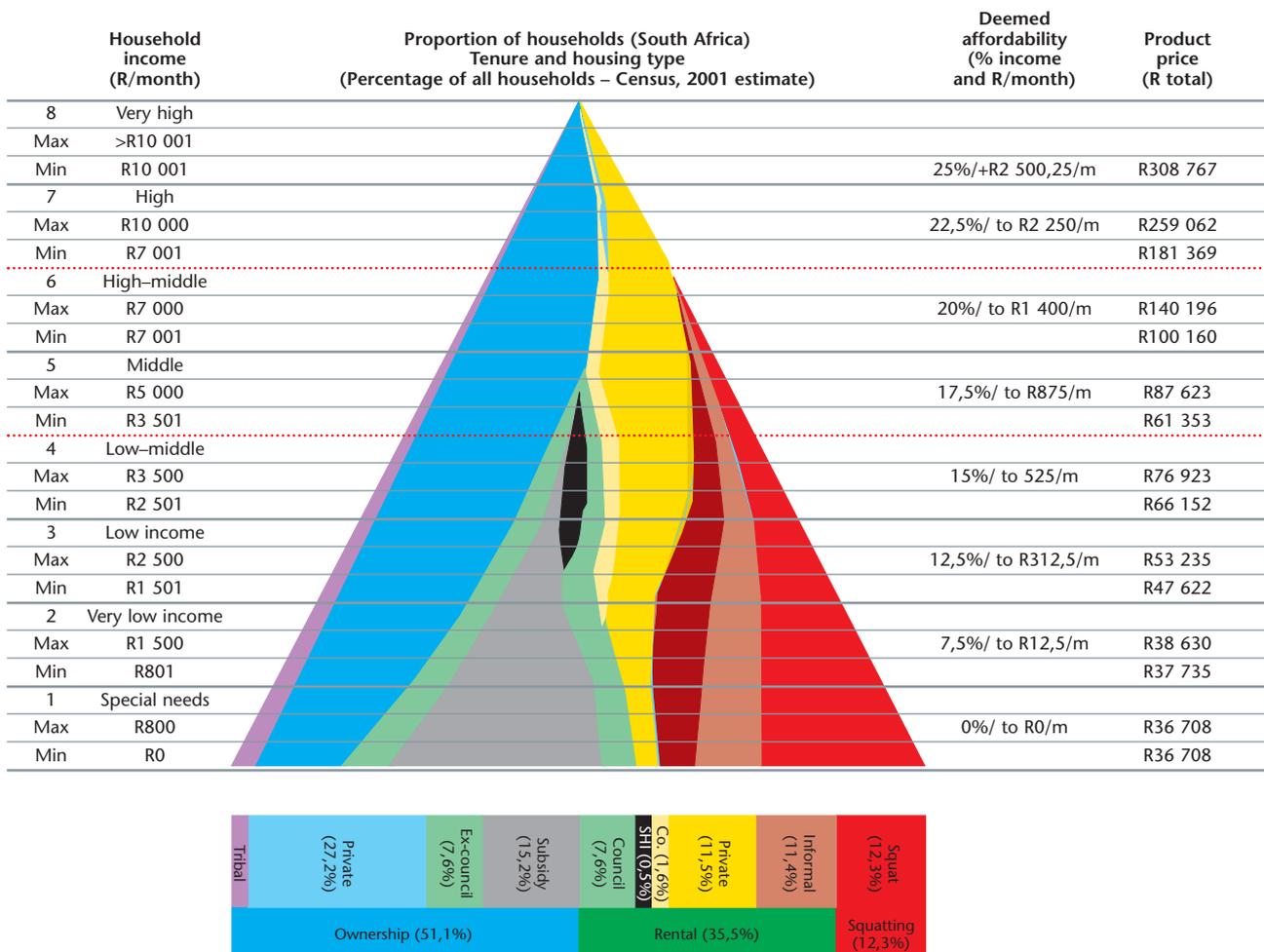
The move to demand-led delivery as proposed by the BNG strategy is interpreted differently by the various parties in the housing delivery chain. For example, the Ministry of Housing suggests that the construction of housing stock should be separated from housing allocation processes. Others believe that this will result in a dislocation between the demand for land and the demand for housing⁸.

There is another disconnect between rigorous feasibility studies for affordable housing projects and the development of municipal and provincial housing development plans. Most housing projects are identified on the basis of perceived needs and designed on principles of equity and minimum standards for adequacy – or political acceptability.

EMERGING CITY AGENDAS (continued)



Figure 5-3: Housing affordability profile



To strengthen housing development plans, municipalities should undertake feasibility studies for neighbourhoods where housing needs are greatest to inform forward planning, project design and perhaps even attract private investors or lenders as housing development partners.

Supporting innovative city-level incentives for appropriate private housing delivery

The benefits resulting from the recent gains in the property market in South Africa have not been spread broadly across the property market. There are indications that only high-income households are reaping significant gains. But municipalities are in a position to adjust the property rating system to redress this inequity to some extent by supporting those urban renewal

projects which unify and mix housing types, incomes, and land uses. This will mean assembling instruments at local level to replicate those projects which have an urban renewal logic to communities⁹. Cities are also in a position to change spatial dynamics and urban forms through assertive use of the land use management and building plan regulation systems.

Devising innovative funding mechanisms to address the shortfall between subsidy amounts and actual costs

The cost of new housing provision is significantly higher in big cities than in small towns. In small



towns it is feasible to build single residential dwellings with relatively low levels of service on the outskirts of urban areas. But for the bigger metropolitan areas, the challenge is to create housing for lower-income households in accessible locations. This often translates into the development of social housing projects that provide affordable rental in inner city locations. Not only is land more expensive, but building costs per unit are significantly higher at the higher densities required, which often require three or four story units. High service levels are then also unavoidable.

The cost of these units ranges between R80 000 and R180 000, significantly more than the R38 000 subsidy and the extra 15% allowed for special local conditions. While there are various mechanisms to increase this subsidy, cities are often forced to top up the grant in order to make the housing development feasible, and cannot always recover the additional costs in the form of rental. These financial pressures can be contained if the number of social housing units is limited. But there are increasing pressures on cities to roll-out more social housing. This will place considerable strain on municipal finances.

There are indications that other forms of low-income housing also cost more than the subsidy allocation from national government.

The urban growth agenda

Current statistics about urban productivity reveal that cities are growing at faster than the national average. This suggests that cities will play a crucial role in the national government initiative to accelerate growth to an average of 5% over the next eight years. The following section looks at the Accelerated Shared Growth Initiative for South Africa, the role that national government envisages for cities, and how cities might respond to these new responsibilities.

The Accelerated Shared Growth Initiative for South Africa

The Accelerated Shared Growth Initiative for South Africa (Asgi-SA) was announced by President Thabo Mbeki in his opening of parliament speech in 2006. In his speech President Mbeki described the purpose behind the initiative as enabling the country to meet its commitments to the Millennium Development Goals, including:

- Halving poverty from about one third of households in 2004 to less than one sixth of households by 2014; and
- Halving unemployment from about 30% in 2004 to lower than 15% by 2014.

In order to achieve this, National Treasury and the Presidency had calculated that the country would require growth averaging over 5% between 2004 and 2014. A target was set for growth averaging 4,5% and above until 2009, and 6% and above after 2010.

It has been emphasised that this does not constitute a new economic policy. Rather, it is an initiative to sustain higher and shared growth within the existing economic framework established by the adoption of the Growth, Employment and Redistribution strategy (GEAR) in 1996.

Supporting documentation for Asgi-SA issued by the Presidency argues that there are two threats which tend to unbalance the South African economy and which will prevent the country from attaining these targets:

- The “hollowing out” of the economy related to growing trade deficits driven by a strong rand underpinned by the global commodity boom; and
- The fact that one third of the people in South Africa remain marginalised from the economy and continue to be trapped in poverty.

In response to these twin challenges, the initiative identified a number of constraints which need urgent attention:

- The volatility and level of the currency;
- The cost, efficiency and capacity of the national logistics system;
- Shortage of suitably skilled labour and the cost effects on labour of apartheid spatial patterns;
- Barriers to entry, limits to competition and limited new investment opportunities;

EMERGING CITY AGENDAS (continued)

- A regulatory environment which burdens small and medium businesses; and
- Deficiencies in state organisation, capacity and leadership

All of these issues, except for the volatility of the Rand, are relevant to city-level governments. Publicity surrounding the launch of the initiative was accompanied by sharp criticism of under-investment in economic development related infrastructure by cities and their role in raising the costs of doing business.

In responding to these constraints, Asgi-SA proposed a programme of priority initiatives organised around the following categories:

- Macroeconomic issues
- Infrastructure programmes
- Sector investment strategies, or industrial strategies
- Skills and education initiatives
- Second economy interventions
- Public administration and governance issues.

The Presidency and Treasury also made a series of medium-term budgetary commitments to underpin Asgi-SA, amounting to additional spending of around R370 billion. This marked a significant shift in South Africa's fiscal approach away from relatively conservative restraint in public sector spending to a more expansionary mode. At the heart of the initiative is a programme across the country's major parastatals to upgrade infrastructure. Eskom, the national electricity generator, is to receive R84 billion and Transnet, the national transport group is to get R47 billion. Together with these commitments, the first budget influenced by Asgi-SA showed continued growth in allocation to social services, housing and basic services programmes.

A perspective from Asgi-SA on the role of cities

The official Asgi-SA documentation makes particular mention of the role of local government under the categories of infrastructure, skills, second economy interventions and issues around governance and public administration. The key focus areas for urban regions are to:

- Improve the efficacy and scale of existing basic needs infrastructure spending;

- Work with role players such as the Development Bank of South Africa (DBSA) to upgrade technical and managerial skills in key municipal service delivery departments;
- Play a more meaningful role in the development of small business and black economic empowerment through enhancing LED programmes;
- Enlarge existing EPWP interventions;
- Work with stakeholders to improve governance and public administration aspects of local government, for example through Project Consolidate;
- Work with the Department of Trade and Industry (DTI) to improve local delivery of economic services;
- Simplify bureaucratic processes and procedures to aid business growth (particularly around EIAs).

The Asgi-SA documentation outlines that, "The three spheres of government are responsible for about half of the total public sector capital investment over the period through a range of programmes at national department level. Projects are distributed to provincial and local government through the municipal and provincial infrastructure grant programmes, while provinces and most municipalities have funds collected from their own revenue sources for capital expenditure. Key areas of expenditure, incorporating all these spheres of government are provincial and local roads, bulk water infrastructure and water supply networks, energy distribution, housing, schools and clinics, business centres, sports facilities, and multipurpose government service centres, including police stations, courts and correctional facilities¹⁰."

Challenges of Asgi-SA for cities and national government

It is widely recognised that reaching higher levels of sustained growth in the country as a whole will require that South Africa's cities grow at rates

above the Asgi-SA targets. Is this possible? The most recent data presented in this report suggests that only some cities will be able to reach these targets. But the data also reveals that cities are facing some real constraints in scaling up their activities and in increasing budgetary allocations to capital programmes. The one Asgi-SA target that is immanently achievable is increased local government provision of basic services. This objective accords with existing trends reflected in the data and certainly enables cities to contribute to the “shared” elements of the initiative.

However, cities have struggled to maintain infrastructure which serves economic purposes, such as roads. This is particularly evident in areas experiencing high levels of economic growth where traffic congestion is conspicuous, and electricity supply has been overwhelmed by demand. Pressure to improve infrastructure will increase and cities will have to raise additional amounts of capital.

The tendency in Asgi-SA is to view local governments through the traditional prism – as providers of basic services. But this perspective needs to be greatly expanded. Cities will need to work with national and provincial governments to ensure that strategic responses are developed. These responses must confront constraints to public and private investment by ensuring that cities can meet both basic needs and new economic demands. The tax incentives to support urban regeneration will provide some stimuli to the private sector but will not cover all the costs of transforming declining neighbourhoods into quality environments. There is also an increasing need, identified by cities and the private sector, for a greater attention to the urban business environment which incorporates issues of logistics efficiency, ICT infrastructure and the like.

Asgi-SA also presents challenges to the long-term sustainability of cities. Rapid urban economic growth will escalate urban sprawl and place increasing demands on cities’ natural assets. While the fragmented urban form inherited from apartheid will require consolidation of the traditional urban core, the more peripheral nodes will also experience new development pressures. This, in turn, will increase the challenge of rolling out expanded infrastructure networks and providing effective and affordable public transportation. To date many of the cities have shied away from urban processes that enhance sustainability or

have been unable to finance the restructuring processes related to them. For instance, the Metropolitan Transport Authority in eThekweni has struggled to find funding for coherent public transportation systems within the municipality or from other spheres of government.

Most significantly, the Asgi-SA documentation suggests that there needs to be a closer working arrangement between the Department of Trade and Industry, the Department of Provincial and Local Government and the municipalities in delivering economic services, including various business support initiatives. This is a worthwhile area of focus. The DTI has been actively developing customised sector plans in support of the priority sectors identified in Micro-economic Reform Strategy and repeated in Asgi-SA. To ensure that these sector plans translate into effective local action it is important to look at regional differentiation in the priority sectors and to identify decentralised action plans for different contexts. Previous national strategy frameworks produced by the DTI have tended to ignore the varying complexities within regional economies and have failed to enhance local capabilities around industrial policy interventions.

The Asgi-SA documentation is characterised by a tendency to associate local authorities with second-economy programmes. This implies that cities have little to offer the formal economy other than adequate infrastructure and quality services. This is not necessarily true. While cities acknowledge the need to support informal businesses, many city strategies identify complex linkages between activities in the economy that are traditionally seen as ‘formal’ and ‘informal’. These local level strategies have moved beyond a simplistic dualism of ‘first’ and ‘second’ economies. The challenge for cities is to enhance both the formal and less formal components of various economic value- and supply-chains.

EMERGING CITY AGENDAS (continued)



Advancing Asgi-SA

In order to advance the widely accepted aims of the Asgi-SA programme, it will be necessary for cities to actively engage with provincial and national government partners and vice-versa. This engagement should relate to both city specifics as well strategic medium- and long-term strategies that will help cities shift their economic platform – and therefore the economic platform of the nation – onto a more equitable and higher growth path.

The urban fiscal agenda

Considerable financial responsibilities have been devolved to the local level, placing enormous responsibilities on cities to collect their own revenues and manage their own finances. This section provides a broad overview of the urban fiscal agenda. It examines four aspects of municipal finance.

Firstly it looks at how cities are rising to the challenges of the Municipal Finance Management Act.

Secondly it examines the how the abolition of Regional Services Council levies will impact on municipal revenue. These levies played a significant role in the metropolitan areas as a buoyant second general revenue source alongside property tax. While National Treasury has expressed a commitment to replace them with other more suitable sources, the details of this remain unclear. As an interim measure they are being replaced with grants from national government, representing a marked reduction in local revenue autonomy.

Thirdly, the section examines the new property tax legislation. While this has been passed, it has not yet been implemented at local level. For some cities it will lead to very significant shifts in tax incidence across ratepayers, a process which has proven notoriously difficult to manage internationally.

Finally the section looks at strategic asset management and at the dire consequences that will confront cities if existing electricity, water and road infrastructure is not adequately maintained.

The Municipal Finance Management Act

While the Constitution devolves significant power to the local sphere, it provides for national legislation to create standard administrative processes underpinning a coherent governance framework. From a financial administration and governance perspective this has found expression in the new Local

Understanding the shifts in the property rates system

Suppose a municipality consists of only two properties. The site value of each property is R200 000. However, the improvements value of Property A is R1 000 000, while the improvements value of Property B is R200 000. Thus the total value of Property A is R1 200 000 and the total value of Property B is R400 000.

Suppose the total tax imposed by the municipality is R1000.

In a system based only on site values, each property will pay the same tax, R500. But in a system based on the total value – site plus improvements – Property A will pay more. In this case it will pay R750, while Property B will pay R250.

There has been no change in the total amount of tax collected by the municipality, but in shifting from a system based on only site values to one based on the full value of property, the incidence has shifted significantly.

The actual extent of the shifts in incidence are unlikely in most cases to be as marked as this model suggests, but could nevertheless become contentious if not well managed.

	Property A	Property B
Improvement value	R1 000 000	R200 000
Land value	R200 000	R200 000
Total value	R1200 000	R400 000

Assuming a total tax take of R1 000, on a site only system each property will pay R500. On a system based on total value Property A will pay R750 and Property B will pay R250.



Government: Municipal Finance Management Act (Act 56 of 2003), which came into effect from 1st July 2004.

Some of the key provisions of the Act include:

- Delineation of the role of mayors to provide political governance and oversight over fiscal and financial matters, and the appointment of a municipal manager to act as the accounting officer responsible for financial management;
- The definition of common accounting and reporting standards;
- Defined responsibilities of the chief financial officer;
- Annual reports, including consolidated annual financial statements, and audit reports for the municipality and municipal entities within timeframes prescribed by the Minister of Finance;
- Requirements to address issues raised by the Auditor-General;
- Approval of annual budgets before the commencement of financial years, with capital budgets covering a period of up to three years, within the framework of IDPs;
- Avoidance of the financing of recurrent expenditure through borrowing, except for short 'bridging' periods;
- Processes for addressing financial emergency and bankruptcy in municipalities through 'financial recovery' plans;
- Reporting requirements, including monthly and mid-year reports to council by the accounting officer;
- The establishment of a budget and treasury office by every municipality;
- The establishment of a primary bank account for each municipality;
- Supply-chain management specifications;
- Specifications for the establishment of municipal entities.

The MFMA has had significant ramifications for SACN cities, including the need to:

- Restructure audit committees, procurement procedures and municipal entities to exclude councillors;
- Implement extensive new reporting requirements, including detailed annual reports;
- Have much more formal and open processes in the development of budgets, including consultation with the public and other spheres of government, and the incorporation of the views of ward committees;
- Publish intentions and invite public comment on a range of issues including contracts having future budgetary

implications, disposal of capital assets, contract management, and public-private partnerships.

In terms of planning, the MFMA stipulates the need for Service Delivery and Budget Implementation Plans (SDBIPs). The SDBIP is a management, implementation and monitoring tool, promoting the concept of ward-based information and planning through end-of-year service delivery targets stipulated in the budget and IDP. SDBIPs are meant therefore to provide a practical link between the strategic direction set by council and the services provided to the community, as articulated in the budget.

Implementation of the Act has required the development of a complex skills-set and in some cases has been extremely demanding. The lack of familiarity with the new procedures, combined with provision for onerous sanctions in cases of misconduct has sometimes led to slow decision-making and other institutional challenges. These are diminishing with time, although the full implications are still unfolding. It is possible that some provisions of the regulations issued in terms of the Act will have to be altered. On the other hand, the Act is driving a remarkable improvement in overall transparency and financial governance.

Abolition of Regional Services Council levies

One of the most significant and potentially worrying recent developments within the urban fiscal environment has been the abolition of Regional Services Council/ Joint Services Board (RSC/ JSB) levies as from 30th June 2006. The decision on how to replace these levies represents a very important financial issue for municipalities – and may well determine the long-term position of the local government sphere within the inter-governmental system.

Regional Services Council (RSC) levies were business taxes, consisting of a small levy on turnover (the 'Establishment levy') and on the payroll (the 'Services levy'), and were introduced in 1985¹¹ in the context of the racially-based

EMERGING CITY AGENDAS (continued)

Table 5-3: Share by municipal category of total budgeted RSC levy income for 2003/04

Category of municipality	Percentage share by category of municipality of total RSC levy income
Metropolitan	67,6%
Local (Category B)	0,0%
District (Category C)	32,4%
Total	100%

separation of urban areas into different local authorities. They were introduced mainly as a mechanism to distribute fiscal resources from wealthier areas – largely the former white local authorities – to those within the same local region where there were infrastructure backlogs – largely the former black local authority areas. With the reconfiguration of the system after apartheid the six metropolitan municipalities and 47 district councils (referred to as Category C councils) collected the levies. They were not payable to the three aspirant metropolitan councils or any of the other Category B municipalities, which were intended to benefit indirectly through the districts.

Table 5-3 indicates that the six metropolitan authorities accounted for about two thirds of all levies collected the 2003/04 year, while the 47 districts accounted for the remaining third.

Table 5-4 shows the total property tax and RSC/ JSB revenues for the six metropolitan councils in 2003/04 and 2005/05. Two key

issues stand out. Firstly it is clear how important the levies have been as a second general source of tax revenues alongside property taxes. Apart from eThekweni, which for historical reasons is a special case, income from RSC levies is equivalent to between 41% and 56% of property tax. Secondly, the table shows how buoyant the RSC levies have been: revenues from the levies rose between 10% and 27% across the six metros between 2003/04 and 2004/05.

In the national budget for 2006/07 the Minister of Finance announced that R24 billion is to be appropriated to replace the levies on an interim basis for the next three years until new revenue sources are introduced.

National Treasury has published a discussion document on its website explaining the abolition of the levy and listing possible alternatives. These include:

- Zero-rating property taxes
- A local business tax
- A business licence fee
- A surcharge on municipal services, such as electricity and water
- Tax sharing of an existing revenue base, such as fuel levies or property transfer taxes.

Table 5-4: Key tax revenue sources for the six metropolitan councils

	Property tax 2003/04 (R million)	RSC/JSB levies 2003/04 (R million)	Property tax 2004/05 (R million)	RSC/JSB levies 2004/05 (R million)	Levies collected as a proportion of rates accrued 04/05 (Percentage)	Increase in rates revenue 03/04 to 04/05 (Percentage)	Increase in RSC levy revenue 03/04 to 04/05 (Percentage)
Cape Town	2 075	780	2 122	899	42	2	15
Ekurhuleni	1 261	551	1 468	608	41	16	10
eThekweni	2 367	435	2 686	506	19	13	16
Johannesburg	2 416	1 321	2 698	1 508	56	12	14
Nelson Mandela	419	194	466	226	48	11	17
Tshwane	1 363	494	1 386	628	45	2	27

Of the alternatives, the local business tax or a share of the fuel levy would be the most appropriate for local government – or even a combination of the two:

- The local business tax is a form of local VAT which would be administered by South African Revenue Services and would be payable, more or less, for enterprises which are registered for VAT. A local business tax of approximately 1% levied on a similar base to the current VAT would raise the same revenue nationally as the current RSC levies.
- There is currently a general fuel levy, levied and collected nationally, of R1,16c on each litre of petrol and R1,00 on each litre of diesel sold. This generated just over R20 billion in 2005/06. Some of this could be devolved to replace the new temporary grants provided for in the national budget, obviating the need for a new tax. A fuel levy would also be appropriate given the extent to which municipalities are increasingly responsible for roads and public transport.

Zero-rating of property taxes is being implemented from 1st July 2006, and will simplify municipal VAT administration, but will only offset a small part of the loss. It is also unlikely that an additional surcharge on municipal services will raise significant revenue. Municipalities already generate surpluses on electricity and water, but there are pressures to reduce these – to provide for better maintenance of the networks – rather than increase them. Business licence fees will also only generate small amounts. These are intended as a complementary measure to tax those not falling into the VAT net. They would also add an administrative burden to small businesses in particular. Property transfer fees could be lucrative, but are highly volatile and generally not regarded internationally as a desirable tax.

It is critical that the interim grants are not treated as a long-term mechanism for replacing the RSC levies for two reasons:

- Firstly, a local tax enhances local accountability, especially if the municipality has the power to vary the rate, even if this is within a band set by national government.
- Secondly, it is likely that there will be pressure to redistribute the grant to poorer parts of the country to the detriment of key growth-supporting urban areas where the RSC levies have been generated in the past. While redistribution to poor rural areas is required, this should be financed from the many significant national tax sources which currently exist, such as income tax, VAT or company tax, rather than placing the

burden on the cities through re-organising the RSC levies.

Reform of property taxes

The new Municipal Property Rates Act took effect from 2nd July 2005. All the nine SACN cities are currently completing general valuations on which new property taxes will be levied.

There are a few key challenges in implementing this new legislation. Firstly, the new legislation requires that the tax be based on the full market value of property. Up until now key cities have levied rates based either solely – like Johannesburg – or largely – like eThekweni – on land values only. Even if the introduction of the new system is not associated with any increase in the total rates levied, it will lead in some cases to significant shifts in how properties are taxed.

Taxation based on only the site value favours properties where the value of the land is relatively low in relation to the value of improvements. With the introduction of the new legislation, and assuming no change in the total amount of property tax levied over the whole city, the tax on these properties will increase while the tax on properties which have a high land value relative to the whole property will reduce. Managing these shifts in incidence will be challenging.

The second challenge relates to the power given by the new legislation to the Minister of Finance to set regulations on the relative tax rates that can be charged to different categories of property. In effect, the Minister is able to limit what has until now been termed the ‘residential rebate’. The residential rebates in some cities are high, with Johannesburg amongst the highest with a rebate of 58% for residential property owners. It is probable that any new regulations will result in the differential having to be reduced. This will also lead to a different set of incidence shifts which may be difficult to manage.

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The third set of challenges could arise because the legislation is new and untested. Not only is it complex to introduce new methods of valuation and rating, but there are likely to be unforeseen legal issues which arise and make implementation more problematic.

Asset management

There are indications in all cities that not enough money is being spent on maintaining existing infrastructure. This is illustrated by the experience of Joburg Power's planned and unplanned outages and the serious disruptions to electricity supply in Cape Town due to rapidly deteriorating electricity network infrastructure. These risks are often under-appreciated for water services, as infrastructure lies underground and the water services network is reasonably tolerant of under investment until it is too late. Similarly there are signs of neglect in extensive road networks in the nine SACN cities. These roads, and the associated stormwater systems are expensive to build and maintain. Ongoing maintenance of roads is crucial to preserving the asset and reducing long-term costs.

The Municipal Services Finance Model developed for the national Municipal Infrastructure Investment Framework, allows a rough national benchmark to be established for different sub-categories of municipality, with specific attention to metros. An expenditure figure of R65 per household per month (excluding capital charges) is indicated as appropriate. The three Gauteng metros are currently budgeting to spend R1,02 billion a year on roads and stormwater operations and maintenance. This amounts to approximately R45 per household per month. This indicates that these cities (and probably the others) are underspending and that not enough money is being allocated to maintain the existing road system.

While rolling out access to basic services is rightly an important focus for government, it has been prioritised to the exclusion of adequately investing in the rehabilitation and maintenance of existing infrastructure. This presents a threat to the sustainable delivery of acceptable quality services to all, but is also a threat to the municipal fiscus as the high costs of maintenance become increasingly unaffordable.

Urban services agenda

The delivery of infrastructural services has been substantially devolved to the local level. This process has recognised the need

for strong, autonomous cities. But it has not been possible to realise the vision of decentralisation. While small rural municipalities have struggled with their mandate, more capable urban municipalities have often found legislative, policy and fiscal limitations on their ability to fully address the needs of their citizens. There is increasing consensus that the decentralisation programme, for infrastructural services in particular, requires asymmetric treatment and a different dispensation for cities.

This section examines key aspects of the strategic urban service delivery agenda and analyses its implications for cities. Urban services range from basic services such as water, sanitation, housing, electricity, healthcare and education to higher level services such as telecommunications, libraries and heritage services, freight and shipping, broadcasting, banking and financial services. It is acknowledged that urban services are broader than the set provided by municipalities. Telecommunications, for example, has a profound impact on the urban landscape. The licensing of a second national landline operator, for example, has the potential to enhance growth by: improving the number of telephone and internet connection points; improving connectivity speed and bandwidth; and reducing telecommunication costs. City governments, however, do not have significant control over the delivery of these services.

This section focuses on those infrastructural services that are the subject of new thinking at national government level and examines their impacts on cities:

- electricity distribution, looking at the proposed restructuring of the sector; and
- water and sanitation services.

Restructuring the electricity distribution industry

South Africa's electricity distribution industry is highly fragmented, with electricity being provided



by Eskom and 187 local authorities. There are at least 200 tariff regimes, leading to great inequality and inefficiency in the provision of electricity across South Africa. The municipal distribution system is not homogenous, with the twelve largest municipalities accounting for about 75% of all electricity sold in the municipal sector.

The sector is confronted by asset depletion as a result of under-investment; high administrative costs due to duplication; uneven distribution of electricity, with the poor being worst affected; high staff turnover; and an inability to attract highly skilled professionals due to low wages. Some metros report vacancies as high as 43% in their electricity departments. Along with skills shortages, further problems include insufficient investment in infrastructure as well as the depreciation and deterioration of equipment.

In the face of these problems, government has identified the need to address the widespread inefficiency and poor financial viability observed in the sector, through a major restructuring exercise. Restructuring is intended to ensure that decision-making is directed at achieving the best interests of the electricity sector as a whole, something which has generally been overshadowed by the individual interests of municipalities responsible for electricity reticulation. It is envisaged that sector-focused decision-making will attract greater investment and skills.

The form that restructuring will take has not been finalised. There is uncertainty about whether to establish six wall-to-wall Regional Electricity Distributors (REDs), each covering a metro and surrounding local municipalities, as originally recommended in the Blueprint Report and consequently agreed upon by Cabinet¹², or the more recently proposed 'six plus one' RED option. While the originally planned six REDs would each incorporate a metro and a number of surrounding local municipalities, the 'six plus one' option refers to the six metro REDs with the exclusion of surrounding local municipalities, all of which would then fall under the belt of a seventh national RED that covers all of the remaining local areas¹³. Either option will see Eskom and the electricity distributing municipalities transfer their electricity reticulation functions and thus all their assets, liabilities, obligations and staff to the REDs. But, the

implications of this process are likely to differ substantially depending on whether the six or the 'six plus one' RED option is adopted.

The six REDs model

Work on the 'six REDs' model has already begun with the establishment of Electricity Distribution Industry (EDI) Holdings in 2003 and the launch of the first RED in Cape Town in 2005. Apart from these achievements, progress in establishing the six REDs has been slow with the most significant challenge relating to the constitutionally allocated authority over the electricity reticulation function. The South African Constitution allocates executive and legislative authority for electricity reticulation to local government. Consequently, compliance with the restructuring initiative cannot be enforced and is entirely voluntary for municipalities. Municipalities, however, have been slow to volunteer because of perceived financial disincentives and uncertainty about subsidisation.

The establishment of REDs has direct implications for the financial viability and financial arrangements of the municipalities. For many local municipalities and metros alike, the sale of electricity generates large amounts of revenue, often used to cross-subsidise other departments in the municipality. The establishment of REDs would involve ring-fencing electricity sales and stopping the intra-municipality flow of revenue. This could compromise the financial viability of some cities. To offset these risks, current policy allows municipalities to charge a levy to cover the cost of transition to the RED system in the first few years.

Despite the Blueprint Report's conclusion that consolidating the industry into six REDs is financially viable and likely to lead to greater operational efficiency, there is a perception that restructuring will place a particular burden on the metros. The metros would need to subsidise the

EMERGING CITY AGENDAS (continued)

smaller local municipalities included within the six REDs model, a prospect which has, understandably, not received much support. However, some argue that even without restructuring, cities are indirectly subsidising local municipal electricity supplied by Eskom. This is because Eskom sells electricity at higher rates to metros than to poorer rural and urban locations.

Research suggests that the six REDs model has the potential to bring about wider efficiency gains across the country as a whole, particularly as far as economies of scale and equitable distribution is concerned. The six REDs model has received wide support from independent industry parties given its potential to address some of the industry's key objectives like increasing supply of electricity to the poor, improving the reliability of electricity reticulation and operating in a financially sound and cost-effective way.

With restructuring still a voluntary process, there is little that EDI Holdings can do to move ahead with implementation. The industry is left with two options: either to change to the Constitution to allocate the reticulation function to a national authority or to make restructuring more appealing so as to accelerate voluntary participation.

The 'six plus one' model

It is not clear what informed Cabinet's decision to probe the possible seventh RED¹⁴. This will consist of six metro REDs and a single national RED, made up almost entirely of smaller, poorly resourced municipalities characterised by weak infrastructure and under-capacity. The 'six plus one' model is driven less by economies of scale than the need to accelerate implementation of metro REDs. The process of establishing the metro REDs is likely to be less complex with the exclusion of the smaller local municipalities from the process. Indeed, removing the poorly resourced local municipalities from the equation presents a far more appealing prospect for the metros, as they are unlikely to perform any direct subsidisation function.

The initiative may also provide a transitional arrangement for certain category B municipalities to join metro REDs if they are ready and willing to do so. Under the initial six REDs option, a number of well-resourced and efficient category B cities would fall within a metro RED. However, many of these secondary cities

are capable of running their own operations effectively and would prefer to retain their electricity reticulation function. Again, government has no means to compel these municipalities to join the metro RED. Under the proposed seventh RED, category B municipalities will be given the opportunity to choose between joining the metro RED or fall under the national seventh RED. The former option is arguably more appealing than the latter.

Hard choices

The proposal to establish the seventh RED highlights the tension between the need for national improvements in electrification and the interests of the metros. While the six REDs option is likely to have wider benefits, see greater economies of scale and arguably benefit more people, the seven REDs model has narrower appeal, targeted at providing a more attractive option to the metros and accelerating the establishment of REDs.

The ultimate vision and driving force that must direct the restructuring process is to secure the provision of effective and efficient electricity for all South Africans.

Water services

Water and sanitation service provision is a key function of local government and great effort has been made to fully devolve this function to the local sphere. The ability of local government to integrate the water provision function with other functions is important in order to achieve overarching efficiency in service delivery.

Water services risk being undervalued until the day the tap runs dry or people die because the water supplied is not safe to drink. The effective and sustainable provision of water and sanitation services is not an optional choice, but a basic necessity.

In the urban areas of South Africa, a typical provider manages some 500 000 customer connections with annual revenue of more than R1 billion and a staff of a few thousand people. The replacement value of assets may be more than R10 billion. The ratio of asset value to revenue is high, suggesting a very capital-intensive business, much more so than electricity. Consequently, paying attention to both operational and investment efficiencies is very important.

The Strategic Framework for Water Services, approved by Cabinet in September 2003 sets out the policy framework for water services in South Africa and covers three aspects: institutional reform, regulation and support. To date, the national institutional reform strategy has focused on regional infrastructure which crosses water services authority boundaries and on regional water services institutions, primarily water boards. The scope of the reform strategy is currently being extended to include all water services institutions. The regulation strategy places significant emphasis on drinking water quality, economic regulation and the importance of strategic asset management to ensure the sustainability of services. The support strategy is currently being developed. It is likely to stress the critical importance of leadership and management to ensure good performance.

Urban sanitation remains a major challenge. Rapid urbanisation and the increase in the number of households living in informal settlements pose a major challenge for the provision of safe and adequate sanitation services. While an ideal, medium- to long-term solution may lie in developing permanent housing with waterborne sewerage, in the interim, informal households must be provided with services which safeguard their health, safety and dignity. The upgrading of settlements through the provision of water and sanitation is complex and beset by many obstacles including land ownership, densities and location. However these are issues that have been tackled in cities across the country, and there is substantial expertise and experience in such upgrading.

The primary risks facing the water services sector in both the metropolitan areas and secondary cities are to:

- ensure adequate investment in rehabilitation and maintenance of infrastructure; and
- attract and retain the necessary skills to manage, operate and maintain this infrastructure adequately.

Failure to address these two key risks could have catastrophic consequences in the future.

Available studies show that the current rates of investment in rehabilitation and maintenance are not adequate. If investment in rehabilitation and maintenance of assets is inadequate, the performance of the assets will slowly decline reaching a critical point when the supply of water will be unreliable and sporadic, the water will not be safe to drink, and there will be serious loss of water because of broken pipes. It is more expensive to remedy the situation retrospectively, rather than to undertake timely maintenance and rehabilitation.

High level professional skills and adequate capacity are necessary to manage and operate water services. The technology to treat drinking water consistently to the necessary standards and the processes to manage risks to acceptable levels are complex. In addition, sophisticated planning and project management skills are necessary to ensure that the right investments are made at the right time. Failure to plan and implement capital projects appropriately in the water sector could have disastrous consequences, resulting in water shortages and rationing.

The most significant challenge facing the water services in the major cities in South Africa is the sustainability of the service. Inadequate investment and loss of skilled staff are key risks to sustainability. Providing safe and adequate sanitation services to informal urban settlements is also a major task. National government will require water services providers to properly account for the financial sustainability of the service. Greater transparency in reporting together with more rigorous benchmarking will reveal true performance with respect to managing water services assets. Strategic leadership is key to improved performance. This needs to be

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complemented with an enabling environment. Institutional reform may be necessary to ensure managerial autonomy and create the environment where the necessary competencies can be retained.

The urban governance agenda

Notwithstanding the different conditions that exist in big cities, small towns and rural areas, the assignment of functions between the national, provincial and local spheres of government is uniform across the country. This system fails to distinguish between the unique challenges that exist in these

various spaces, and the differences in capacity between relatively well-resourced urban municipalities and impoverished small towns. While small towns may indeed need considerable support from provincial government, well capacitated municipalities in the bigger cities might best be left to manage their own affairs. It has been argued, in the case of the bigger cities in particular, that the role of local government should be enhanced, because very often the local sphere is better suited than the provincial or

Table 5-5: Division of powers and functions

Sphere	Security	Social services	Built environment	Business support
National	Security Services (SA Police Service and National Defence Force) National disaster management	Payment of social security grants (SASSA). National health services such as laboratories and mortuaries. Agricultural services and veterinary services. Tertiary education and early childhood education. Land restitution and deeds registration. National parks and conservation	Strategic infrastructure (including large dams, ports, public transport projects, presidential lead projects, etc.). National roads. Railways (freight, long distance and commuter rail services). Electrification.	International trade. Revenue administration, Public expenditure planning, Public finance management and fiscal policy management. Funding and oversight of science councils. Telecommunication infrastructure. International marketing.
Provincial	Road traffic law enforcement	Sports and culture. Social development. School education. Public health services. Provincial parks and conservation.	Housing provision. Provincial roads, subsidised bus services. PT operating license regulation and vehicle and driver licensing.	Economic development planning. Regional marketing. Environmental regulation.
Local	Metropolising. Safety by-law enforcement.	Municipal health clinics. Environmental health by-law enforcement. Libraries	Electricity distribution, reticulation, billing and administration. Municipal roads. Municipal bus services. Public transport interchanges and ranks. Water services. Sanitation. Waste management. Land use planning and management. Municipal housing administration.	Municipal property rating. Urban renewal. Local economic development.



national sphere to carry out certain roles. This will empower cities to deal with large, complex urban environments in a holistic way¹⁵.

Powers and functions

The distribution of functions as set out in the Constitution allocates different responsibilities to different spheres of government. National government is responsible for high level economic regulation, social development and security functions. Provinces are responsible for livelihoods, regional economic planning and human development. Local government is also responsible for livelihoods contextualised within the framework of built environment functions: Municipalities are responsible for basic service provision and the creation of an enabling environment for the growth of business enterprises. Table 5-5 illustrates that the assignment of functions to the three spheres of government across most of the sectors is complex. The built environment, in particular, while primarily the responsibility of local government, is often dependant on both the provincial and national spheres. This gives rise to fragmentation, potential duplication and confusion about responsibilities.

Given the current division of powers and functions, it is clear that co-operative relations between the three spheres of government are crucial to successfully delivering on the safety, and human and economic development mandates. The absence of intergovernmental co-ordination is regularly blamed for hampering efficient implementation of public policy and programmes.

In response to the co-ordination challenge, the national government passed the Intergovernmental Relations Framework (IGRF) Act (13 of 2005). The Act provides a framework for a series of structures designed to promote intergovernmental co-operation and settle intergovernmental disputes with a President's Co-ordinating Council and various Premiers' Co-ordinating Councils as the primary structures. However, the reliance of the Act on representation by selected sector representatives and organised local government means that there is a need to strengthen communication within the spheres of government and across the sectors. The Act provides for technical support (provided by the Minister or MEC for Local Government) for meetings of intergovernmental committees. But the legislation is silent on how the outcomes of these

consultations should be communicated. Regardless of the improved intergovernmental co-ordination processes, there is still a need to rationalise the assignment of functions between the spheres of government.

The devolution debate is central to rationalising government powers and functions and there are strong arguments for decentralising all the functions which help local government meet its developmental agenda – particularly that of creating viable human settlements. This implies expanding the role of local government to incorporate those housing and transport functions that have not yet been devolved. This should not be too difficult as the appropriate legal instruments to make this happen are already in place. The Constitution, for example, states:

- “156(4) The national government and provincial governments must assign to a municipality, by agreement and subject to any conditions, the administration of a matter listed in Part A of Schedule 4 or Part A of Schedule 5 which necessarily relates to local government if
- That matter would most effectively be administered locally; and
 - the municipality has the capacity to administer it”.

Other Acts would also enable this devolution response, including the Municipal Systems Act, the National Land Transport Transition Act and the Housing Act. It is the application of these instruments which needs to be advanced.

The funding flows associated with built environment functions

At present the built environment-related services are the responsibility of various spheres of government. Built environment related services include:

- ‘Plot-based’ services like water supply, sanitation, electricity, municipal solid waste and roads, which are the direct responsibility of municipalities in terms of the constitution;

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Table 5-6: Summary of current subsidy schemes

Name of subsidy scheme	Sector and type of finance	Purpose	Amount to be transferred in 2006/07
Equitable share (ES)	Unconditional transfer but typically intended to cover operating expenditure.	Allocations to local government are calculated on the assumption that the ES is used for providing free basic services to the poor which services include water supply, sanitation, electricity and municipal solid waste. There is a small provision for governance, administration, planning and development (GAPD) facilitation function grant and, recently, for municipal health. But municipalities have liberally applied the concept of un-conditionality and used the funds for other purposes, primarily GAPD.	R18 billion
Municipal infrastructure grant (MIG)	Conditional transfer to local government for capital works required to provide basic infrastructure to the poor.	MIG is transferred to local government based on a formula. It is used for water supply, sanitation, roads, landfill sites, municipal public services and, to a limited extent, for infrastructure for business properties. MIG can be used for public transport infrastructure but there are limits due to the amount allocated in the formula and due to the constraint of being for the poor.	R6,3 billion
Public transport infrastructure and systems grant	A new, conditional grant intended for capital works associated with public transport infrastructure and systems. Local government and provinces?	Funds transferred based on application by municipalities for specific projects. No track record yet but projects included in funding applications to date include modal interchanges, public transport lanes and a range of other capital works and systems.	R519 million
Housing and human settlement subsidy	Conditional grant to provinces for housing, intended to cover capital cost of providing housing and associated community infrastructure.	Funds paid out on a 'per poor household' basis to developers, both in the municipal and private sectors. Subsidy intended for land, internal infrastructure associated with housing developments, and 'top structure'.	R6.3 billion
Bus subsidy	Grant transferred to provinces for onward payment to bus operators to cover part of their operational costs.	Funds paid out to private bus operators based on a set of rules which differ by province. There is a trend towards being more equitable towards bus operators and bus routes.	R2.3 billion approximately
Commuter rail subsidy	Amount paid annually to SARCC to cover large proportion of costs of the national commuter rail system.	Subsidy paid to SARCC which uses part of it to cover capital expenditure on infrastructure and rolling stock. Substantial proportion paid on to Metrorail to cover operational expenditure.	R2.7 billion approximately
Gautrain Rapid Rail Link	Transport	National Government contribution to the Gauteng Provincial Government for the construction of the Gautrain Rapid Rail link.	R3.24 billion
National Electrification Programme (NEP)	Department Minerals and Energy: Electricity sector	To implement the NEP by providing capital subsidies to Eskom to address electrification backlogs of permanently occupied residential dwellings, the installation of bulk infrastructure and rehabilitation of electrification infrastructure.	R977 million
2010 world cup stadium upgrades	NT/DBSA	To fund capital works in rebuilding or constructing stadiums for 2010 soccer world cup games	R1 billion

Subsidy figures in table as stated in Division of Revenue Act 2006 (www.treasury.gov.za)

- Municipal public services for all residents, funded through payments of property rates and other general sources of revenue available to municipalities, including the former RSC levies;
- Housing; and
- Public transport¹⁶.

There are also a wide range of subsidy schemes applied by national government. These involve transferring funds from the national fiscus to:

- National public entities (for example the SA Rail Commuter Corporation and Eskom).

- Provincial government which, typically, passes these subsidies on to municipalities or private sector developers or service providers (including bus subsidies and housing subsidies).
- Local government, mostly for application to their own services but sometimes passed on to external service providers (particularly the Municipal Infrastructure Grant and equitable share allocation¹⁷).

Table 5-6 gives a summary of the more important funding flows, involving a transfer of greater than R2 billion over the medium term.

The extent of fragmentation is evident in the way subsidies are allocated, particularly in relation to public transport. Money for public transport infrastructure and public transport operators flows through four separate and different subsidy routes, involving all three spheres of government (see figure 5-4).

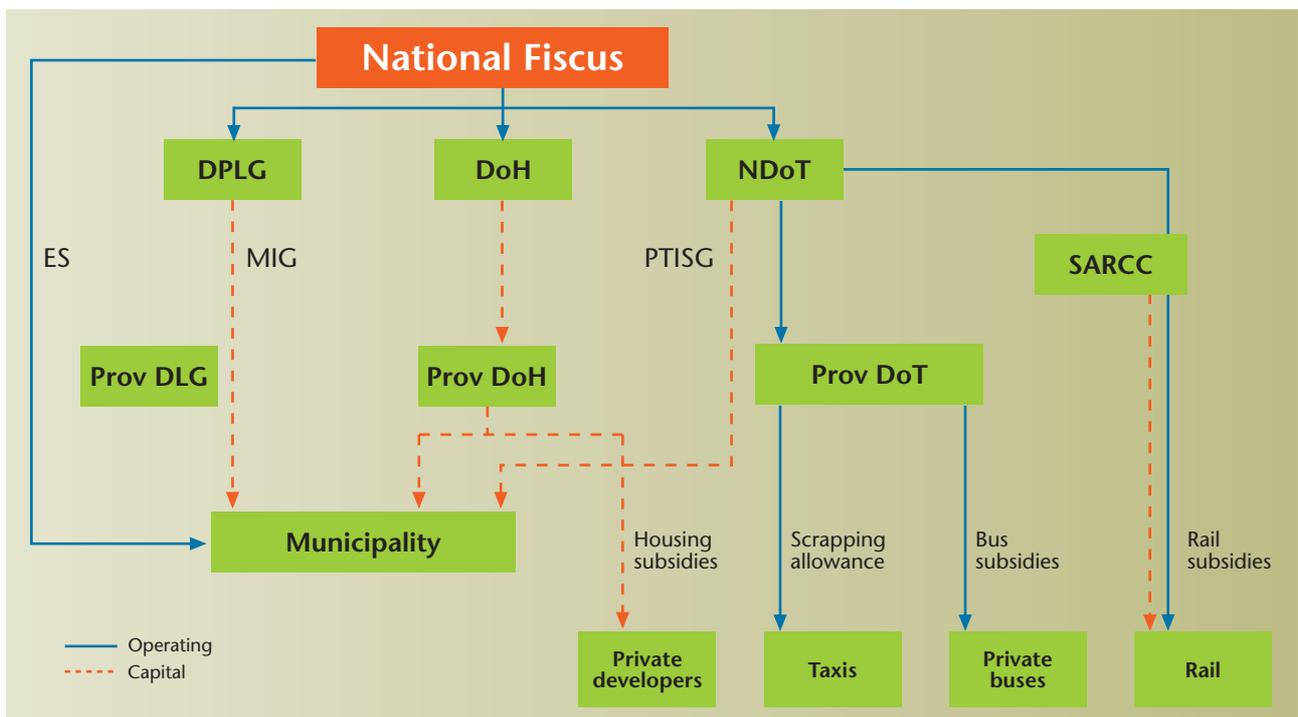
The need to re-allocate powers and functions

Since the adoption of the Constitution, which sets out the assignment of functions, experience has shown that there may

need to be some revision of where and how certain functions are assigned. In particular it is argued that the role of local government should be enhanced, as very often the local context is better suited than the provincial or national one to carry out certain roles¹⁸.

There is a clear argument that housing and public transport subsidy allocations, in particular, should be managed local government. Devolution of responsibility and funding for these functions will improve municipal control over *all* built environment functions and will ensure that public transport and housing can be delivered more effectively in urban areas. This will strengthen South African cities, giving them greater autonomy to deliver services efficiently and mobilise their own resources – within an enabling and supportive policy, legislative and fiscal framework.

Figure 5-4: Current subsidy flows



PEOPLE BUILDING THE CITY



LONG AND COSTLY COMMUTES COMPROMISE VUSI PHAILANE'S PRODUCTIVITY AS HE MOVES ACROSS EKURHULENI

In order to move up in the world, Vusi Phailane must first move sideways. With a bursary from one of South Africa's most illustrious architecture firms and only one year before he graduates as an architect, there is no doubt that Phailane is moving ahead. But every day he must travel – east to west and west to east – between his home in kwaThema, in the south-east of Ekurhuleni and his studies at the University of the Witwatersrand in central Johannesburg. The journey consumes about four hours of his every working day and costs about R800 a month – almost half his R2000 stipend from the architecture firm.

Vusi's day starts at 5:45 in the morning, when he leaves his mother's modest house in Tolashe Street. On a chilly autumn morning, the sun has yet to rise, and the streets are empty. He makes his way by foot to the nearest main road, a five-minute walk. Here he encounters other commuters. "People going to the taxi rank are waiting for an *isichebe* or an *amaphela* – a 'cockroach'", says Phailane, "but those of us who want to take the train must use an AmaVenture because the station is outside the township." 'Cockroaches', named for their darting motion and short hops, are ordinary sedan cars that ferry up to four passengers on local trips within kwaThema; AmaVentures, a type of Toyota, carry nine passengers and travel further afield.

Countless 'cockroaches' go by. After a ten-minute wait, an AmaVenture pulls up. Other than the driver's girlfriend who is sitting up front, there are only two other passengers. Kwaito music fills the silence as the Toyota Venture weaves its way looking for more passengers. The driver is in no hurry to reach the station. The more circuitous the route, the more likely he will pick up people on the way. But it is getting late for Phailane.

Eventually the driver concedes defeat and heads off to the station.

Phailane has missed not only the 6:00 am express, but also the 6:15 am local. The next train is at 6:40 am. Even if the train is on time, Phailane will be late for his first lecture at 8:15 am. Phailane takes the train because it is cheaper than a taxi, but it is a risk.

"The trains are not very reliable, sometimes there are breakdowns on the lines, or electricity failures, or strikes or the trains get cancelled. The train also takes longer." This is one of the many calculations that Phailane performs in the course of his long commute, weighing up cost, time and convenience.

By now the sun has started to rise, silhouetting the smokestacks and furnaces of the New Era industrial area against the sky. At 6:43 am the train screams into the station and small knots of passengers lining the platform rush towards the carriages at the back, where there is more chance of finding a seat. Inside the carriage an informal church service is in progress. Almost everyone has joined in the singing of hymns. The woman leading the service explains that her neighbour has died and passes around a small plastic bag to collect money for the family, to which most passengers contribute: Ubuntu in motion.

The train pulls into Brakpan station. A man selling cellphone-accessories gets on; so does another selling crisps and keys. There is no longer enough seating space and Phailane relinquishes his seat to an old lady. The sun is now up.

Another passenger gets up to preach. Women have deviated from their biblical role, he says, which is to "obey their husbands and look after the children, not to do work outside the house." The sermon is long enough for the train to pass through Apex, Range View, Dunswart, Boksburg, Angelo, Germiston, President, Driehoek, Geldenhuys and Cleveland, traversing rusting industrial areas, mining land, informal settlements, vacant buffer zones, declining business nodes, leafy white suburbs... "A prototypical cross-section



through your average South African city," according to Phailane, whose academic training and township childhood affords him a unique understanding of the South African system.

At Cleveland station, a woman feels compelled to refute the argument of her predecessor, quoting biblical precedent and waving a bible in the air for affect. She says she must work to support her children. As the train approaches Park Station, the last stop for most passengers, she leads the carriage in song, accompanied by two elderly women drumming on the walls of the carriage. Many passengers join her dancing in the aisle.

It is now 7:49 am. Phailane must decide whether it will be quicker to walk from the station to the university or catch a bus. He opts for a Joburg Metrobus, not one which is waiting just outside the station that costs R5,10, but another, three blocks away, that costs only R3,60. Even though he doesn't have to wait very long, he only reaches campus at 8:30 am. Vusi has been on the road for two and three quarter hours. He has spent R17,60, has only covered half the journey, and he is 15 minutes late.

IN ORDER TO MOVE UP IN THE WORLD, VUSI PHAILANE MUST FIRST MOVE SIDWAYS

At 3:00 pm, it is time for the ride home. Vusi prefers to take a taxi for the return journey. Even though it's more expensive it will get him home quicker so long as he can catch one before the evening rush. That means taking a short-cut through Park Station to the taxi-rank in Noord Street – a 25-minute walk. Within minutes, he catches a combi-taxi that will take him non-stop at a cost of R12,00 to the taxi rank in kwaThema.

Unfortunately Vusi happens to have chosen a taxi driver from hell. He is rude and abrasive, abusing an elderly passenger who taking too much time climbing into the combi, and he drives aggressively. He speeds, hoots at cars in his path and overtakes in the face of incoming traffic. All fifteen passengers stare grimly ahead while trying not to look at the road. No one talks. "There is a system," says Vusi. "The driver is in charge because the taxi is his home. He is the king of the taxi. You have to be obedient." The only social activity is a complex ritual in

which passengers pass money back and forth between themselves giving change until the driver is satisfied that everyone has paid.

After 45 minutes the nightmare drive ends and the taxi pulls into the kwaThema rank.

Vusi must now catch a 'cockroach' to drop him off near his home. When he finally walks through his front door it is 4:25 pm, about an hour and a half since leaving Wits.

Add together the morning and evening commutes and Vusi has spent more than four and half hours in transit, time that he would rather have spent studying. Vusi has been thinking of finding a room in Braamfontein, near the university. He has seen one, barely big enough to accommodate his bed and drawing board. But he is doing another one of those calculations, weighing up the cost of rent –



a whopping R1 500 per month – against transport costs of R800 and the inconvenience of losing four to five hours of productive working time each day.

He says he would really like to leave kwaThema for that reason. But he is also planning to do his final year thesis there: he wants to design a new taxi rank in the old town centre.

PEOPLE BUILDING THE CITY



DR TOMMA PROVIDES AFFORDABLE ACCOMMODATION IN JOHANNESBURG'S UPMARKET NORTHERN SUBURBS

Dr Giorgio Tomma, a businessman living in an upmarket suburb in the far north of Johannesburg, accommodates 500 people on his plot. Dr Tomma, a voluble Italian, realised that there was a desperate need for well located housing ten years ago when the manager at the Randpark Ridge Pick 'n Pay approached him for help. At that stage the manager and his wife slept in their car outside the shopping centre – even though they had their own house in Soweto. Their problem was that their house was too far away from their work. The manager could not afford the time and the money to drive into work each day – a distance of 35 km. He still intended to carry on sleeping in his car but wanted to park his car on Dr Tomma's property.

And so Dr Tomma decided to develop some housing on his small-holding, once an asparagus farm, but now in the midst of suburbia, surrounded by townhouses and shopping malls. He started out by adding some toilets to the existing "boys' rooms" behind his house and then rented out these rooms to tenants very much like the local Pick 'n Pay manager. Then housewives in the neighbourhood started approaching Dr Tomma to accommodate their domestic workers. Soon Dr Tomma realised he was on to a good thing and as time went by he added more and more rooms.

The rooms in Dr Tomma's residences are small, ranging from seven square metres to nine square metres and are intended to accommodate two people. Ablution facilities are communal, but people tend to cook in their own rooms. Five or six rooms are grouped together and cluster around a courtyard. Most courtyards have trees, washing lines and wash troughs, and in the evening when Dr Tomma's tenants return from work, they gather in the yards to chat. An intricate arrangement of passages link one courtyard to the next, and if you do not know your way around it is very easy to get lost. The picturesque organic layout arose out of an incremental building process whereby Dr Tomma added groups of rooms as the need arose, with existing

trees on the site helping to determine the location of the courtyards. At all times, the exterior walls of the outer rooms had no windows. In this way Dr Tomma's neighbours remained blissfully unaware that people were living behind what appeared to be a large garden wall. While this strategy may have effectively fooled the neighbours and enhanced the security of the tenants living inside, it has compromised cross ventilation in the rooms. This fact and the higgledy-piggledy layout are only some of the reasons that have made Dr Tomma's residence a building inspector's nightmare.

Conditions in Dr Tomma's residences are by no means ideal. Many of the rooms do not have adequate light. The floor level of some rooms is below the level of the ground outside which could allow the entry of rain water into the rooms – even though there is no evidence of this at present. Often too many tenants are forced to share ablutions. The electrical wiring is a tangled spaghetti-like mess. Fire is a constant risk – and there are no fire escapes. The rents at R240 per person per month are relatively high. Dr Tomma also has a number of house rules that are very harsh. He will not allow children who are old enough to walk to stay in his rooms. He says that they have a tendency to put their fingers in the electrical plug holes, and he does not want to be responsible for the consequences. Dr Tomma has also upset his neighbours who accuse him of lowering the value of their properties. The local council says that Dr Tomma's residences are illegal.



At the moment Dr Tomma is trying to legalise his residences. He has employed an engineer to submit drawings to the council, and has undertaken to provide some fire escapes. Even if he carries out these improvements he has no guarantees that the council or his neighbours will be any more tolerant. In the meantime, he continues – outside of the law – to provide well located, high density accommodation to people seeking out single room occupancy.

Notwithstanding the large demand for this type of accommodation – manifest from the long list of people waiting for a room in Dr Tomma’s residences – there are no legal mechanisms or policies that facilitate housing of this nature. Until policies for this type of accommodation are formulated, the fine line between slum-lording and filling a gap in the market will remain undefined. At present, Dr Tomma has no desire to have a slum in his own backyard, but other landlords, who live at some distance from their tenants might be less tractable.

NOTWITHSTANDING THE
LARGE DEMAND FOR ROOMS
THERE ARE NO POLICIES FOR
THIS KIND OF HOUSING



EMERGING CITY AGENDAS (continued)

Endnotes

- ¹ Office of the Presidency (2006) Draft Urban Development Framework for the 2nd Decade of Democracy in South Africa
- ² Alan Mabin, an urban thinker, writes that policy "has been developed by people with an extremely broad view of urban problems, and thus it fails to connect with the dynamics of social and economic life. The solutions and policy directions which have emerged fail to grapple with the circumstances of most people, and have a tendency to entrench problems of the city – providing no means of escape for informal tenants, throwing resources at densification whilst suburbanisation drives on, funding the continued location of 'displaced' communities and diverting limited public finance from the most efficient uses. Mabin, A. (2000) Urban Policy: Presences and Absences, background paper for Urban Policy Lekgotla hosted by SA Cities Network
- ³ Mabin has questioned whether integration of our cities (in social, racial, economic and cultural terms) is compatible with redistribution of power in the economy: "We proceed on the assumption that the many laudable goals of urban change are compatible with one another, but small and large examples suggest that in some cases they are not. Thus compactness, centre regeneration, integration of towns and townships may not be compatible with one another, let alone with the questions in the political economy – with real redistribution of economic power and simultaneous economic growth, not to mention eradication of urban poverty. Mabin op cit
- ⁴ National Treasury (2006) Estimates of National Expenditure
- ⁵ Lawless, A. (2005) Numbers and Needs, published by SAICE
- ⁶ Rust, K., Bertoldi, A. and Gardner D (2005) Opinion piece for the City of Johannesburg
- ⁷ Gardner, D. (2004) NURCHA – Rental Housing Market Review
- ⁸ Many of these points were raised at a special workshop on the implementation of the BNG strategy, co-hosted by the National Department of Housing and the SACN, June 2006.
- ⁹ Special workshop on the implementation of the BNG strategy
- ¹⁰ Asgi-SA op cit
- ¹¹ Known as Joint Services Board levies in KwaZulu-Natal
- ¹² The Blue Print Report was produced by the appointed consultant, PriceWaterhouseCoopers and concluded that the maximum number of financially viable and independent REDs feasible in South Africa is six. This total of six REDs was agreed upon and in 2003, the Electricity Distribution Industry (EDI) Holdings was established to conceptualise, implement and monitor these metro-based REDs, namely: Johannesburg, Tshwane (Pretoria), Ekurhuleni (East Rand), eThekweni (Durban), Nelson Mandela Metro (Port Elizabeth) and Cape Town.
- ¹³ In some cases, category B municipalities (secondary cities) may fall under a Metro RED.
- ¹⁴ The Government Communication and Information Service (GCIS) communiqué after a Cabinet meeting held on 14 September 2005 relayed Cabinet's decision to explore the possibility of a seventh national or local RED.
- ¹⁵ This summary is based on the report: 'Current distribution of powers and functions and impact of devolution to local government sphere with strategy for management of this process', by PDG, Feb 2006 with contributions from Philip van Ryneveld.
- ¹⁶ Urban planning and land administration also have a major impact on the functioning of built environment but these functions do not have major financial implications and are therefore not specifically discussed here.
- ¹⁷ For the purpose of this discussion the 'equitable share' allocations to local government are included in the 'subsidy' category even though the term 'subsidy' may not be strictly relevant to this flow of finance.
- ¹⁸ This summary is based on the report: 'Current distribution of powers and functions and impact of devolution to local government sphere with strategy for management of this process', by PDG, Feb 2006.

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The period 2000-2005 was a time of far-reaching change for South Africa's cities. Cities are generally much better off than in 2000, and a firm foundation has been established for improved performance over the next term. But this should not encourage complacency. Even though much has been achieved, old problems remain unsolved and new issues continually present themselves.

This chapter presents a ten-point programme for collective action by municipalities. Although this focuses narrowly on what the municipalities should do, it also recognises that cities are more than their local authorities – they are spaces shared by business, communities, residents and other spheres of government. Municipalities, however, play a critical role in determining the success – or failure – of cities.

The ten-point programme is not intended to be a prescriptive set of recommendations. South Africa's cities are too diverse to imagine that a single set of answers will suit all cities. Some challenges will loom large in particular cities, others will seem less important. But the ten-point plan presents a variety of strategic responses that each city can finesse and tailor to suit its own unique circumstances.

below the minimum living level. This suggests that strategic investment in cities can simultaneously achieve two important national objectives: growing South Africa's economy and developing some of South Africa's poorest residents.

But cities are not isolated islands. There are complex interrelationships between the different cities; between cities and towns; and between cities and rural hinterlands. Cities continue to attract migrants suggesting a web of social interactions between rural and urban areas throughout the country. There are also a range of economic relationships that operate at a regional scale. These consist of intricate networks of economic activity, together with large, multifaceted local labour markets. The flows of people, goods, services and capital pay little respect to municipal boundaries.

This suggests the need to move beyond collective action in nine cities, to look at how other municipalities, provincial governments, national

CITIES ARE MORE THAN THEIR LOCAL AUTHORITIES – THEY ARE SPACES SHARED BY BUSINESS, COMMUNITIES, RESIDENTS AND OTHER SPHERES OF GOVERNMENT

Challenge 1: Thinking in new ways about the urban space economy

This report reiterates the importance of cities. Cities are engines of economic growth and provide spaces for social interaction. In the modern world, urban areas are the keys to a country's success in the global marketplace.

Cities play an equally important role in the national context. In South Africa, 21 key urban regions, occupying only 2% of the land, produce almost 70% of national GVA – but also accommodate almost a quarter of South African residents living

departments and the private sector can develop a shared understanding of the role of South Africa's urban space economy – its cities and their hinterlands and emerging key urban areas. This will require a regional planning perspective that looks beyond the jurisdictional boundaries of individual municipalities: Urban decision-makers will need to start thinking about city regions.

The key challenge for developing these city-regions is to ensure effective, cooperative



decision-making among disparate groups to overcome wasteful competition between the cities and towns in the city-region system. This acknowledges that major development projects must be coordinated effectively for the benefit of the city-region as a whole through meaningful partnerships between all three spheres of government, business and civil society. The urban visions that have been crafted by municipalities so far still remain the exclusive property of local government. They are not owned by all city stakeholders. A future challenge for cities will be to ensure that all stakeholders direct their efforts to achieving a shared vision of urban progress.

To date, wasteful competition between cities and poorly coordinated planning between different spheres of government has inhibited the emergence of regional thinking and action. These issues will have to be addressed if the urban space economy is to become increasingly productive.

Challenge 2: Managing urban population dynamics

Over the last five years South Africa's urban population has increased faster than the national population. But the most recent statistics reveal that South African city populations are growing more slowly than expected. Despite relatively slow population growth, the number of households has continued to increase. This is because household size continues to decline, resulting in increasing demand for houses and services.

The relatively low population growth rates are not because migration has slowed, but because of changing patterns of fertility and mortality. Rising levels of HIV/Aids have also affected demographic patterns and also impose particular challenges for municipalities.

Although quantitative data exists to explain these shifts, the indicators are rudimentary, telling urban managers little about the precise breakdown of who is moving in and out of cities and why. This means that urban managers have little understanding of how they can best respond to the needs of their residents. Urban managers also need to know what contributions these new urban settlers can make in cities, what their aspirations are, if they want to stay or if they want to move on. At present many

new urban residents are unable to fully access the benefits of urban life, and urban governments remain unresponsive to their needs.

This suggests that cities need to respond in two ways to dynamic population shifts.

- Cities need to develop a more nuanced understanding of migration patterns. Cities need a clearer picture of who is moving and why, and an understanding of migrant's long-term plans. Cities can then target their responses more strategically, focusing for example on rental accommodation if new urban residents are only in cities for a short time, or on education if new urban residents have skills that are inappropriate for urban life.
- Cities will also need to target informal settlements, because these are areas where a majority of new urban residents are often accommodated on arrival. Informal settlements exclude residents from the urban system. Residents living in informal settlements often have no formal addresses, are located far from economic opportunities and lead precarious and impoverished lives. This prevents new urban residents from forming long-term attachments to cities and investing in them. Informal settlements are also heavily implicated in the HIV/Aids pandemic. But they the areas least able to offer urban residents with full-blown Aids the quality housing, clean water and readily-available energy that they need to mitigate the opportunistic infections associated with late stages of the disease. Concerted efforts by municipalities to improve conditions in informal settlements will assist in transforming urban migrants into urban citizens: residents who are more likely to commit to urban life, can lead healthy and productive urban lives, participate in urban activities and invest in urban spaces.

CONCLUSIONS *continued*

Challenge 3: Promoting economic growth while ensuring that economic benefits are more equitably distributed

Economic growth accelerated in the 2001-2004 period, driven particularly by the consumer and property booms. Manufacturing also continued to grow. Both exports and imports increased, placing additional demands on ports. On the positive side, growth has been associated with declining levels of unemployment and rises in rates of employment.

But employment growth has been slower than economic growth and absolute numbers of unemployed residents have not declined in all cities. Employment in the informal sector accounts for a large share of employment growth. Within the formal economy, employment growth in the skilled and highly skilled occupations has outstripped job creation for unskilled and semi-skilled workers.

Patterns of growth continue to produce high levels of inequality, although levels of income inequality have reduced slightly. There are indications of growing polarisation, with a declining proportion of households in the middle living standards.

Over the last five years SACN cities have played an active role in building economic development capacity, which was very limited before 2000, and have worked at devising economic development strategies. However, urban productivity strategies have focused on the return on public investment around municipal service provision. There has been little explicit consideration of how municipal choices impact on broader notions of urban productivity such as the costs of doing business and costs of living.

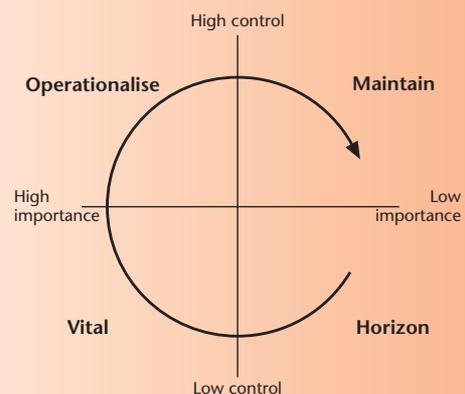
In an urban environment where up to a third of working-age people are unemployed there is an imperative for cities to understand the economic, and therefore urban productivity, ramifications for households of land-use planning, transportation and the provision of municipal services.

Cities have also tried to engage more intensively with 'second economy' support although this has generally been an area of weakness. The debate between pro-poor and pro-growth

The strategic issues flow

Strategic issues mapping is a useful tool for mapping important strategic issues and for understanding the flow of these issues over time. Figure A suggests that issues typically follow a path of initially coming on to the agenda as "horizon issues" when their importance is unclear and where there is low management control over them (in the sense that there is no coherent strategy for responding to the challenge). Some of these "horizon" issues then increase in importance and become the "vital" agenda – issues that are critically important but over which there is no control yet. Once a coherent response to the issue has been conceived and control over the issue has been achieved, the response needs to be operationalised. Once the response is operationalised, it becomes much less strategically important and becomes a matter for routine maintenance.

Figure A: Strategic issues mapping



Strategic management is focused on the high importance issues (the vital and operationalise quadrants). If an issue remains in the "vital" quadrant for a long time, it would point to a leadership failure in developing a coherent strategy. Similarly, an inability to successfully operationalise a response would point to implementation weaknesses or might indicate that the strategic response was incorrect.

strategies remains unresolved. In most SACN cities, there has been an acknowledgement that there is an overlap between first and second economy interventions.

The national Accelerated Shared Growth Initiative (Asgi-SA) places cities in a different national strategic perspective than before. As the most important concentration points of growth, cities will need to become key areas of focus of national and provincial attention. Many of the major constraints to growth in cities relate to national and provincial responsibilities and the solutions will tend to be intergovernmental in character. Unfortunately Asgi-SA does not provide much direction regarding what needs to happen at city level to generate competitiveness and shared growth. The approach to human and social capital development and the role of municipalities in promoting these also remains loose and unfocused.

But there is much that cities can do.

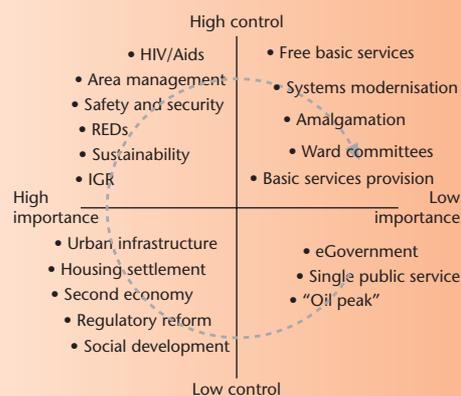
- Cities should not assume that economic development will occur by itself. Economic development needs to be nurtured. This means that cities will have to commit considerably more resources to local and regional economic development and build the capacity of economic development units within municipalities. In this way, cities can start matching their strategic objectives of growing the economy with well-resourced economic development programmes. Cities can then function as key entry points for localising national growth policies.
- Cities can reduce the cost of doing business by streamlining business applications and ensuring that municipal tax and service charges are affordable. At the same time cities must work at reducing the cost of living while simultaneously improving residents' quality of life.
- Cities can enhance the skills base of the local labour force, in partnership with national and provincial government. This increases factor productivity as well as having strong distributional benefits in urban societies.
- Cities should reevaluate land-use legislation to identify restrictive conditions, particularly those inhibiting less formal economic activities.
- Cities can work proactively with informal entrepreneurs to enhance their businesses and help them become more competitive.

The strategic issues flow continued

► Figure B is a rough status assessment of a range of the different priority issues that have emerged through the period 2000-2006 as reflected in this report. It implies that many important priority issues of the last period have been effectively addressed and are now routine maintenance issues. It points to many areas where an approach has been developed and where cities are grappling with operationalising this. It suggests that there is still a number of crucial challenges where adequate policy frameworks have not yet been developed, such as urban infrastructure, particularly transport. On the horizon are far-reaching emerging issues such as the creation of a single public service also incorporating local government staff and the consequences of "oil peak".

Note that this list is indicative and does not seek to be comprehensive.

Figure B: Strategic issues map for South African cities 2006



Source:
Based on model developed by Human and Zaaiman (1995)

Source:
Based on model developed by Human and Zaaiman (1995)

- Cities must look at creative mechanisms to enhance their business platforms by providing good transport infrastructure to move both people and goods, high quality spaces in

CONCLUSIONS *continued*

which to conduct business, reliable urban services and good telecommunications access.

- Given that many of these functions fall outside of municipal mandates, cities will have to improve communication with other spheres of government, parastatals and the private sector.

Challenge 4: Enhancing urban transport

Public transport use has increased in South African cities – as a share and in absolute terms. But there are different trends for the different modes. The use of rail has remained proportionately the same, but with variations across cities, bus use has declined and use of taxis has increased. This suggests a shift from buses to taxis, with taxis increasingly dominant as a form of public transport.

Transport infrastructure designed to serve apartheid spatial form, combined with low levels of investment in roads and public transport has undermined the efficiency of South African cities and had a devastating impact on the urban poor. Bad transport increases the cost of doing business and the cost of living.

Many city strategy documents and business plans recognise that effective transport investments can contribute to spatial transformation, greater urban productivity and have positive sustainability impacts. However, despite some common threads, responses to the strategic transport challenges remain uneven. Ineffective systems operating on poor infrastructure platforms mean that the cities cannot offer a productive environment for firms – or provide points of access to the urban poor where they might find income generating prospects.

The ongoing disjuncture between housing and work places huge pressure on the urban transport system. This exacerbates urban poverty and involves the poorest urban residents in long and costly commutes, often using unsubsidised forms of public transport. It also involves significant costs for municipalities who are obliged to subsidise bus transport which attracts fewer and fewer passengers, and maintain extensive road networks for the increasing number of private cars.

Freight transportation is also an acknowledged weakness in cities.

But the fragmented distribution of the housing and transportation functions across all three spheres of government has prevented cities from planning strategically and allocating subsidies appropriately.

On the positive side, the 2010 Soccer World Cup has accelerated city transportation planning in the prospective host cities. This event offers cities a unique opportunity to radically transform and significantly upgrade public transport infrastructure. But cities will have to work hard to make sure that the exceptional investments to meet World Cup commitments will serve the city long after the event itself.

There are a number of ways in which cities can tackle the transport challenge:

- Metropolitan municipalities can continue to lobby for metropolitan transport authorities. These authorities have the potential to ensure greater measures of coordination over urban transportation.
- In the face of a fragmented transportation sector, cities should engage regularly with provincial and national transport entities – including the Transnet parastatals – to promote better coordination of transport infrastructure.
- Cities need to seriously reevaluate their operational spend on road maintenance so that existing irreplaceable assets do not deteriorate any further.
- Cities need to upgrade existing freight transportation infrastructure.
- Those cities hosting the Soccer World Cup will need to plan carefully so that new transportation infrastructure developed for 2010 continues to serve these cities in the long-term.





Challenge 5: Overcoming the sustainability constraints of apartheid urban form

Over the past decade, housing and service delivery interventions for the poor have continued to perpetuate apartheid urban form. This has resulted in the creation of large dormitory settlements of low-cost mass housing on the urban periphery where the price of land is cheap. These areas are typically far from economic opportunity and have limited and expensive transport access. They also tend to reinforce the segregation of the city along racial and income lines. This is likely to trap people in poverty and impose long-term social costs.

Strategic spatial planning has been seen both as a tool to transform apartheid-based spatial relations and to make cities more environmentally sustainable. As a result municipalities have prioritised notions of spatial efficiency and spatial equity. Cities have also placed an emphasis on densification and compaction. This is intended to counteract sprawl and avoid its sustainability pitfalls.

In an attempt to address the ongoing challenge of apartheid urban form, municipalities are placing an increasing emphasis on “integrated human settlement” in the approach to housing the poor. These efforts are focused on facilitating denser, better-located, mixed-income, environmentally sustainable government-assisted housing in line with the Breaking New Ground strategy. But there is still considerable work to be done in developing the policy, regulatory and financial instruments required for this approach to be implemented at a meaningful scale.

It is generally acknowledged that the policy instruments and the financial frameworks required for a coherent and implementable approach to integrated human settlements remain undeveloped and require concerted inter-governmental attention. This will include the processes for making public and other land available for purposes of settlement, adjustments to land-use and development regulations, better financial instruments, and other mechanisms for facilitating private sector engagement.

The perpetuation of apartheid spatial form is a serious outstanding issue for cities, and the challenge articulated in

1994 continues to loom large. But cities can do much to address the spatial challenges of ongoing segregation, fragmentation and sprawl:

- Cities can ensure that broad spatial development frameworks are translated into practical local level plans.
- Cities will need to actively seek out well-located land parcels to accommodate new housing settlements. These should be close to economic opportunities and urban amenities and should be well connected to the urban system by means of efficient and affordable public transport.
- Cities should redirect public and private investment to those processes that enhance urban productivity such as densification and regeneration.
- Cities must use new strategies aligned with BNG principles as a catalyst for rethinking housing delivery.
- Cities must share innovative thinking about housing practice. The focus on backyard rental, small landlords and new housing typologies being pioneered in some of the cities can be widely disseminated.
- Cities will need to critically examine land-use management, zoning schemes and local by-laws to ensure that they do not contradict the spatial objectives of densification and integration.

Challenge 6: Delivering urban services to promote productivity, inclusivity and sustainability

Data for the 2000-2005 period has revealed that access to services and housing has generally improved, although there are variations between cities for individual services. Residents are also relatively satisfied with service delivery in cities.

But there has been a significant lack of investment in core urban infrastructure over the past twenty

CONCLUSIONS *continued*

years, which now represents a major obstacle to productivity and inclusivity. The most obvious and critical area of neglect has been in transport infrastructure. Other gaps include the underinvestment in the capacity and maintenance of energy and water supply and reticulation infrastructure. The urban service sector is also compromised by the lack of reliable and cheap ICT access including broadband. These urban infrastructure investments also need to address the growing sustainability challenges of cities and need to help reduce the ecological footprint of cities.

On the positive side, South Africa's cities have established a sound and tested framework for delivering municipal infrastructure services. Cities have adopted an approach of providing an equitable package of basic services to all residents including a defined quantum of free services to the poor. Fortunately financial support for the free basic services via municipal infrastructure grants and equitable share grants has limited the subsidy burden on the municipal fiscus.

The infrastructure focused services have also established ways of working more effectively with poor communities using in-situ upgrade and labour-intensive construction and maintenance in line with Expanded Public Works Programme principles. The use of business improvement districts and other area-based partnerships to provide top-up services in commercial and industrial areas and other areas of strategic importance is also now a well established means for providing enhanced urban services where required.

There are a number of ways that cities can transform urban service delivery:

- Cities will need to investigate mechanisms to extend roll-out of basic services to all urban residents – including households have not yet been able to benefit from this package. This includes households in informal settlements, inner city-flat blocks and backyard rooms.
- Cities should consider alternative service delivery approaches including alternative public transport options, small-scale sewage treatment plants; renewable energy sources; and water-efficient appliances. These measures can help to make urban services more affordable as well as reduce the environmental impact of cities.

- Cities will need to seriously reevaluate maintenance spend on existing infrastructure in order to preserve valuable urban assets and prevent excessive expenditure in the future.

Challenge 7: Taking sustainability seriously

The data for the last five years indicates that there is some progress towards sustainability, but the overall trend is that cities are becoming less and less sustainable. Improving levels of service and housing provision increases sustainability, but the large numbers of households still without water and adequate sanitation, the poor quality of housing and rising house prices are negative sustainability trends. Townhouse development has continued as a growing trend. Paradoxically this form of densification contributes to sprawl and to social polarisation.

In the last five years, municipalities have been increasingly involved in environmental management and sustainability planning. The idea of a sustainable city has shaped policy in the areas of service delivery, such as water, waste management and electricity provision. There have also been some improvements in the resource efficiency of cities, largely driven by financial concerns.

The translation of sustainability strategies into practice has, however, been variable. The challenges of increasing resource scarcity and the long-term threats of climate change will hopefully mobilise cities into mainstreaming sustainability issues.

In order to raise the profile of sustainability issues, cities will need to:

- Improve the information base upon which cities make decisions by regularly updating a common set of performance targets and indicators.

- Prioritise and take ownership of the many innovative sustainability programmes in cities currently being driven by outside funding agencies, to make them central municipal concerns.
- Investigate alternative service delivery approaches that use appropriate technologies at scale.
- Develop approaches to working with other national and provincial bodies that are also involved in environmental regulation.

Challenge 8: Building urban citizenship

The dynamic nature of cities, with their diverse populations, means that they are potentially centres of vibrancy, innovation and cross-cultural celebration. Many cities demonstrate these qualities. However, cities are also areas of deep inequality, segregation, and exclusion. As a result large numbers of urban residents remain marginalised from city life and separate from each other. This is compounded by ongoing migrancy, xenophobia, increasing insecurity in the face of rising crime, poor location, inadequate transport, low levels of skill and alienation from the political processes of the city, illustrated by relatively low levels of voter turn-out.

All cities have put an emphasis on the social development aspects of inclusion and poverty reduction efforts. There is an explicit recognition in all the IDPs that the development of social and human capital is a crucial part of the development process.

But this remains an area of conceptual weakness and most cities lack any integrated strategy for building social and human capital. City programmes have generally focused on symptoms and relief but have no clear strategies or sustained programmes.

Overall, the infrastructure service emphasis has predominated over the 'softer' social services. Part of the reason for neglecting human capital issues has been the relatively unclear definition of local government's role regarding social development. Social functions such as education, welfare, policing are either provincial or national functions. Other social functions represent shared mandates with major problems related to unfunded mandates and poor intergovernmental coordination. Health, libraries and support for arts and culture are the most notable examples.

Cities have made some efforts to address ongoing exclusion through the EPWP, concerted efforts at tackling crime, some innovative HIV/Aids programmes, by using events to foster a common urban culture – or celebrate urban diversity. There has been less success in enhancing urban residents' skills or utilising ward committees as important meeting grounds for residents and their political representatives.

Building urban citizenship is likely to be a long-term process: it will take more than a generation for South African residents to slough off identities imposed by apartheid. There are signs that today's urban youth are already carving out a new urban culture that is more inclusive.

However, there is much that cities can do.

Areas of development for municipalities include:

- A stronger focus on building cohesive self-reliant communities with an emphasis on vulnerable groupings, youth and women.
- Developing a more decentralised and complex organisation with new capabilities, including a broader language capability and greater staff diversity, able to respond to complex social issues.
- Establishing the necessary partnerships to coordinate social services like health, education and welfare. Although these services fall outside the mandate of local government they are central to building urban citizenship. Municipalities will need to proactively devise partnerships with other spheres of government to ensure that appropriate social services can be used to build social capital in cities.
- Transforming negative attitudes about urban newcomers by focusing on their contributions to the city.
- Celebrating the diverse range of cultures that exist in cities, but at the same time investing in the places that all urban residents share – parks, public squares and transport interchanges.

CONCLUSIONS *continued*



- Strengthening citizen participation in all urban activities from planning to ward committees to urban events and festivals.
- Fostering pride in the city that transcends parochial loyalties to particular neighbourhoods.
- Improving the skills of urban residents to give them greater leverage in the job market. This can only be achieved by pursuing partnerships with provincial education departments, private colleges and tertiary educational institutions.

Challenge 9: Streamlining urban governance

Analysis of governance indicators suggests that there are problems in the governance environment of several cities, while others are performing well. Some municipalities have been able to spend close to their budget, but underspending is a serious problem in others. The high number of qualified audits or disclaimers, and the number of city managers suspended over the last six years are worrying. The 'acid test ratio' – a measure of financial prudence – suggests that only a few municipalities are close to the desired situation. Voter turnout in 2006 was less than 50% in most cities. Surveys of residents' perceptions of government suggest significant differences in levels of confidence in government between cities, and illustrate great variations within cities, depending on the specific indicators being considered.

On the positive side, South Africa's city municipalities have successfully reorganised as powerful single tier city-scale municipalities with capacity to manage dynamic and complex conurbations in a competitive and globalised world. This will support the urban restructuring required to overcome the apartheid legacy and help to position cities in an era of increasing global competition.

It can be argued that the intentions of the Municipal Structures Act to create strong metropolitan authorities has been vindicated. This is supported by the emergence of some high-profile executive mayors who have provided a focal point for leadership. There are now stronger corporate planning and management units and effective city-scale service delivery entities in all cities. All the SACN cities have or are currently working on developing long-term development strategies for their city, typically with a strong spatial element.

The further restructuring of specific sectors such as the anticipated transformation of the electricity distribution industry into REDs and the establishment of transport authorities will now occur within the context of city government with an enhanced ability to oversee municipal entities.

The restructuring of South Africa's cities has been accompanied by major efforts to modernise the management and operations of the new municipalities including annual updating of strategic plans through the IDPs; the introduction of comprehensive performance management systems linking strategy, organisational performance and individual appraisal; the upgrading of financial management systems including the introduction of improved control mechanisms as part of implementing the MFMA and the new accounting practice; upgrading of ICT systems; the introduction of communication and marketing technologies; and improvements in the interface with individual citizens and customers. Most cities either have already established or are in the process of establishing call centre and/or customer service centres capable of addressing a range of typical municipal service needs at the point of first contact.

There is acknowledgement within the cities that these initiatives have required a major investment of money and management resources and that it often takes longer than planned for new approaches to be embraced. However, there is anecdotal evidence that this investment is starting to pay off with noticeable improvements in municipal performance.

But a number of problems have begun to emerge:

- There is an acknowledgement that the national skills deficit is also reflected with the city administrations.
- Some of the current reporting and procedural requirements imposed on cities by the MFMA



and the Systems Act are unduly restrictive and impede city government's ability to ensure efficient delivery and to engage in effective partnerships. Asgi-SA also acknowledges that the inefficiencies of government processes and the cumbersome regulatory environment are obstacles to growth.

- Some essential urban functions, like transport and housing, remain largely outside of the control of cities. If cities are to fulfil their mandate of controlling the built environment functions, the urban governance agenda will need to be rethought.
- Functional silos remain the predominant service delivery drivers and much of the 'developmental local government' ethos needs to be mainstreamed in these service entities, not only isolated within specialist units. It is acknowledged that much municipal culture and practice is too bureaucratic and internally focused to support effective engagement with communities.

In order to streamline urban governance, cities should:

- Define the respective roles of executive councillors and non-executive councillors.
- Ensure stable relationships between political leadership and top management based on mutual accountability and understanding of roles.
- Balance the strong metropolitan management orientation that has emerged with an ability to respond dynamically to the requirements of local areas and neighbourhoods. This means that urban managers will require both a high-level understanding of how their cities operate as well as detailed knowledge of local conditions.
- Improve intergovernmental planning and action. This is particularly important given the fragmentation of functions in social services, transport, and housing – all essential to the effective operation of cities.
- Ensure that the policy development process becomes more cooperative and makes more use of well constructed policy development pilot projects in order to properly test new approaches before prescribing them in law.
- Upgrade staff skills at all levels.
- Devise incentive systems to support a more developmental agenda.
- Transform the overly bureaucratic approach to performance management in order to emphasise substance rather than narrow compliance

Challenge 10: Mainstreaming innovation

There are many innovative programmes and projects that address the development and service challenges of the cities. Areas of innovation include HIV/Aids treatment, social housing, urban renewal, inner city regeneration, carbon credit schemes, solar energy pilots, broadband provision via electricity infrastructure. Many of these projects have not yet been mainstreamed and some may not even be effective. But they provide a rich set of experiences rooted in practice.

This innovation is being supported by a greater emphasis on knowledge management and the sharing of good practice. A number of cities have established dedicated knowledge management sections. The SACN itself represents a partnership project to generate and share knowledge about urban management practice.

However, there is a general lack of evidence-based policy research and evaluation of the medium and long impacts of key development interventions. This also points to a lack of reliable and regularly updated data that could be used to inform urban decision-makers about city performance. Official population and economic statistics at a municipal level are not updated regularly enough for cities to track changing demographic patterns. There is also an absence of statistics to measure city-scale economic growth, municipal governance and urban sustainability.

Cities are well placed to build on innovations that they have pioneered by:

- Sharing experiences with other cities – about both successes and failures.
- Consolidating and improving their data collection capacity.
- Incentivising innovation and rewarding innovation when it succeeds.

CONCLUSIONS *continued*

- Investigating how successful small projects can be scaled up and rolled out across the city.

This is a long list of challenges, and an even longer list of actions. But cities have shown themselves in the last five years to be capable of tackling significant change. This should help equip them for the road ahead.

GLOSSARY

Acса	Airports Company of South Africa	GEAR	Growth, Employment and Redistribution strategy
AMPS	All Media Products Survey	GCR	Global City-region
Asgi-SA	Accelerated and Shared Growth Initiative for South Africa	GDP	Gross Domestic Product
AU	African Union	GGP	Gross Geographic Product
BBBEE	Broad-based Black Economic Empowerment	GHS	General Household Survey
BMR	Bureau of Market Research	GIS	Geographic Information Systems
BNG	Breaking New Ground Strategy – the Ministry of Housing’s Comprehensive Plan for the Development of Sustainable Human Settlements	GVA	Geographic Value Added
CCTV	Closed Circuit Television	HDI	Human Development Index
CDM	Clean Development Mechanism	HIV and Aids	Human Immuno-deficiency Virus and Acquired Immune Deficiency Syndrome
CETA	Construction Education and Training Authority	HR	Human Resources
CID	City Improvement District	HSRC	Human Sciences Research Council
CRM	Customer Relations Management	ICC	International Convention Centre
CSIR	Centre for Scientific and Industrial Research	ICT	Information and Communication Technology
Danida	Danish International Development Assistance	IDP	Integrated Development Plan
DEAT	Department of Environmental Affairs and Tourism	IDZ	Industrial Development Zone
DBSA	Development Bank of Southern Africa	IGRFA	Intergovernmental Relations Framework Act
DM	District Municipality	ITP	Integrated Transport Plan
DME	Department of Minerals and Energy	JSB	Joint Services Board
DPE	Department of Public Enterprises	LED	Local Economic Development
DPLG	Department of Provincial and Local Government	LFS	Labour Force Survey
DTI	Department of Trade and Industry	LM	Local Municipality
EDI	Electricity Distribution Industry [Holdings]	LSM	Living Standard Measure
EIA	Environmental Impact Assessment	Mayco	Mayoral Committee
EPWP	Expanded Public Works Programme	MDGs	Millennium Development Goals
ESPON	European Spatial Planning Observation Network	MEC	Member of the Executive Council
EU	European Union	MFMA	Municipal Finance Management Act
FUA	Functional Urban Area	MIG	Municipal Infrastructure Grant
GAMAP	Generally Accepted Municipal Accounting Practice	MIIF	Municipal Infrastructure Investment Framework
GAWC	Globalisation and World Cities Study Group		

GLOSSARY OF TERMS *continued*

MLL	Minimum Living Level	SDBIP	Service Delivery Budget Implementation Plan
MM	Metropolitan Municipality	SDF	Strategic Development Framework
MPD	Metropolitan Police Department	Seta	Sector Education and Training Authority
MStructuresA	Municipal Structures Act	Sida	Swedish International Development Assistance
MSystemsA	Municipal Systems Act	SMME	Small, Medium and Micro Enterprise
MTA	Metropolitan Transport Authority	SOE	State-owned Enterprise
MTEF	Medium Term Expenditure Framework	SOER	State of the Environment Report
MTSF	Medium Term Strategic Framework	SOCR	State of the Cities Report
NDPG	Neighbourhood Development Partnership Grant	StatsSA	Statistics South Africa
NGO	Non-governmental Organisation	UDF	Urban Development Framework
NHTS	National Household Travel Survey	UDZ	Urban Development Zone
NLTTA	National Land Transport Transition Act	UNDP	United Nations Development Programme
NPA	National Ports Authority	UN-Habitat	United Nations Human Settlements Programme
NSDP	National Spatial Development Perspective	USAID	United States Agency for International Development
NSSD	National Strategy for Sustainable Development	VAT	Value-added Tax
PFMA	Public Finance Management Act	VIP	Ventilated Improved Pit [Latrine]
PHP	Peoples' Housing Process (self-build housing delivery process)	WSSD	World Summit on Sustainable Development, Johannesburg 2002
PIG	Provincial Infrastructure Grant	WTO	World Trade Organisation
PPP	Public-Private Partnership		
RDP	Reconstruction and Development Programme		
RED	Regional Electricity Distributor		
RSC	Regional Services Council		
SAA	South African Airways		
SAARF	South African Advertising Research Foundation		
SACN	South African Cities Network		
SADC	Southern African Development Community		
Salga	South African Local Government Association		
SAMWU	South African Municipal Workers' Union		
SAPS	South African Police Service		
SARCC	South African Rail Commuter Corporation		
SARS	South African Revenue Service		
SASAS	South African Social Attitudes Survey		



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