

# INTEGRATED URBAN DEVELOPMENT FRAMEWORK

A NEW DEAL FOR SOUTH AFRICAN CITIES AND TOWNS



**Cooperative Governance**

Department:  
Cooperative Governance and Traditional Affairs  
REPUBLIC OF SOUTH AFRICA

# INTEGRATED URBAN DEVELOPMENT FRAMEWORK

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# FOREWORD

The 21st century is the urban century. More than half of the world's population lives in cities, and it is projected that 70% will be living in urban areas by 2050. South Africa is no exception. More than 60% of South Africans live in urban areas, and this figure is projected to increase to 71.3% and 80% by 2030 and 2050 respectively. It is, therefore, important that we put in place mechanisms to respond to this urbanisation trend in a way that helps us to reap the benefits of urbanisation, while minimising the impacts of badly managed urbanisation.



The Integrated Urban Development Framework (IUDF) is a response to our urbanisation trends and the directive by the National Development Plan (NDP) to develop an urban development policy that will cater for the increasing numbers by ensuring proper planning and necessary infrastructure to support this growth. We acknowledge that attaining the urban vision outlined in the NDP requires integrated and coordinated interventions to deal with social exclusion, environmental threats, economic inefficiencies, logistical bottlenecks, urban insecurity, decaying infrastructure and the impacts of new technologies. Through this policy framework, we aim to create a shared understanding across government and society about how best to manage urbanisation in order to create resilient and inclusive cities and towns.

The IUDF marks a New Deal for South African cities and towns. It sets a policy framework to guide the development of inclusive, resilient and liveable urban settlements, while addressing the unique conditions and challenges facing South Africa's cities and towns. It advocates the effective management of urbanisation so that the increasing concentration of an economically active population translates into higher levels of economic activity, greater productivity and higher rates of growth, thereby transforming our South African cities into engines of growth.

The key outcome of the IUDF is spatial transformation. The identified policy levers and priorities are crucial for maximising the potential of urban areas, by integrating and aligning investments in a way that improves the urban form. Our intention is to retrofit existing city footprints to produce compact, coordinated and connected cities, using transit-oriented and other urban planning strategies to yield desirable social, economic and environmental outcomes, as envisioned in the NDP. This should be done in a way that strengthens rural-urban linkages and promotes urban resilience and urban safety. We therefore call upon all sectors, spheres of government and civil society at large to use the IUDF as a guide to achieve a unified and innovative response to the building of inclusive, resilient, safe and liveable urban settlements.

A handwritten signature in blue ink, appearing to read 'D Van Rooyen'.

D VAN ROOYEN, MP

*Minister of Cooperative Governance and Traditional Affairs*

# PREFACE

In his 2013 State of the Nation Address, President Jacob Zuma highlighted the need for an urban strategy to respond to the rapid urbanisation currently taking place in South African cities and towns. The Department of Cooperative Governance, working with various partners, has developed the Integrated Urban Development Framework (IUDF) to respond to this call.



The IUDF is a policy framework on how the South African urban system can be reorganised, so that our cities and towns become more inclusive, resource efficient and good places to live, work, shop and play in, as per the vision outlined in the National Development Plan.

Due to our history of racial segregation and separate development, our country needs to address an inefficient structure of urban and metropolitan areas, characterised by fragmented residential settlement patterns, underdeveloped business areas in townships and long travel times between home and work. Confronted with these realities, the overall outcome of the IUDF is spatial transformation. The objective is to ensure spatial integration, improve access to services and promote social and economic inclusion.

We also acknowledge that there are no quick fixes for spatial transformation. This process requires careful consideration of how to collaboratively plan and coordinate investments and delivery among different government spheres and departments, the private sector and civil society in order to unlock developmental synergy.

The identified policy levers and priorities are aimed at guiding us towards this outcome. This, however, requires a new discipline of engagements, collaboration and trade-offs informed by a shared vision of our urban spaces. Achieving such a discipline would enable us to redress fundamentally the spatial imbalances that continue to frustrate our transformation agenda. We are hopeful that, guided by the principles outlined in the IUDF, we will register significant progress towards creating the towns and cities we want by 2030.

A handwritten signature in black ink, appearing to read 'A Nel'.

A NEL, MP

*Deputy Minister of Cooperative Governance and Traditional Affairs*

# ABBREVIATIONS

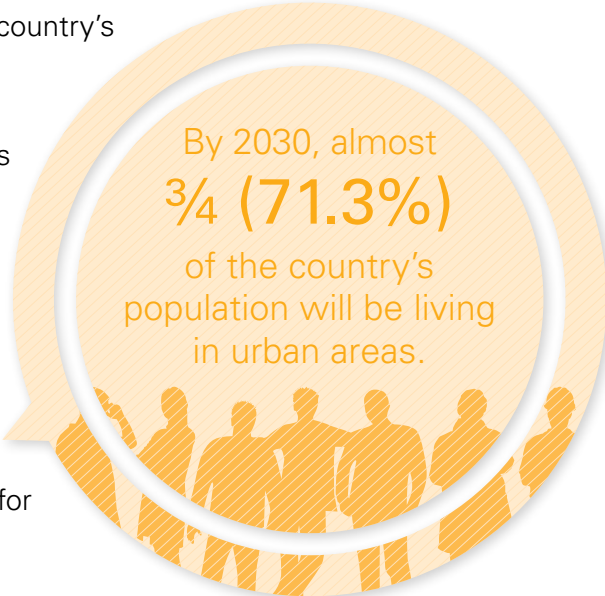
<b>BAU</b>	Business as Usual	<b>NDP</b>	National Development Plan
<b>BEPP</b>	Built Environment Performance Plans	<b>NGO</b>	Non-governmental Organisation
<b>BNG</b>	Breaking New Ground	<b>NGP</b>	New Growth Path
<b>BRT</b>	Bus Rapid Transit	<b>NLTA</b>	National Land Transport Act
<b>CSIR</b>	Council for Scientific and Industrial Research	<b>NMT</b>	Non-motorised Transport
<b>CSP</b>	City Support Programme	<b>NPC</b>	National Planning Commission
<b>DBSA</b>	Development Bank of Southern Africa	<b>NPRP</b>	National Passenger Rail Plan
<b>DFI</b>	Development Finance Institutions	<b>NUSP</b>	National Upgrading Support Programme
<b>DHS</b>	Department of Human Settlements	<b>PICC</b>	Presidential Infrastructure Coordination Committee
<b>DoT</b>	Department of Transport	<b>PRASA</b>	Passenger Rail Agency of South Africa
<b>FFC</b>	Financial and Fiscal Commission	<b>PTNG</b>	Public Transport Network Grant
<b>GVA</b>	Gross Value Added	<b>PTOG</b>	Public Transport Operations Grant
<b>HDA</b>	Housing Development Agency	<b>SACN</b>	South African Cities Network
<b>HSDG</b>	Human Settlements Development Grant	<b>SALGA</b>	South African Local Government Association
<b>ICT</b>	Information and Communication Technologies	<b>SDF</b>	Spatial Development Framework
<b>IDP</b>	Integrated Development Plan	<b>SDGs</b>	Sustainable Development Goals
<b>IGR</b>	Intergovernmental Relations	<b>SIP</b>	Strategic Infrastructure Programme
<b>IGRF</b>	Intergovernmental Relations Framework	<b>SITA</b>	State Information Technology Agency
<b>ITP</b>	Integrated Transport Plan	<b>SPLUMA</b>	Spatial Planning and Land-use Management Act
<b>IPTN</b>	Integrated Public Transport Networks	<b>SOE</b>	State-owned Entity
<b>IUDF</b>	Integrated Urban Development Framework	<b>StepSA</b>	Spatial and Temporal Evidence Platform for South Africa
<b>MEC</b>	Member of the Executive Council	<b>TOD</b>	Transit-oriented Development
<b>MinMecs</b>	Ministers' and MECs' Forum	<b>UN</b>	United Nations
<b>MTSF</b>	Medium Term Strategic Framework	<b>USDG</b>	Urban Settlements Development Grant



# EXECUTIVE SUMMARY

In 2009, the number of people living in urban areas surpassed the number living in rural areas, announcing the 21st century as the urban century. The world's attention is on the pivotal role of cities and identifying alternative pathways for urban development that address poverty reduction and sustainable development. South Africa is firmly in this debate: by 2030, almost three-quarters (71.3%) of the country's population will be living in urban areas.

The Integrated Urban Development Framework (IUDF) is government's policy position to guide the future growth and management of urban areas. In the economic history of humanity, urbanisation has always been an accelerator of growth and development, bringing about enormous changes in the spatial distribution of people and resources, and in the use and consumption of land. Supporting policies and frameworks are therefore needed that can leverage the urbanisation process for increased development gains and sustainability.



By 2030, almost  
**3/4 (71.3%)**  
of the country's  
population will be living  
in urban areas.

The IUDF responds to the post-2015 Sustainable Development Goals (SDGs), in particular to Goal 11: Making cities and human settlements inclusive, safe, resilient and sustainable. It also builds on various chapters of the National Development Plan (NDP) and extends Chapter 8 'Transforming human settlements and the national space economy' and its vision for urban South Africa:

By 2030 South Africa should observe meaningful and measurable progress in reviving rural areas and in creating more functionally integrated, balanced and vibrant urban settlements.

For this to happen the country must:

- Clarify and relentlessly pursue a national vision for spatial development;
- Sharpen the instruments for achieving this vision; and
- Build the required capabilities in the state and among citizens.<sup>1</sup>

The IUDF's overall outcome – spatial transformation – marks a New Deal for South African cities and towns, by steering urban growth towards a sustainable **growth model of compact, connected and coordinated cities and towns**. Informed by this outcome and the NDP's

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1. NPC (National Planning Commission). 2012. *National Development Plan 2030: Our future – make it work*. Pretoria: NPC, the Presidency, p. 260.



vision for urban South Africa, the IUDF aims to guide the development of inclusive, resilient and liveable urban settlements, while directly addressing the unique conditions and challenges facing South Africa's cities and towns. Importantly, this vision for South Africa's urban areas recognises that the country has different types of cities and towns, each with different roles and requirements. As such, the vision has to be interpreted and pursued in differentiated and locally relevant ways. To achieve this transformative vision, four overall strategic goals are introduced:

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

These strategic goals inform the priority objectives of the nine policy levers, which are premised on the understanding that (1) integrated urban planning forms the basis for achieving integrated urban development, which follows a specific sequence of urban policy actions: (2) integrated transport that informs (3) targeted investments into integrated human settlements, underpinned by (4) integrated infrastructure network systems and (5) efficient land governance, which all together can trigger (6) economic diversification and inclusion, and (7) empowered communities; all of the above will demand effective (8) governance and (9) financial reform to enable and sustain these policy actions. The levers thus seek to address in combination the structural drivers that maintain the status quo.

### Policy lever 1: Integrated urban planning and management

Integrated urban planning is essential for coherent development. It stimulates a more rational organisation and use of urban spaces, guides investments and encourages prudent use of land and natural resources to build sustainable communities.

*Cities and towns that are well planned and efficient, and so capture the benefits of productivity and growth, invest in integrated social and economic development, and reduce pollution and carbon emissions, resulting in a sustainable quality of life for all citizens.*

### Policy lever 2: Integrated transport and mobility

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

*Cities and towns where goods and services are transported efficiently, and people can walk, cycle and use different transport modes to access economic opportunities, education institutions, health facilities and places of recreation.*

### Policy lever 3: Integrated sustainable human settlements

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

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

### Policy lever 4: Integrated urban infrastructure

An integrated urban infrastructure, which is resource efficient and provides for both universal access and more inclusive economic growth, needs to be extensive and strong enough to meet industrial, commercial and household needs. It should also be planned in a way that supports the development of an efficient and equitable urban form and facilitates access to social and economic opportunities.

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

### Policy lever 5: Efficient land governance and management

Municipalities and private investors both have a vested interest in land value remaining stable and increasing. At the same time, property values reflect apartheid patterns of segregation and mono-functional use, which need to be addressed to promote spatial transformation. Efficient land governance and management will contribute to the growth of inclusive and multi-functional urban spaces.

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

### Policy lever 6: Inclusive economic development

The New Growth Path (NGP), which is the backbone of our national economic policy, emphasises the importance of creating employment nationally through specific drivers. These include seizing the potential of new economies through technological innovation, investing in social capital and public services, and focusing on spatial development. Inclusive economic development is essential to creating jobs, generating higher incomes and creating viable communities.

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

### Policy lever 7: Empowered active communities

Cities cannot succeed without the energy and investment of their citizens. In fact, the very power of cities stems from their unique capacity to bring together a critical mass of social and cultural diversity. This conception of democratic citizenship, at the core of the 'active citizenship' agenda advocated by the NDP, empowers communities to shape and contribute to the development of spaces and will transform the quality of urban life.

*Cities and towns that are stable, safe, just and tolerant, and respect and embrace diversity, equality of opportunity and participation of all people, including disadvantaged and vulnerable groups and persons.*

### Policy lever 8: Effective urban governance

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

*Cities and towns that have the necessary institutional, fiscal and planning capabilities to manage multiple urban stakeholders and intergovernmental relations, in order to build inclusive, resilient and liveable urban spaces.*

### Policy lever 9: Sustainable finances

Cities work within an intergovernmental fiscal framework and are affected by the decisions and actions taken by provincial and national government. Furthermore, with well-managed revenue and expenditure, cities are able to expand their resources and gain access to capital markets, allowing them to meet expenditure demands and to achieve greater scale and efficiency when investing in infrastructure

*Cities and towns that are supported by a fiscal framework that acknowledges the developmental potential and pressures of urban spaces, manage their finances effectively and efficiently, and are able to access the necessary resources and partnerships for inclusive urban growth.*

The nine policy levers are supported by and must be read in conjunction with the cross-cutting issues of rural-urban interdependency, urban resilience and urban safety. **Rural-urban interdependency** recognises the need for a more comprehensive, integrated approach to urban development that responds to both the urban and the rural environments. **Urban resilience** – or disaster risk reduction and mitigation interventions in the planning and management of urban areas – and **urban safety**, particularly safety in public spaces, are essential ingredients for creating liveable and prosperous cities.

# INTRODUCTION

The 21st century is the urban century. Like most of Africa and other developing countries, South Africa is experiencing continuing urbanisation. By 2050, Africa's urban population is expected to double, from approximately 1.23 billion people (in 2015) to 2.5 billion people, or 60% of the total population (up from approximately 40% in 2009). The United Nations (UN) estimates 71.3% of the South African population will live in urban areas by 2030, reaching nearly 80% by 2050. No African government, therefore, can afford to ignore the ongoing urban transition that is taking place across the continent. The UN has advised African governments to take 'early action to position themselves for predominately urban populations'.<sup>2</sup>

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

South Africa is a middle-income country with large-scale unemployment. The long-term prospect of having a more equal and labour-absorptive economy will depend on how well the urban economies perform. The country's economy is dominated by services (61% of gross domestic product) which will intensify as South Africa follows the NGP and seeks to move from being a resource-based economy to one that is knowledge-based. The NGP is the backbone of South Africa's national economic policy and emphasises the importance of creating employment nationally by seizing the potential of new economies through technological innovation, investing in social capital and public services, and focusing on spatial development.

Raising the productivity and incomes of urban consumers is also important because rural economies depend on urban consumers in the supply and demand chain. In a context of large-scale unemployment, the unexploited human resource potential must be unleashed, through driving up productivity and competitiveness in the formal sector, and ensuring greater dynamism in the informal and small business sectors.

By 2050, Africa's urban population is expected to double to **±1.23 billion** people, or **60%** of the total population



2. UN-Habitat. 2010. *The State of African Cities 2010*. Nairobi, Kenya: UN-Habitat, p. 1.

Well-managed urbanisation has the potential to achieve the above and, in so doing, to reduce poverty, unemployment and inequality. In cities, the spatial concentration of jobs, people and opportunities enables households to access employment and higher quality public services. However, urban centres need to improve their performance to optimise the potential for growth, productivity and innovation. As the NDP recognises:

A fundamental reshaping of the colonial and apartheid geography may take decades, but by 2030 South Africa should observe meaningful and measurable progress in reviving rural areas and in creating more functionally integrated, balanced and vibrant urban settlements.<sup>3</sup>

Faced with this reality, the IUDF is government's policy position to guide the future growth and management of urban areas. From a global context, the IUDF is largely influenced and informed by the Sustainable Development Goals (SDGs) adopted by the UN Assembly in 2015. Goal 11: 'Making cities and human settlements inclusive, safe, resilient and sustainable' is directly linked to sustainable urbanisation. At a continental level, the IUDF is informed by the African Union's Agenda 2063 and its strategic goals.

The IUDF illustrates the options for a more effective and efficient management of urban spaces. It contributes to the NDP's aim of cities being the country's economic drivers through improved spatial efficiency and inclusion. Firmly rooted in the NDP and the NGP, the IUDF reinforces that South Africa needs to:

- Create more compact and connected cities and towns;
- Increase inclusive economic growth and thereby create jobs;
- Improve the employability of the unemployed (and those at risk of losing their jobs in a volatile global economy) by investing in healthcare, education, skills training and social protection;
- Anticipate the changing nature of global economic competitiveness, as international measures (e.g. the Kyoto Protocol) come into force to deal with climate change;<sup>4</sup> and
- Change the governance social compact in South Africa, by giving citizens more scope to shape their own lives, and improving public services and the accountability of public institutions.

The IUDF contains the following sections:

**South Africa's Urban Reality.** This section provides the context for the IUDF, highlighting how South Africa's cities and towns are shaped by the legacy of apartheid, giving some information on demographic, migration and settlement patterns, and explaining how rural and urban areas are interdependent and interconnected. It also describes the importance of urban areas and of reaping the urban dividend.

3. NPC (National Planning Commission). 2012. *National Development Plan 2030: Our future – make it work*. Pretoria: NPC, the Presidency, p. 260.

4. At COP 17 in Copenhagen, South Africa agreed to greenhouse gas emissions of 34% below business-as-usual (BAU, i.e. a projection with growth) by 2020, and 42% below BAU by 2025. See letter dated 29 January 2010. Department of Environmental Affairs [http://unfccc.int/files/meetings/application/pdf/southafricacphaccord\\_app2.pdf](http://unfccc.int/files/meetings/application/pdf/southafricacphaccord_app2.pdf)

**The New Deal.** This section presents the vision and strategic goals of the IUDF, and identifies the nine policy levers to effect urban transformation, premised on the understanding that integrated urban development will follow a specific sequence of urban policy actions.

**Policy Levers.** Each section describes one of the nine policy levers, presenting the status quo, as well as the opportunities and challenges, and the policy priorities and key actors involved.

**Conclusion.** This section summarises the main points of the IUDF.

**Implementation Plan:** The accompanying implementation plan gives strategic direction, i.e. what needs to be done, when and by whom in order to achieve the goals of the IUDF. It includes programmes and projects to be undertaken in the short-to-medium term. The plan will be reviewed every three years, not only to monitor progress being made but also to readjust or reprioritise the programmes and projects.

# SOUTH AFRICA'S URBAN REALITY

'Growing cities, mobile people and vigorous trade have been the catalysts for progress in the developed world over the last two centuries. Now these forces are powering the developing world's most dynamic places.'<sup>5</sup>





Cities are the driving force for economic development, which is why economic growth and urbanisation are often linked. Urban spaces are 'hubs for ideas, commerce, culture, science, productivity, social development and much more'.<sup>6</sup> As places of concentrated economic activity, cultural diversity, learning, innovation and creativity, cities can enable a country to build a dynamic competitive advantage and allow its people to advance socially and economically. They are also critical for achieving national environmental objectives.

As the productive heart of the economy and engines of growth and opportunity, urban areas are inherently efficient and so generate economic growth, create employment and increase access to urban amenities. However, at the same time, many challenges may prevent cities from creating jobs and prosperity, and put pressure on land and resources.

South Africa's urban areas continue to be hampered by a legacy of racial segregation, poverty and exclusion from social and economic opportunities.

## The urban population is growing larger and younger

Like cities in the rest of the world, South African cities are a magnet for people searching for opportunities and services, attracting individuals (especially the youth) and households.

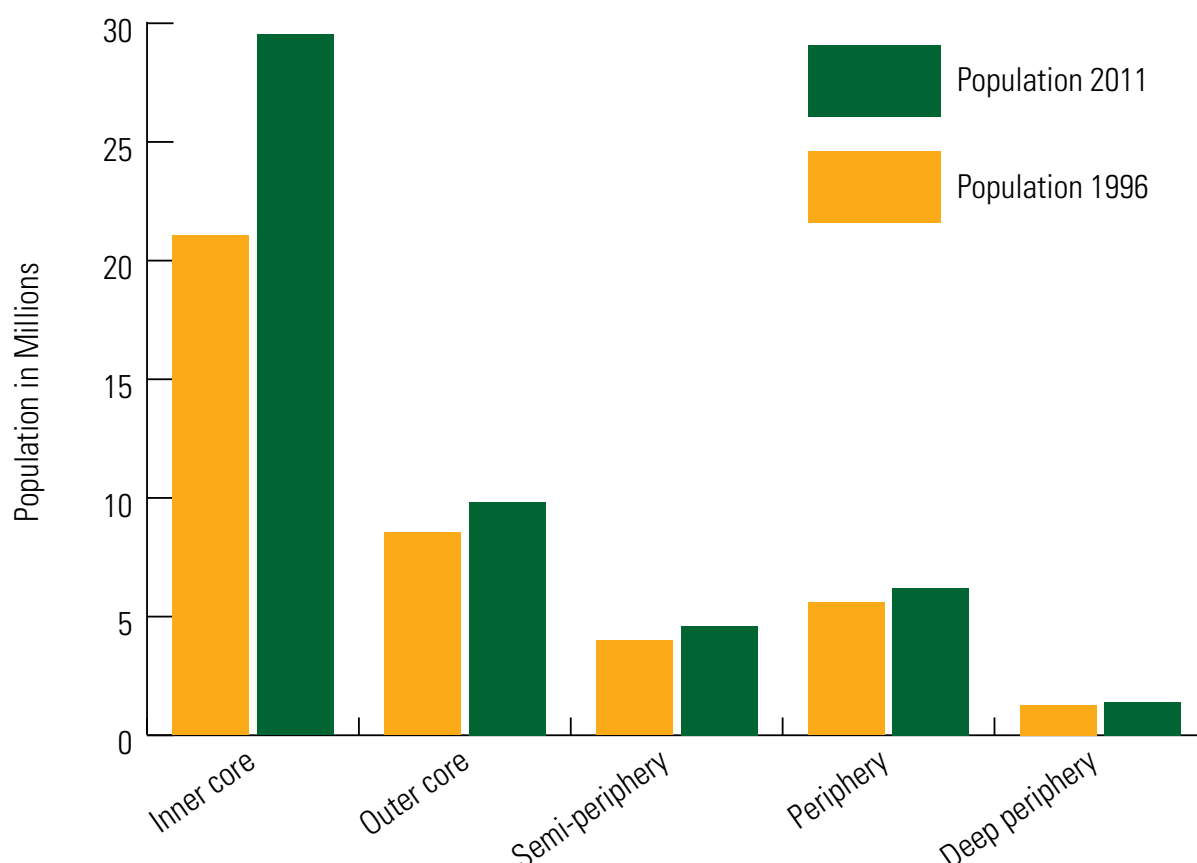
**Individuals and households are moving into 'inner core' cities,<sup>7</sup> where jobs are being created and household incomes are higher** (Figure 1). In 2011, almost 63% of South Africa's population lived in urban areas (up from 53% in 1994),<sup>8</sup> with just four city-regions (Gauteng, Cape Town, eThekweni and Nelson Mandela Bay) accounting for 42% of this population. Gauteng has seen the highest growth in population and migration, followed at a distance by the Western Cape. Although the other provinces are losing population, certain cities or towns within these provinces have attracted large numbers of migrants, usually because of new mining opportunities or related growth sectors. Other growing urban populations are found in the KwaZulu-Natal Coastal Urban Agglomeration, Mangaung, Buffalo City, Msunduzi, Polokwane, Rustenburg, Mbombela, Sol Plaatje and the Cape South Coast Tourism Belt.

5. SACN (South African Cities Network). 2011. *State of the Cities Report 2011*. Johannesburg: SACN, p. 10.

6. <http://www.un.org/sustainabledevelopment/cities/>

7. The inner core consists of the large metropolitan agglomerations and secondary cities, i.e. the Gauteng city-region, Western Cape Urban Agglomeration, KwaZulu-Natal Coastal Urban Agglomeration, Nelson Mandela Bay, Mangaung, Buffalo City, Msunduzi, Polokwane, Mbombela, Sol Plaatje, Cape South Coast Tourism Belt.

8. The Spatial and Temporal Evidence Platform for South Africa (StepSA) programme estimates an even higher figure at 78% (CSIR 2013. Policy Brief No.3: Reaching development outcomes through a dedicated focus on cities, towns and settlements. StepSA. [www.stepsa.org](http://www.stepsa.org)).

**FIGURE 1:** Change in absolute population between 1996 and 2011

Source: Derived from IHS Global Insight, cited in Harrison and Todes (2013)<sup>9</sup>

**The majority (64%) of South Africa's youth and just over half (54%) of its children live within urban areas.** The youth make up 39% of the city population (compared with 35% of the non-city population), while children account for 26% of the city population and 35% of the non-city population. In general, larger cities have a higher proportion of youth and a lower proportion of children. This reflects both the tendency of youth to move to cities and the practice of keeping children in rural areas or small towns, often in the care of grandparents.<sup>10</sup>

**Most migrants retain strong ties with their rural areas of origin, and regularly visit and send back money.** They often do not own permanent accommodation in the urban areas and, when no longer economically active, tend to migrate to rural settlements and secondary cities in other provinces. This reflects the continued importance of rural areas, as a place of security, family, history and culture, and the preferred place for retirement for many people.<sup>11</sup>

9. Harrison, P and Todes, A. 2013. Spatial considerations in the development of urban policy in South Africa. A research paper as input into the preparation of the IUDF.

10. Drawn from: Harrison, P. 2013. South Africa's 'cities of hope': Assessing the role of cities in creating opportunity for young people. Report prepared for the Centre for Development Enterprise.

11. Posel, D. and Marx, C. 2011. The interaction between informal land markets and rural-urban migration. Urban LandMark: Development Policy Research Unit, 3 (74).

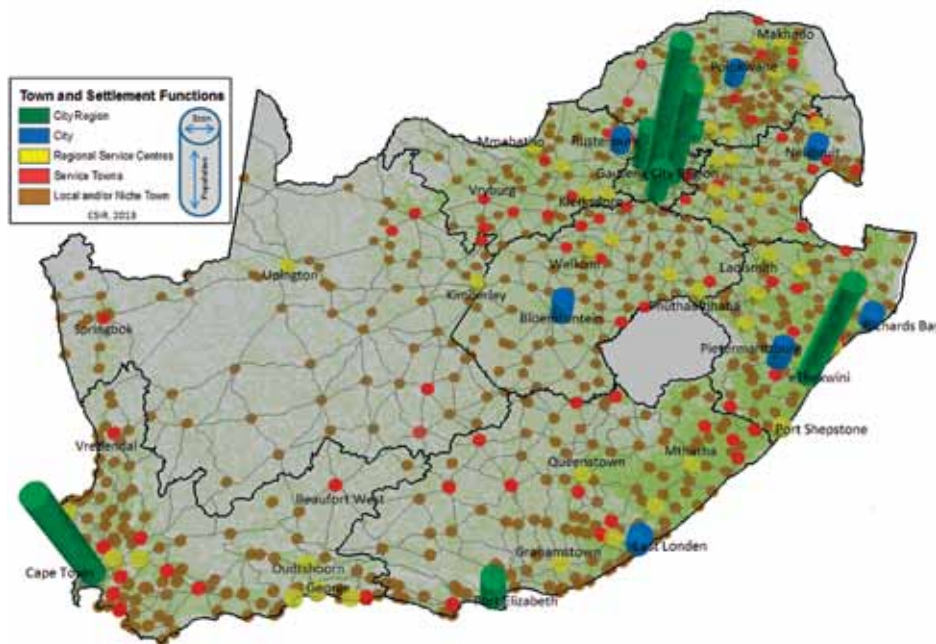
## The importance of urban areas in South Africa

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

### Urban centres dominate South Africa's economy

**The urban centres continue to dominate the country's economy.** As Figure 2 demonstrates, four city-regions dominate the economy, accounting for more than half the national gross value added (GVA). When other cities and large towns are included, the share rises to 81.4% of the country's GVA, up from 79.4% in 1996,<sup>12</sup> whereas the GVA (and population) of other urban centres are growing at below South Africa's average growth rates. Nationally, a growing alignment is appearing between economic opportunity and population concentration, and thus of improved access.<sup>13</sup>

**FIGURE 2:** Population and economic activity indicated per type of urban area



Source: CSIR (Council for Scientific and Industrial Research), 2013<sup>14</sup>

12. NPC (National Planning Commission). 2012. *National Development Plan 2030: Our future – make it work*. Pretoria: NPC, the Presidency, p. 262.

13. The analysis above has focused on the relationship between the economy (GVA and jobs) on the one hand and the population concentration on the other. There is, however, a strong relationship between the levels of service provision and the strength of the local economy, and so the conclusions in relation to access hold for both jobs and services.

14. CSIR. 2013. Reaching development outcomes through a dedicated focus on cities, towns and settlements. Spatial and Temporal Evidence for Planning, Policy Brief: <http://stepsa.org/>.

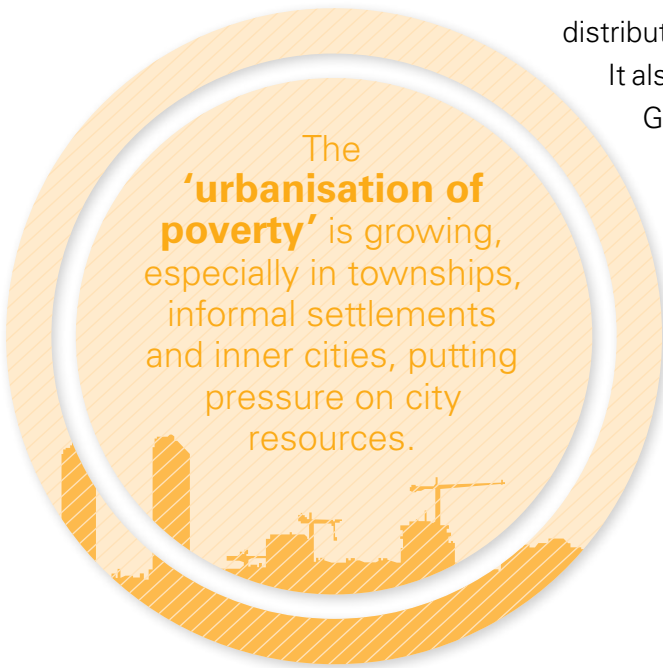
**Within the ‘inner core’,<sup>15</sup> the economies of metropolitan municipalities (metros) are growing twice as fast as those of secondary cities and the rest of the country.** Between 1996 and 2013, the GVA of metros grew nearly twice as fast as that of the secondary cities and the rest of the country. In contrast, secondary cities have underperformed compared to towns and rural areas, particularly since the onset of the recession in 2008.

## Incomes are higher in metros

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

**At the same time, the ‘urbanisation of poverty’<sup>16</sup> is growing, especially in townships, informal settlements and inner cities, putting pressure on city resources.** Just because average incomes are higher in one area than another does not mean that most people are better off. It depends on how the wealth generated in the area is distributed among different economic actors and interests.

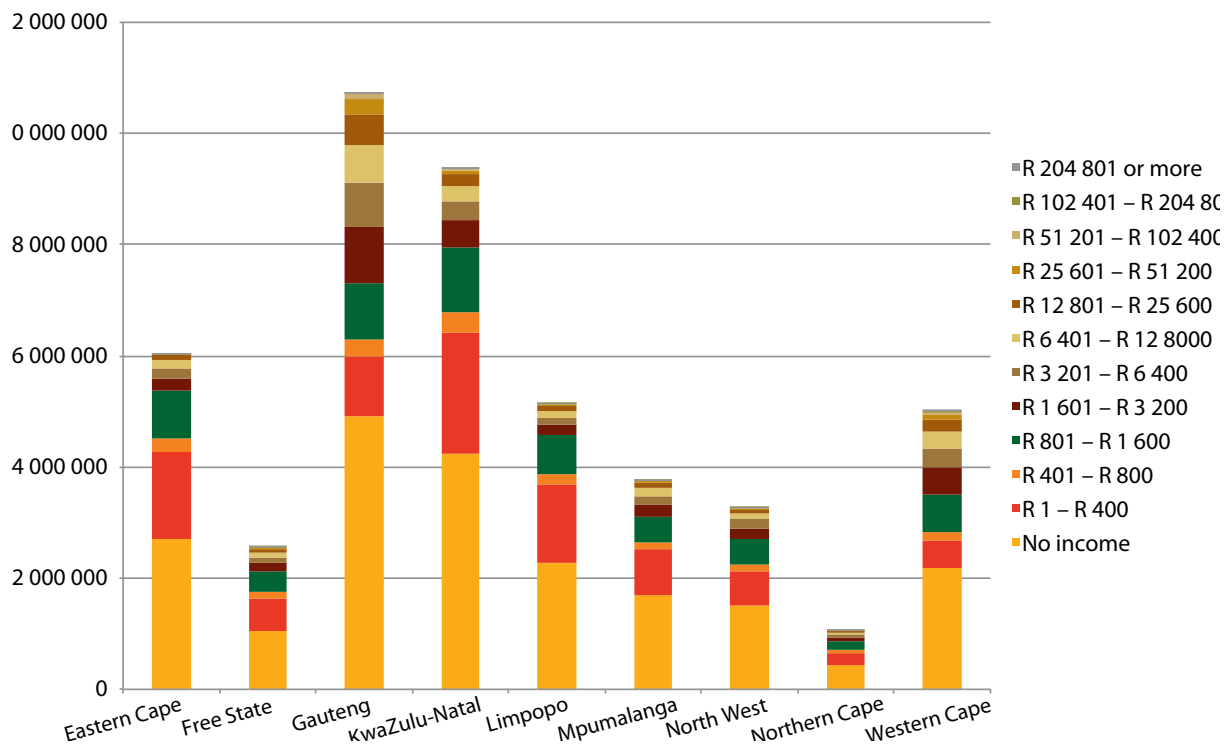
It also depends on the absolute size of populations. Thus, Gauteng may have the highest GVA per capita, but also contains the second highest (after KwaZulu-Natal) number of households with a monthly income of less than R1 600. For example, the 2011 Census indicated that the total number of people with no income in Gauteng was higher than the entire population of some provinces, such as the Free State, North West and others (Figure 3).



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

16. Census 2011 figures show the most rapid growth is in cities, particularly of low-income households – a phenomenon known as the ‘urbanisation of poverty’.

**FIGURE 3:** Individual monthly income per province (2011)

Source: Based on Census 2011 data

## Job creation is greater in metros

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

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

These dynamics are certainly very difficult to shift in the short or medium term. They require a commitment to finding policy solutions that support the creation of inclusive, resilient and liveable urban areas in South Africa.

## The urban dividend

Economic output and job opportunities are increasingly concentrated in South Africa's largest cities. This has been accompanied by a rapid movement of individuals and households into these areas of relative opportunity. This process is arguably positive, as it brings the population into a stronger alignment with jobs, livelihood opportunities and services. However, South African cities and towns are unfortunately experiencing the downward pressures of urbanisation, meaning they are not fully benefitting from or taking full advantage of urbanisation, and so are not reaping the urban dividend.

The 'urban dividend' describes an optimal situation where the increasing concentration of an economically active population translates into higher levels of economic activity, greater productivity and higher rates of growth (Figure 4). The potential of urban areas is maximised with the alignment and integration of investments in the following primary drivers of urban development:

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

**FIGURE 4:** Optimising the urban dividend

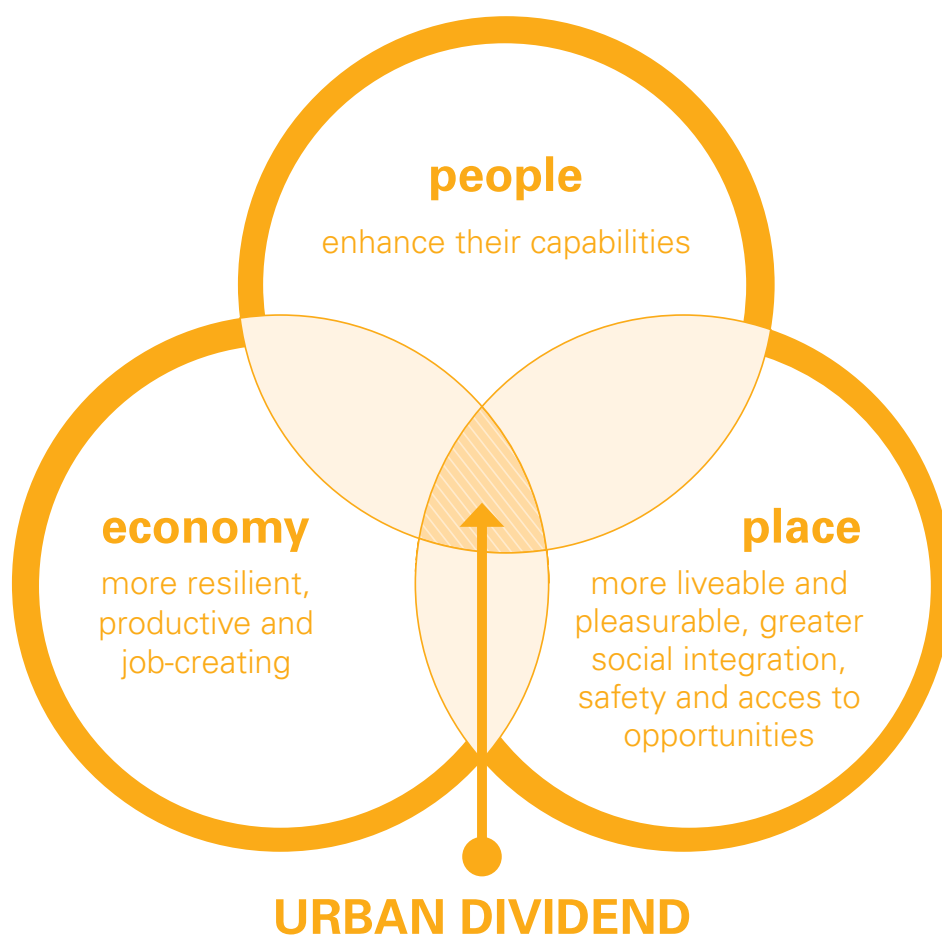
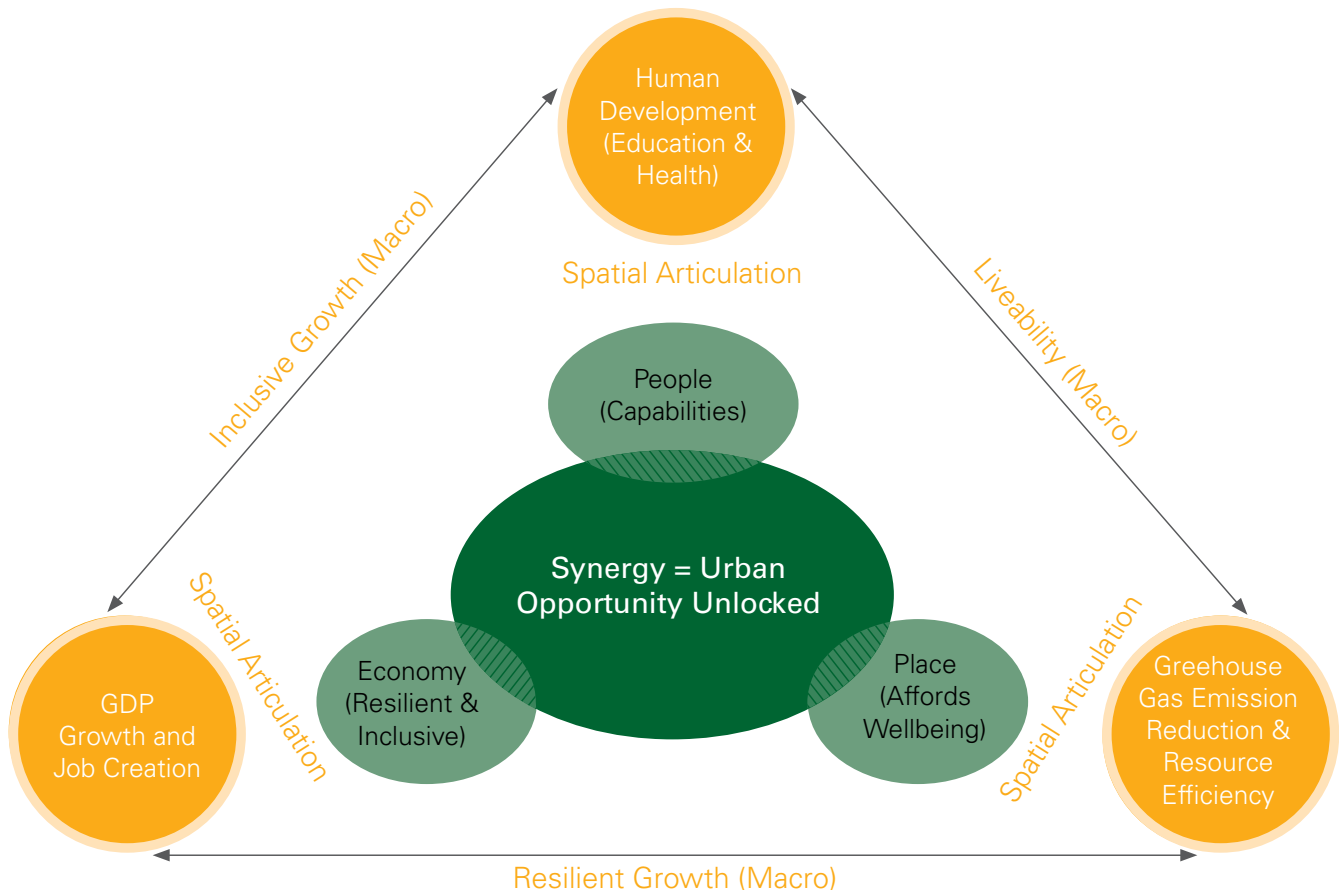


Figure 5 shows how investments in people (social development and basic services), the economy and the environment can work together to transform the quality of life in specific communities.

**FIGURE 5:** Coordinated investment in people and places



The IUDF interventions are designed to unlock the development synergy that comes from coordinated investments in people, the economy and places. This will result in inclusive, resilient and liveable cities and towns. In other words, it will result in urban spaces that:

- i. Encourage inclusive growth, social cohesion and good governance; protect civic rights and vulnerable populations, enabling their contributions to growth and development; and place local participation and ownership at the centre of city development.
- ii. Have growing, innovative economies that create jobs, support diverse livelihoods and activities, respond to social developments, and can anticipate and adapt successfully to challenging conditions.
- iii. Are safe, caring and creative, shaped by citizens and government; celebrate diversity; provide universal access to social and other services; and contain accessible public green spaces and affordable housing.



## Cities and towns shaped by the apartheid legacy

Deep class-based segregation still characterises South African cities and towns. Urban areas contain huge concentrations of poverty and reflect profound spatial inequality.

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

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

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

### 1. Existing property markets and land use

The property and land-use status quo undermines access to urban opportunity and reinforces the highly inefficient urban sprawl that is characteristic of South Africa's urban areas. There has been no substantial land reform and restitution, especially in urban areas, in part because of the importance of the formal property market, which increased significantly between 1994 and 2014.<sup>17</sup> While this growth is vital to the health of rates income for municipalities, it has not addressed the issue of well-located, affordable housing and decent shelter for all.

### 2. Unsustainable infrastructure networks and consumptions patterns

South African urban areas are profoundly resource intensive, highly polluted and wasteful. The typical metropolitan area has a very high ecological footprint.<sup>18</sup> The spatial form of South African cities, dependency on cars and suburban-lifestyle aspirations (across classes) produce

17. The Presidency. 2014. *Twenty Year Review: South Africa. 1994–2014*. Pretoria: The Presidency, p. 68.

18. The ecological footprint refers to an accounting measure that tracks, on the demand side (footprint), how much land and water area a human population uses in order to provide everything that it takes from nature. This includes the areas for producing the resources it consumes, the space for accommodating its buildings and roads, and the ecosystems for absorbing its waste emissions, such as carbon dioxide. These calculations account for each year's prevailing technology, as productivity and technological efficiency change from year to year. The accounting system also tracks the supply of nature: it documents how much biologically productive area is available to provide these services (biocapacity). Therefore, these accounts are able to compare human demand against nature's supply of biocapacity. (Global Footprint Network. 2013. Footprint Basics – Overview. Viewed on: 12 September 2013. <http://www.footprintnetwork.org/>)

an extremely resource-intensive and inefficient form of settlement. This, combined with a coal-based and pollution-heavy energy system, is a recipe for unsustainable urban development and, arguably, is in direct contravention of Chapter 2 Bill of Rights constitutional provisions on the right to a healthy environment.

### 3. Continued segregated urban settlements

Urban areas in South Africa remain marked by profound social divisions, which stem from apartheid planning and, since 1994, have been reinforced by the uneven growth in land values and limited access by the poor to resources. The growth of the black middle class has resulted in more racial mixing in the (previously predominantly white and middle-class) suburbs, but very little in working-class and poor areas.<sup>19</sup>

### 4. Unequal income levels and access to services

The high levels of inequality in income and access to services and opportunities are a legacy of apartheid education and the (migrant) employment system. Since 1994, income inequality has remained stubbornly high, as a result of very high unemployment and the growing wage gap between skilled and unskilled labour. This inequality reinforces economic marginalisation and produces spatial poverty traps.<sup>20</sup> A large number of households do not have access to services and are concentrated in informal settlements and townships in cities and in peri-urban areas.<sup>21</sup> Approximately 1.25 million households lived in informal settlements in 2012.<sup>22</sup>

## Demographic, migration and settlement patterns

Individuals and households are moving to where jobs are being created and incomes are higher.

South Africa entered the democratic era in 1994, with a population of around 40 million people, of whom 53% lived in urban areas and 43% in the previous homeland areas (or *Bantustans*). South Africa had a modern economy with a hierarchy of metropolitan cities, secondary cities, large towns and smaller service centres, which were connected by a road and rail network. However, these spatial arrangements were layered together with spatial patterns

19. Harrison, P and Todes, A. 2013. Spatial considerations in the development of urban policy in South Africa. A research paper as input into the preparation of the IUDF.

20. Poorer households and individuals tend to settle in locations that maximise access to urban opportunities, choosing to live in a well-located informal settlement rather than in a badly located, subsidised formal settlement.

21. NPC. 2012. *National Development Plan 2030: Our future – make it work*. Pretoria: NPC, The Presidency.

22. Stats SA (Statistics South Africa). 2012. *Census 2011 Statistical Release*. Pretoria: Stats SA.

that reinforced extreme social inequalities and highly uneven access to the economy. Since the ending of apartheid, there have been significant shifts in South Africa's space economy, with corresponding flows of household and individual migration.

In terms of migration and growing population share, between 1996 and 2011, South Africa's urban areas, and particularly the city-regions,<sup>23</sup> had a net growth in population, especially in the category 'Entrants and Young Adult Seekers (ages 15–34)'.<sup>24</sup> In contrast, dense rural settlements showed the biggest negative population change for almost all age categories.

Nationwide, people are moving mostly to settlements within the city-regions, regional services centres and service towns, as well as to local and niche towns. Rural settlements have experienced a decline in general. Again, the situation within the various provinces varies significantly, which can be attributed to changing economic and employment realities.

The overall picture is stark: individuals and households in South Africa are 'voting with their feet', by moving into provinces and areas where jobs are being created, and where household incomes are higher.

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

## Settlement typologies

South African cities and towns can be divided into various settlement typologies, based on demographic, economic and spatial trends. The IUDF is intended to allow for differentiated responses, as interpreting opportunities and challenges is specific to local conditions.

In South Africa, various government departments and organisations have developed settlement typologies used for a spatial analysis of the demographic, economic and social trends (Table 1). Regardless of the typology used, a similar pattern emerges that stresses the importance of the different urban contexts and their contributions to, for example, the national economy.

23. Gauteng, Cape Town, eThekweni and Nelson Mandela Bay.

24. CSIR 2014. Background research paper on demographic change. A research paper as input into the preparation of the IUDF.

Harrison and Todes<sup>25</sup> identified five settlement typologies in South Africa, largely based on the urban settlement's scale and economic characteristics: inner core, outer core, semi-periphery, periphery and the deep periphery. Typologies developed by the Council for Scientific and Industrial Research (CSIR) were based on population, density and contribution to the national economy: cities, to include city-regions and city areas; large towns, which are different sized regional service centres and service towns; small towns; and the rest of South Africa comprising dense rural areas, high density settlement areas and sparsely populated areas. Another model is the different types of municipalities (metropolitan municipalities and variations of local municipalities) based on scale of urban development, contribution to the national economy and related socio-economic factors.

While acknowledging the need to move toward a common categorisation of settlement types, the definition of 'urban' within the South African context remains tricky. This is especially the case for many spread-out 'rural' villages that display many 'urban' characteristics, for example the Bushbuckridge area.

It is important to emphasise the relationship between the rural and urban areas. Traditionally, development policy has used a simplified concept of rural and urban areas, where 'rural' refers to more remote farming areas and 'urban' to cities.<sup>26</sup> Similarly, economic activities associated with urban and rural areas have historically been viewed as mutually exclusive. This dichotomy not only distorts the reality but also fails to address the interdependencies between the rural and urban spaces. The reality is that there is rarely a sharp division between rural and urban areas, but rather a rural-urban spatial continuum.

New spatial and sectoral patterns have emerged along the rural-urban continuum, as a consequence of migration, road accessibility, information technologies and production flows. A web of interrelationships and networks both links and blurs the distinction between urban and rural spaces. Indeed, labour migration, flows of information and services, such as education and healthcare, enable people to keep one foot in the rural economy and the other in the urban economy. This means that strategies (for example, addressing poverty) must recognise the interdependence between urban and rural spaces.

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25. Harrison, P and Todes, A. 2013. Spatial considerations in the development of urban policy in South Africa. A research paper as input into the preparation of the IUDF.

26. Von Braun, J. 2007. *Rural-urban linkages for growth, employment, and poverty reduction*. Washington, DC: International Food Policy Research Institute.

**TABLE 1:** Settlement typologies

IUDF Spatial Considerations Research Paper	SACN/CSIR Typologies	Municipal Infrastructure Investment Framework Classification
<p><b>Inner Core:</b> The Gauteng City-region, Western Cape Urban Agglomeration, KwaZulu-Natal Coastal Urban Agglomeration, Nelson Mandela Bay, Mangaung, Buffalo City, Msunduzi, Polokwane, Free State Goldfields, Mbombela, Sol Plaatje, Cape South Coast Tourism Belt.</p> <p><b>Outer Core:</b> Large towns with major service functions, medium-sized mining centres, peri-urban agglomerations around the inner core, and large agglomerations around previous homeland capitals (e.g. Newcastle, Kroonstad, Grahamstown, Phalaborwa, Mthatha, Thoyohandou).</p> <p><b>Semi-periphery:</b> Medium-sized towns with an established infrastructure, secondary mining outliers and the more densely settled parts of the previous <i>Bantustans</i>, with local economies producing more than R1-billion per year (e.g. Vryheid, Kuruman, Springbok).</p> <p><b>Periphery:</b> Small service centres with established infrastructure, small mining economies and previous <i>Bantustan</i> economies with output of between R0.4 – R1-billion per year (e.g. Calvinia, Dannhauser).</p> <p><b>Deep periphery:</b> Very marginal local economies with outputs of less than R0.4-billion per year (e.g. Jansenville, Tarkastad, Boshof, Harding, Poffader, Warrenton).</p>	<p><b>Cities</b></p> <ul style="list-style-type: none"> <li><i>City-regions:</i> Population &gt;1 million, government and economic services (GES) index &gt;7 (e.g. global city-region: Gauteng; coastal city-regions: Cape Town city-region, eThekweni city-region, Nelson Mandela Bay city-region) .</li> <li><i>City areas:</i> Population &gt;400 000, GES index 2 – 5 (e.g. Polokwane, Mbombela, Pietermaritzburg, Buffalo City, Mangaung).</li> </ul> <p><b>Large towns</b></p> <ul style="list-style-type: none"> <li><i>Regional service centres 1</i> Population 300 000 – 500 000, GES index 1– 2; high population numbers and high economic activity (e.g. Rustenburg, Witbank/Middelburg, Newcastle, Richards Bay).</li> <li><i>Regional service centres 2</i> Population 100 000 – 300 000, GES index &gt;0.3; high population numbers in densely settled areas (e.g. Mthatha, Queenstown, Thohoyandou, Tzaneen, Grahamstown, Mmabatho).</li> <li><i>Regional service centres 3</i> Population 60 000 – 100 000, GES index &gt;0.25; low population numbers playing a key role in sparsely populated areas (e.g. Kimberley, Upington, Worcester).</li> <li><i>Service towns</i> Population mostly &gt;20 000, GES index 0.065 – 0.25 ; playing a significant role in the hinterland (e.g. Saldanha Bay, Groblersdal, Piet Retief, Bothaville, Lichtenburg).</li> </ul>	<p><b>Category A: Metropolitan municipalities</b></p> <p>Johannesburg Tshwane Ekurhuleni Cape Town eThekweni Nelson Mandela Bay Buffalo City Mangaung</p> <p><b>Category B1: Secondary or intermediary cities:</b></p> <p>Matjhabeng/Welkom, Emfuleni/Vereeniging, Mogale City/Krugersdorp, Msunduzi/Pietermaritzburg, Newcastle, Umhlathuze/Richards Bay, Lephalale/Ellisras, Polokwane/Pietersburg, Emalahleni/Witbank, Govan Mbeki/Secunda, Mbombela/Nelspruit, Steve Tshwete/Middelburg, City of Matlosana/Klerksdorp, Madibeng/Brits, Mafikeng, Rustenburg, Tlokwe/Potchefstroom, //Khara Hais/Upington, Sol Plaatje/Kimberley, Drakenstein/Paarl, George, Stellenbosch.</p>

IUDF Spatial Considerations Research Paper	SACN/CSIR Typologies	Municipal Infrastructure Investment Framework Classification
	<p><b>Small towns</b></p> <ul style="list-style-type: none"> <li>Population size varies widely, service role in immediate surroundings, GES index 0.001 – 0.065.</li> <li><i>Local niche towns</i>: Clarens (FS), Prince Albert (WC), Riebeeck-Kasteel (WC).</li> <li><i>Local towns</i>: Alice (EC), Koppies (FS).</li> <li>Rural nodes.</li> </ul> <p><b>Rest of South Africa</b></p> <p><i>Rural nodes in high density settlement areas</i>: Mesozones<sup>27</sup> with &gt;100 people/ km<sup>2</sup> or &gt;10 people/km<sup>2</sup> PLUS economic activity in service sector (identified as areas within high density settlement areas, with highest levels of access to household income).</p> <p><i>High density settlement areas</i>: Mesozones with &gt;100 people/km<sup>2</sup> or more than 10 people/km<sup>2</sup> PLUS economic activity in service sector (typically spread-out areas with very little economic activity, no consolidated town centre/nodes).</p> <p><i>Sparsely populated areas</i>: Less densely populated areas, sparsely populated areas, mountainous, national parks.</p>	<p><b>Category B2: Large towns</b>: All local municipalities with an urban core. Population sizes vary hugely among these municipalities, which do have large urban-dwelling populations.</p> <p><b>Category B3: Small towns</b>: No large town as a core urban settlement, relatively small population (of which a significant proportion is based in one or more small towns). Rural areas in this category are characterised by the presence of commercial farms, as their local economies are largely agriculturally based.</p> <p><b>Category B4: Largely rural municipalities</b>: At most one or two small towns in the areas, communal land tenure and villages, or scattered groups of dwellings and typically located in former homelands.</p>

As these various settlement typologies prove, the vision and proposals in the IUDF should be interpreted and pursued in differentiated and locally relevant ways. The local interventions should be responsive to the local conditions and aligned with the vision and strategic outcome of this policy framework.

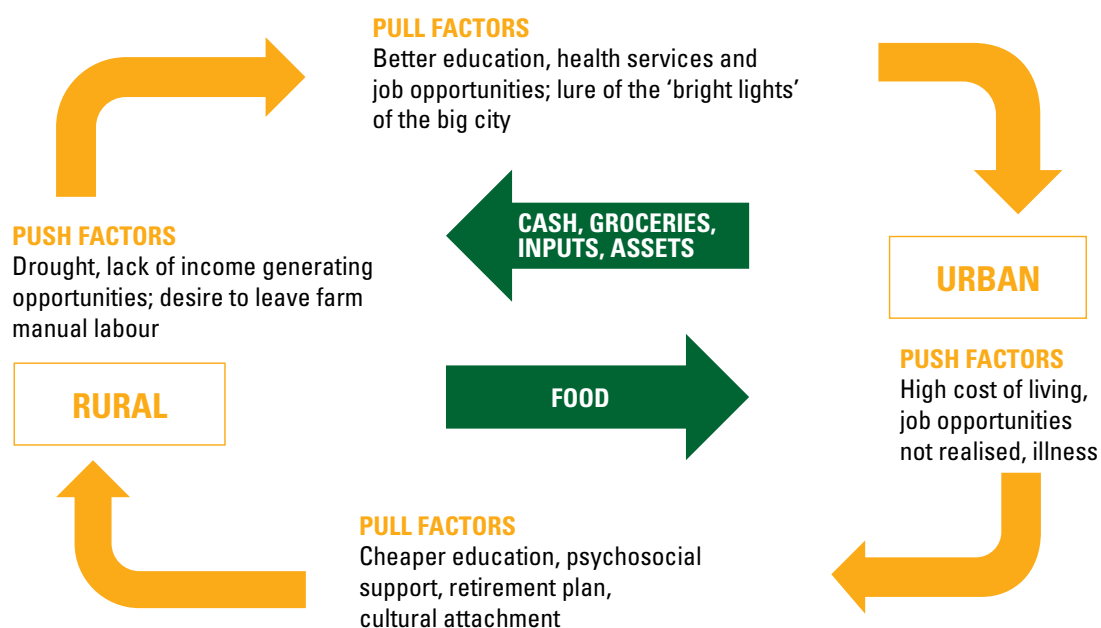
27. More or less equal-sized units (roughly 7km x 7km) that are similar in socio-economic character. The whole of South Africa is demarcated into just fewer than 25 000 mesozones (or standard local economic areas) nested within administrative and physiographic boundaries.

## ● Rural-urban interdependency

Urban development is not an alternative to rural development. Rural and urban areas complement each other and coexist in production, trade, information flow and governance. They are further connected through flows of people, and natural and economic resources.

The economic, social and environmental interdependence of rural and urban areas is widely acknowledged. However, the simplistic concept of a rural-urban 'divide' persists, even though it does not reflect the reality of rural-urban interdependency. Traditionally, development policy used 'rural' to refer to more remote farming areas and 'urban' to refer to cities and towns.<sup>28</sup> Similarly, economic activities associated with urban and rural areas have historically been viewed as mutually exclusive. Yet rural and urban spaces share structural, social, economic and cultural linkages (Figure 6).

**FIGURE 6:** Rural-urban push-and-pull factors



Source: Action Against Hunger (2012)<sup>29</sup>

28. Von Braun, J. 2007. *Rural-urban linkages for growth, employment, and poverty reduction*. Washington, DC: International Food Policy Research Institute.

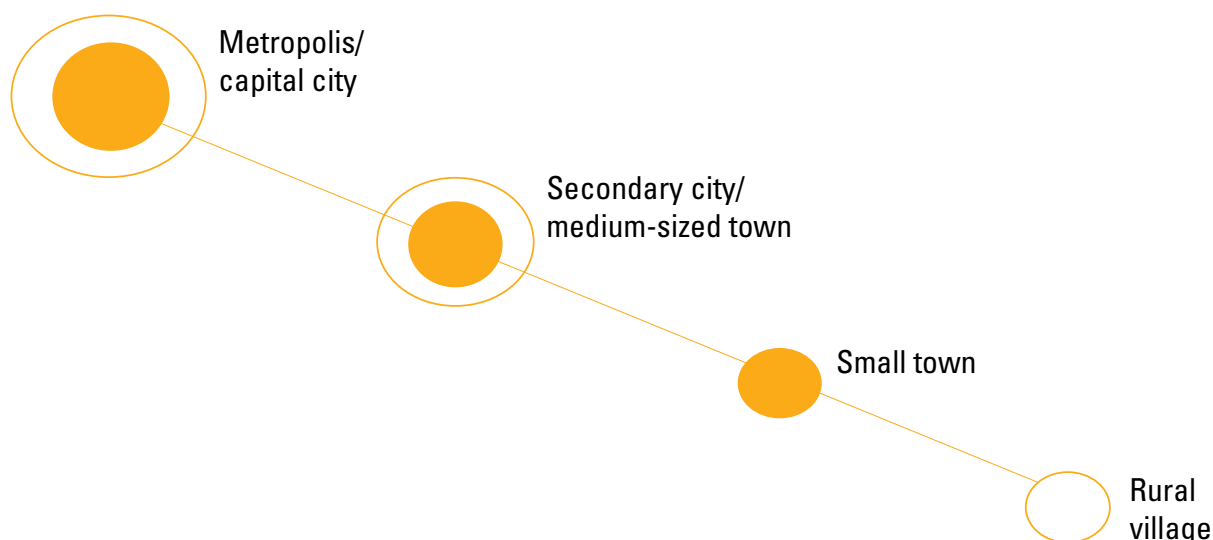
29. Action Against Hunger. 2012. Rural-urban linkages, household food security and child nutrition. Report available at [www.actionagainsthunger.org.uk](http://www.actionagainsthunger.org.uk).



The rural-urban interdependence perspective considers and capitalises on the intense flow of public and private capital, people (migration and commuting), goods (trade), services, ideas and information between the urban and rural areas.

As a consequence of migration, road accessibility, information and communication technologies (ICT), and production flows, new sectoral and spatial patterns are emerging within the rural and urban spaces. Labour migration, flows of information and services, such as education and healthcare, enable people to keep one foot in the rural economy and the other in the urban economy. At the same time, spatial intermingling is occurring in the peri-urban areas, which are found midway on the rural-urban spatial continuum (Figure 7). Research has found that low-income families and the poor migrate to the nearest towns, so as to remain close to their rural support systems.

**FIGURE 7:** Rural-urban continuum



Source: Ndabeni (2013)<sup>30</sup>

Developing solutions to benefit the whole country is difficult if rural and urban areas are seen as opposites, especially as these areas are becoming increasingly integrated because of better transport and communications, and migration. Therefore, focusing on linkages (not separateness) can help reframe how development occurs in rural and urban areas. Strong linkages can enhance growth by facilitating the flow of resources to where they will have the largest economic and social net benefits.

30. Ndabeni, L. 2013. An analysis of rural-urban linkages and their implications for policies that sustain development in a space continuum. A research paper as input into the preparation of the IUDF. Adapted from UN (United Nations). 2005. *Rural-urban linkages for poverty reduction: A review of selected approaches from Asia and the Pacific*.

Some of the challenges affecting the country's ability to strengthen the linkages between the two spaces include:

- Insufficient usage of the spatial planning instruments at local government level;
- Tensions between elected councils and traditional leadership over land use and land development planning;
- Poor infrastructure, particularly transportation and communication infrastructure;
- Stagnation of the economies of most small- and medium-sized towns; and
- Weak partnerships between local government and non-governmental institutions.

Rural development and urban development policy frameworks that connect with each other will enhance inclusive development. An integrated urban-rural system ensures sizeable resource flows and ladders of opportunity, which enable people in the countryside to participate in the economy and avoid being marginalised. The focus must be on strengthening linkages between urban and rural development, as a mechanism to achieve sustainable and inclusive development, by:

- Linking functional geographical areas through strategic and sectoral (e.g. infrastructure, agriculture) initiatives;
- Creating synergies between enterprises in urban and rural areas;
- Developing value chains between various economic sectors; and
- Supporting the economic development of small towns and their regions.

Clearly, the solution to poverty in rural areas cannot be found in the rural economy alone. Rural growth needs access to urban markets and vibrant non-farm sectors. Equally, the growth of urban areas can be compromised by inadequate rural development. Development strategies must recognise the interdependence of rural and urban spaces, while a comprehensive, integrated approach to urban development needs to respond to the reality of migration to peri-urban areas.

## Urban resilience

Exposure to hazards, such as floods, earthquakes, fires, infectious diseases, industrial accidents, etc. in urban areas are increased as a result of high concentrations of people, buildings and infrastructure.

Urban areas contain high concentrations of people, homes and other buildings, and infrastructure. This increases exposure to hazards, such as floods, earthquakes, infectious diseases, crimes, fires, transport and industrial accidents. Urban growth and development generate and amplify risks, which have the potential to undermine efforts to transform urban areas and to create spaces of opportunity, investment and safety. For instance, economic growth may encourage in-migration and urban sprawl, which, if poorly managed, can drive poverty and the expansion of settlements into unsafe areas. New and continued human settlement or infrastructural developments in high-risk areas, such as floodplains, will increase exposure to hazards and flooding, which will result in losses to government, the private sector and communities. Investments in reducing disaster risks can largely protect both the population and the national resources from such losses.

Resilience provides an overarching framework for reducing the risks and impact of natural and human-made crises and damage from disaster (i.e. loss of lives and assets). It means being able to bounce back quickly and emerge stronger to a stable state. South Africa needs to build the resilience of the poor and those in vulnerable situations, and reduce their exposure to climate-related extreme events and other economic, social and environmental shocks and disasters. The country needs to strengthen resilience and adaptive capacity to climate-related hazards and disasters, and to realise the opportunities associated with the rising incidence and costs of urban disasters, the current and anticipated impacts of climate change, and the protection of critical ecosystems and natural resources.

As more and more people and assets are concentrated in cities, an increasingly complex array of shocks and stresses can influence resilience, negatively or positively. The factors that influence a city's resilience include the range and severity of hazards; the risk to lives and property; the vulnerability and exposure of human, social, and environmental systems; and the degree of preparedness of both physical and governance systems to any shock or stress.

Cities are increasingly expected to take concrete actions to adapt to risks associated with rising sea levels, floods, droughts and other natural disasters that are exacerbated by climate change and climate variability. Reducing the risk of disasters helps to protect development investments and enables societies to accumulate wealth, in spite of hazards.

South Africa has a well-developed legislative framework to guide and support disaster risk reduction. For example, the Disaster Management Act (No. 57 of 2002) and the National Disaster Management Framework (2005) promote a holistic response aimed at reducing the likelihood of disasters and better managing disasters that do occur. The National Climate Change Response White Paper (2011) outlines government's vision for building resilience to climate change and promotes the mainstreaming of climate change considerations and responses into all relevant sector-planning instruments. Other sector legislation and policies also support disaster risk reduction. However, despite progress made, several challenges continue to undermine the implementation of the legislative frameworks:

- Capacity shortages;
- Inadequate institutional placement of the disaster management function in provincial departments and municipalities (where it is sometimes viewed as a line function, instead of a cross-sectoral coordinating function);
- Inadequate funding for proactive risk-reduction planning and activities;
- Insufficient progress in integrating disaster risk reduction into the day-to-day operations and planning of organs of state; and
- Limited technical expertise and capacity to promote integration, particularly at the local government level.

Building urban resilience and ensuring sustainable development require a close interface and integration of urban governance, climate and risk-sensitive development planning, as well as coherent systems, services and resources. A whole-of-government and all-of-society approach needs to emphasise the linkages between mitigation and adaptation, as well as the multiple economic, social and environmental co-benefits of urban climate action.

## Urban safety

Prosperous and liveable cities are urban spaces where citizens feel safe from violence and crime, and can take full advantage of the economic, social and cultural opportunities offered by cities.

Safety – living free from the threat or fear of violence and crime – is a basic human right and a public good. It is also a necessary condition for realising the intended outcomes of the IUDF, such as spatial transformation, integrated and sustainable human settlements, economic development and job creation, and active citizenship.

South Africa's crime statistics consistently show that crime, especially violent crime, is disproportionately concentrated in metros and larger cities and towns. The causes can be attributed to many interrelated risk factors that converge in cities, including high levels of inequality, social exclusion, (youth) unemployment, poverty, and substance and alcohol abuse. Other factors are fragmented family structures, insufficient gun control, inadequately planned/managed urbanisation, poor access to decent housing and services, and the socio-spatial segregation caused by apartheid and subsequent housing policies in the democratic era. High rates of violent crime are having a devastating impact on the quality of life of many communities, especially the poorest and most marginalised.

While the safety of all communities (both urban and rural) matters equally, an urgent, dedicated focus on urban safety is required. A lack of safety in urban areas directly affects the socio-economic development prospects, not only of cities and their inhabitants, but also of the entire country and its population.

Moreover, the pervasive fear of violence and crime is one of the greatest barriers to urban residents, especially women and girls, being able to take full advantage of the economic, social and cultural opportunities offered by cities. In particular, safety concerns in public spaces and when using public transport have an extremely detrimental impact on the access to economic opportunities and basic services, social cohesion and quality of life.



Policies and strategies to promote urban safety are already in place, outlined in, among others, the Constitution, the White Paper on Safety and Security (1998), the Integrated Social Crime Prevention Strategy (2011), the NDP and many more. The White Paper on Safety and Security emphasises the role of local government in promoting urban safety. Existing governmental structures and planning mechanisms, such as the Justice, Crime Prevention and Security Cluster, and community safety and community policing forums and ward committees, in combination with planning and urban development mechanisms, such as integrated development plans (IDPs), also provide a good platform for mainstreaming and integrating urban safety. Yet, despite these legislative and institutional frameworks, challenges remain:

- i. The underlying root causes of violence and crime are not sufficiently addressed, e.g. inequality, unemployment, poverty, lack of social cohesion, availability of opportunities and motives for crime and victimisation.
- ii. Most implementation mechanisms do not sufficiently reflect the multidimensional nature of urban violence and urban safety, or focus on prevention.
- iii. Local safety is not sufficiently mainstreamed into the entire fabric of municipal programmes.
- iv. Communities are not sufficiently activated and resourced to play a meaningful role.
- v. Poor planning and management make public spaces crime hotspots.
- vi. There are insufficient mechanisms for generating and transferring knowledge about community safety among practitioners and community members.

Nevertheless, despite these challenges, several metropolitan municipalities run successful urban safety programmes, or nodes, which could be up-scaled and mainstreamed. Safety needs to be mainstreamed in the different sectoral plans and programmes, in order to create safe spaces for all.

# THE NEW DEAL: TOWARDS A SUSTAINABLE URBANISATION MODEL

‘Transportation networks are critical to the spatial transformation of urban networks. [...] New urban development and infrastructure investments should be focused around corridors of mass transit and around existing and emergent economic nodes, applying internationally accepted principles of transit-oriented development.’<sup>31</sup>





The choices made today about managing urban growth will lock in social, economic and climate benefits – or costs – for decades to come. Policy choices can lead either to sprawling, car-dependent cities or to more compact, public transport-oriented urban development. These choices will have important implications for the economic and social performance of cities, and for their carbon emissions. This is because urban infrastructure investments (e.g. roads and buildings) are capital intensive, largely irreversible and have a lifespan of 30–100 years. Furthermore, the path dependencies<sup>32</sup> created by the urban form persist for centuries, and, therefore, if managed well, the potential benefits of this urban growth are substantial.

The IUDF marks a New Deal for South African cities and towns. It sets a policy framework to guide the development of inclusive, resilient and liveable urban settlements, while addressing the unique conditions and challenges facing South Africa's cities and towns.

The key outcome of the IUDF is spatial transformation. The New Deal outlined in the IUDF is about maximising the potential of urban areas by integrating and aligning investments in a way that improves the urban form. It is about retrofitting<sup>33</sup> the existing city footprint to produce compact, coordinated and connected cities, using transit-oriented development (TOD) and other urban planning strategies to yield desirable social, economic and environmental outcomes, as envisioned in the NDP.

The IUDF's spatial transformation outcome is anchored around three elements – jobs, housing and transport – that should be used to achieve the urban restructuring as outlined in the NDP. The IUDF policy levers should, therefore, help restructure urban space by:

- Reducing travel costs and distances;
- Preventing further development of housing in marginal places;
- Increasing urban densities to reduce sprawl;
- Improving public transport and the coordination between transport modes;
- Shifting jobs and investment towards dense peripheral townships;
- Making cities and human settlements inclusive, safe, resilient and sustainable; and
- Developing and implementing holistic disaster risk management at all levels.

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31. NPC (National Planning Commission). *2012 National Development Plan 2030: Our future – make it work*. Pretoria: NPC, the Presidency, p. 266 and p. 285.

32. Path dependency refers to the continued use of a product or a practice based on historical preference or use. Continuing along the same path is often easier or more cost effective in the short run than shifting to a more efficient path, which is difficult and requires massive interventions or dramatic changes in the environment, such as a shock or innovative technology. An example of path dependency is the development of extensive motorway networks, which will entrench mobility and spatial patterns for years to come.

33. At a city scale, retrofitting means a directed alteration of the built environment with the aim of improving efficiencies.

The objective is to create cities and towns that are *functionally integrated, balanced and vibrant* – settlements where people can live, work, shop and play, and where business can invest, employ and prosper. The IUDF's aim is to foster a shared understanding across government and society about how best to manage urbanisation in order to create resilient and inclusive cities and towns. Redressing the current urban inefficiencies and achieving integrated urban development will require a systematic, collaborative approach among government spheres and non-government partners.

The Reconstruction and Development Programme identified some key elements for breaking down apartheid geography: the creation of compact cities, decent public transport and the development of industries and services. Compact growth reduces the costs of providing services and infrastructure, and increases the viability of connecting public transport and other forms of urban infrastructure. This urban growth and management model is premised on three pillars for building *compact, connected and coordinated* cities and towns:

- 1. Compact urban growth.** This type of development is not simply about urban containment (i.e. prohibiting growth outside a certain boundary) or high densities, but rather about managing urban expansion in ways that avoid inefficient sprawl. It refers to relatively dense TOD, with high levels of accessibility to local employment and services. Compact growth can be achieved through managed expansion and/or urban retro-fitting that encourages higher densities, the development of functionally and socially mixed neighbourhoods, walkable and human-scale local urban environments, the redevelopment of existing brownfield<sup>34</sup> sites, and the provision of green spaces. For cities and towns with existing sprawl, it is about applying re-densification and transit policies that can increase economic efficiency and reduce environmental and social impacts. Addressing urban growth should, therefore, not be limited only to 'what' should be provided, but, more importantly, 'where and how' it should be provided.
- 2. Connected infrastructure.** Innovative urban infrastructure and technology can enable the economic benefits of more compact urban forms to be captured. Investments in appropriate transport systems, both motorised and non-motorised, that connect employment, housing and commercial clusters are critical. Other priorities include more connected, resource-efficient public services, such as efficient energy, waste and water systems, street lighting technology, and smart grids. Infrastructure provision should be underpinned by low-carbon, climate-resilient, basic infrastructure. All these are critical for creating sustainable and integrated human settlements.

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34. This is disused or derelict land that can be developed. It may have to be cleared before redevelopment because of contamination from previous industrial or commercial uses.

**3. Coordinated governance and investments.** Fragmented governance and uncoordinated national, provincial and local urban policy frameworks will frustrate even the best of sectoral intentions and, ultimately, the spatial transformation envisioned in the IUDF and the NDP. To deliver the new urban growth model, cities will need strong leadership and effective and accountable institutions. They will also need integrated policies that support coordinated planning and implementation of programmes and investment across public and private sectors and civil society, particularly for land-use change and transport. Furthermore, policy coherence between national and local spheres of government is critical in order to ensure that national policies do not constrain cities' abilities to pursue compact growth and improved connectedness. The emergence of city-regions also requires collaboration between cities.

The IUDF adopts a TOD approach to urban design, where all development policies (within and outside government) promote higher-density urban development along mass transit corridors. This approach should inform investments in human settlements and other key economic infrastructure, thereby enabling mobility and accessibility to social and economic opportunities. To this end, new urban development and infrastructure investments, whether brownfield or greenfield,<sup>35</sup> should be focused around these transport corridors and economic nodes.

Although cities and towns will have to determine appropriate models, the planning approach must promote compact urban growth and integrate the provision of housing and public transport. The underlying principles for such growth are higher density, mixed use, high-quality urban design, and revitalised and connected urban cores, supported by appropriate land-use management policies and instruments.

## Vision

*Liveable, safe, resource-efficient cities and towns that are socially integrated, economically inclusive and globally competitive, where residents actively participate in urban life.* Importantly, this vision for South Africa's urban areas recognises that the country has different types of cities and towns, which have different roles and requirements. As such, the vision has to be interpreted and pursued in differentiated and locally relevant ways.

Four overall strategic goals contribute to achieving the transformative vision of restructured urban spaces and compact, connected cities and towns.

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35. Greenfield sites are undeveloped parcels of land in a city or rural area, currently used for agriculture or landscape design, or left to evolve naturally, that are being considered for development.

## Strategic goals

### **Spatial integration:**

To forge new spatial forms in settlement, transport, social and economic areas.

### **Inclusion and access:**

To ensure people have access to social and economic services, opportunities and choices.

### **Growth:**

To harness urban dynamism for inclusive, sustainable economic growth and development.

### **Governance:**

To enhance the capacity of the state and its citizens to work together to achieve spatial and social integration.

The IUDF's overall outcome – spatial transformation – marks a New Deal for South African cities and towns, by steering urban growth towards a sustainable **growth model of compact, connected and coordinated cities and towns**. The strategic goals inform the priority objectives of the nine policy levers, which are premised on the understanding that (1) integrated urban planning forms the basis for achieving integrated urban development, which follows a specific sequence of urban policy actions: (2) integrated transport that informs (3) targeted investments into integrated human settlements, underpinned by (4) integrated infrastructure network systems and (5) efficient land governance, which all together can trigger (6) economic diversification and inclusion, and (7) empowered communities; all of the above will demand effective (8) governance and (9) financial reform to enable and sustain these policy actions. The levers thus seek to address in combination the structural drivers that maintain the status quo.

## Policy levers

### 1. Integrated urban planning and management

Cities and towns that are well planned and efficient, and so capture the benefits of productivity and growth, invest in integrated social and economic development, and reduce pollution and carbon emissions, resulting in a sustainable quality of life for all citizens.

### 2. Integrated transport and mobility

Cities and towns where goods and services are transported efficiently, and people can walk, cycle and use different transport modes to access economic opportunities, education institutions, health facilities and places of recreation

### 3. Integrated sustainable human settlements

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

### 4. Integrated urban infrastructure

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

### 5. Efficient land governance and management

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

### 6. Inclusive economic development

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

## Core elements of the IUDF

### VISION

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

### STRATEGIC GOALS

Spatial integration

Inclusion and access

Growth

Governance



## 7. Empowered active communities

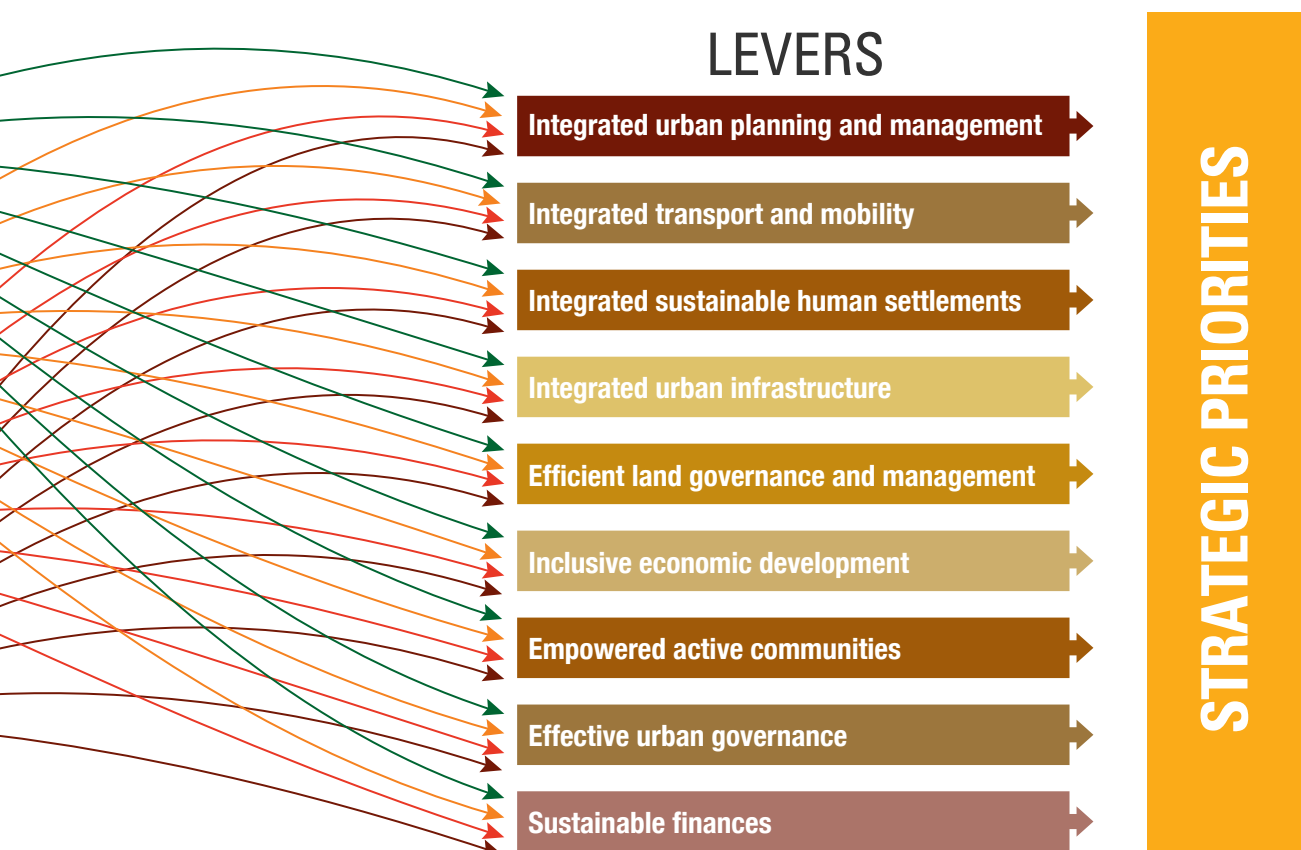
Cities and towns that are stable, safe, just and tolerant, and respect and embrace diversity, equality of opportunity and participation of all people, including disadvantaged and vulnerable groups and persons.

## 8. Effective urban governance

Cities and towns that have the necessary institutional, fiscal and planning capabilities to manage multiple urban stakeholders and intergovernmental relations, in order to build inclusive, resilient and liveable urban spaces.

## 9. Sustainable finances

Cities and towns that are supported by a fiscal framework that acknowledges the developmental potential and pressures of urban spaces, manage their finances effectively and efficiently, and are able to access the necessary resources and partnerships for inclusive urban growth.



# POLICY LEVER 1: INTEGRATED URBAN PLANNING AND MANAGEMENT

Cities and towns that are well planned and efficient, and so capture the benefits of productivity and growth, invest in integrated social and economic development, and reduce pollution and carbon emissions, resulting in a sustainable quality of life for all citizens.





Effective urban planning is critical to the success of cities. It is central to coordinating the role-players that shape and control land use, the urban form and the delivery of infrastructure and services. At the core of effective urban planning is strategic spatial planning, which promotes spatial justice, spatial quality, spatial efficiency, spatial sustainability and spatial resilience. It enables the community to benefit from development, by guiding investments and encouraging prudent use of land and natural resources for development. Proper urban management can improve the quality of life of citizens and urban productivity, and create an environment that supports economic development. However, it depends on basic – yet critical – functions, such as the provision of reliable and quality services (e.g. waste management), a speedy response to service delivery failures, and quick turnaround times for finalising land-use development applications.

Integrated urban planning and management is essential for coherent development that redresses apartheid geographies and facilitates spatial integration. This lever should inform investments in integrated transport and mobility (Lever 2), sustainable human settlements (Lever 3) and urban infrastructure (Lever 4), and promote inclusive economic growth (Lever 6). It is supported by efficient land governance and management (Lever 5), effective urban governance (Lever 8) and sustainable finances (Lever 9), and should be underpinned by inclusive community engagement, whereby ordinary citizens are afforded an opportunity to vision and plan their neighbourhoods (Lever 7).

Effective urban planning stimulates a more rational organisation and use of urban spaces, and results in:

- More compact, socially inclusive and better-integrated cities that are resilient to climate change and urban risk;
- Infrastructure investments that are sequenced, coordinated and integrated with land development;
- Stable and predictable conditions for investments that are sequenced for optimal impact;
- Clarity for all government spheres and sectors about the investments required to maximise opportunities for transforming people's lives for the better;
- Efficient approval processes to facilitate economic development;
- Spatial integration to reverse undesirable settlement patterns emanating from past practices; and
- Inclusive, safe, resilient and sustainable human settlements.

## Status quo

**South Africa has a range of legislation, policies and strategies to guide integrated planning.** These include the NDP, the White Paper on Local Government (1998), the Municipal Systems Act (No. 32 of 2000), the National Environmental Management Act (No. 107 of 1998, amended by Act No. 25 of 2014) and, more recently, the Spatial Planning and Land Use Management Act (No. 16 of 2013). They provide principles for integrating and aligning government plans, such as spatial development frameworks (SDFs), integrated development

plans (IDPs), built environment performance plans (BEPPs), growth and development strategies, and sectoral plans. They are aimed at ensuring that priorities are set, resources are allocated and implementation takes place in an integrated, effective, efficient and sustainable way. However, despite the progressive legislative and policy environment, spatial fragmentation (and the resultant inefficiencies) remain. Integrated planning has yet to realise the desired development outcomes because of the insufficient (and at times competing) sectoral priorities.

**The Spatial Planning and Land Use Management Act (SPLUMA) has been enacted.** This Act provides a framework for spatial planning and land-use management. It specifies the relationship between spatial planning and other kinds of planning, and provides for inclusive, developmental, equitable and efficient spatial planning. Its objective is to promote greater consistency and uniformity in the application procedures and decision-making by authorities responsible for land-use decisions and development applications.

**Municipalities use various levers to manage urban transformation.** These include long-term development visions and city development strategies (e.g. Tshwane 2055), long-term regional SDFs and strategies (e.g. Johannesburg's Corridors of Freedom), IDPs (all municipalities), BEPPs (transport, roads, infrastructure investments and human settlements) and other service sector plans not included in the IDP. Municipalities have also developed measures to support informal and small businesses in well-located spaces.

## Opportunities and challenges

**Outcome-based planning is accepted in South Africa** as a way of ensuring that government plans result in real improvements in the lives of all South Africans, by translating plans into implementation frameworks and agreements. This provides an opportunity for spatial targeting, and the prioritising and sequencing of infrastructure investments for maximum impact.

**BEPPs have been introduced** as a key integrative tool to ensure that cities attain spatial integration, economic growth and poverty reduction through better alignment and integration within the intergovernmental system.

Notwithstanding the progressive legislative and policy environment, the following challenges also require attention:

### 1. Weak planning and coordination within government and with the private sector

Despite the intense level of planning by cities, government's long-range planning is neither legislated nor coherently coordinated,<sup>36</sup> and so lacks both vertical and horizontal alignment.<sup>37</sup> Distrust and conflict among government spheres have also resulted in uncertainty and costs,

36. DHS (Department of Human Settlements) and SACN (South African Cities Network). 2013. *Urban Strategies Alignment Study*.

37. Vertical alignment refers to alignment across spheres of government and SOEs, while horizontal alignment refers to alignment across government departments within a sphere.

and have undermined efforts to collaborate. Investments by other parts of government tend to ignore the municipality's SDF, resulting in poor integration among sectors. In some cases, not even municipal investments are guided and informed by the SDF. In addition, private sector investments frequently fail to align with public sector plans, possibly because of a perceived lack of robust and consistent spatial directives. Although SPLUMA provides a framework for spatial planning and land-use management aimed at spatial transformation, gaps remain for ensuring that sectoral plans are aligned both horizontally (within spheres) and to municipal long-term development strategies and SDFs. Changes at a more fundamental level are needed to ensure that sectoral programmes take into account municipal spatial planning, which also means that greater emphasis should be placed on the quality of municipal spatial plans. Linkages are urgently needed between the local plans (e.g. SDFs and IDPs), the capital investment framework and the land-use management framework.

## **2. Insufficient use of intergovernmental relations (IGR) structures**

IGR structures and intergovernmental planning are detached from each other, missing the opportunity to integrate and align development initiatives. IGR structures are not being used optimally for their intended purposes, including that of enabling integrated development planning.<sup>38</sup> Provinces seem to have two centres of coordination: the Offices of the Premier are responsible for vertical planning across departments, while the provincial departments responsible for local government oversee intergovernmental planning between the province and municipalities in the province. There is insufficient collaboration at this horizontal planning level.

## **3. Weak long-term planning**

There is a high degree of uneven capacity and approaches with regard to integrated long-term or forward planning. The five-year horizon of IDPs is too limited to address elements such as infrastructure expansion, disaster risk measures and integrated transport and human settlements necessary to overcome spatial inequalities. These elements require much longer time horizons. For example, most infrastructure investments will produce assets that have a 50–80 year lifespan. Given the costs and implications, making the wrong decisions can mean effective technological lock-in that precludes choices that are more innovative.

## **4. Weak capabilities for spatial decision-making and administration**

Inefficiencies in processing planning applications carry enormous cost implications, especially for the private sector, with negative consequences for investment growth and job creation. The planning system does not distinguish between procedural requirements for small municipalities, which receive only a few large applications, and large metropolitan authorities that get many. Although a Constitutional Court judgement passed in 2010 clarified municipal planning responsibilities, urgent action is needed to bolster local government's capacity to fulfil these functions. One of the consequences of weak spatial governance is that spatial planning has tended to follow patterns set by private-sector investment, instead of the long-term public interest shaping the overall pattern of spatial development. The capability of the state to engage with the private sector must be improved, as the private sector has an important role to play.

38. The Presidency. 2014. *Twenty Year Review: South Africa. 1994–2014*. Pretoria: The Presidency.

## 5. Poor urban management

Poor urban management affects the health of citizens and their quality of life. It also affects social cohesion and integration when communities cannot use public spaces because they are not well kept, dirty or unsafe. Some parts of cities and towns, particularly the poorer parts, are characterised by unreliable service provision because of frequent and lengthy disruptions in the supply of services. In addition, the unsatisfactory quality of services, such as solid waste removal, cleansing and road maintenance, is evident in most public transport facilities and other public spaces. In poor and informal settlements, the lack (or insufficient maintenance) of drainage systems results in unnecessary flooding and destruction of roads and pathways. In middle- and high-income areas, city centres and industrial areas, challenges include the frequency of collection and disposal of waste, cleansing and general maintenance. In some instances, municipalities do not prioritise the management of public spaces (e.g. cutting of grass or picking up litter in parks, open spaces and on road reserves), which compromises the safety of residents who have to walk through these spaces. Another challenge is ensuring the safety and security, through enforcing bylaws and regulations (e.g. building), and maintaining streetlights in order to protect the public from crime and disorder. The challenge for municipalities is to balance dealing with existing service delivery backlogs while improving urban management at the same time, in a context of limited human and budgetary resources.

## Policy priorities

Changing the trajectories of spatial development will require bold measures over a sustained period. Such measures should result in compact, integrated and connected cities and regions, which are more productive and less taxing on the environment than the existing sprawling, disconnected cities and regions. The process must start now in order to stop the dysfunctional patterns that have continued since 1994. To achieve integrated urban planning and management, the following policy priorities are identified.

### Short-to-medium term

#### **Align spatial, sectoral and strategic plans**

To guide development and manage growth, municipalities should develop long-term plans, which are aligned to the NDP and to provincial strategies. These plans must form the basis of their SDFs and guide sectoral and private plans and investments. Their long-term plans must identify spatial restructuring zones; nodes for stimulating economic growth, connecting various parts of the city and protecting/restoring the natural environment; and areas for housing and services that support integrated human settlements informed by the mobility networks and economic nodes (see Levers 2, 3 and 6). Disaster risk information should also be used in land-use planning to identify areas that are at high risk from impacts of hazards, such as flood-prone and water-retention areas, and areas that are needed for effective responses, such as escape routes.

Although the different sectors will determine their targets, norms and standards, the locality and sequencing of their programmes and projects must be informed by local spatial plans. These

plans must be supported by a long-term infrastructure investment framework that includes all infrastructure services, both municipal and non-municipal. Therefore, relevant government sectors should engage with municipalities prior to finalising major capital investment programmes.

### **Improve the quality of municipal spatial plans**

Quality and implementable spatial plans should effectively guide other government and non-government partners in developing priority areas. A framework for multi-jurisdictional collaboration should be developed, to promote regional development with clearly aligned and sequenced plans.

### **Align land-use and human settlement planning to transport planning**

Strategic transport planning should inform land-use planning and management. Therefore, new urban development and infrastructure investments (both brownfield and greenfield) should be focused around mass transit corridors and existing/emerging economic nodes, applying TOD principles (see Levers 2 and 6). This will contribute to a denser and more efficient urban form, from which will emerge settlements that are more equitable, integrated and socially diverse. To achieve this, far greater intergovernmental collaboration is needed (see Lever 8). While cities are responsible for planning in their areas, national and (in particular) provincial governments must take into account and align to local government plans (e.g. city development strategies, IDPs, precinct plans, etc.), especially when planning for social (e.g. schools, health facilities, libraries, etc.) and economic infrastructure. Such alignment will lead to the creation of integrated and sustainable human settlements (see Lever 3).

### **Integrate spatial planning and urban resilience**

Development trends, such as population growth and rapid urbanisation, lead to land-use conflicts, increased vulnerabilities and disaster risks. Spatial planning is instrumental in addressing the challenges posed by natural hazards on the built environment. Through land-use planning, vulnerability parameters can be modified to reduce risks. The attractiveness of spatial planning lies in its function for regulating long-term use of space. Through appropriate land-use allocation, exposures to natural hazards can be minimised or even prevented. Spatial plans should be evaluated against integrated risk maps in order to have an understanding of the possible consequences of disasters on the allocation of land uses.. If the designated land use cannot withstand the risk, alternative land-use options should be sought. For example, new or continued human settlement or infrastructural developments in high-risk areas, such as floodplains, will increase exposure to hazards, with flooding likely to incur costs to government, the private sector and communities. Investments in disaster risk reduction can largely protect both the population and national resources from such losses.

### **Support and strengthen capacity to implement SPLUMA**

SPLUMA provides for inclusive, developmental, equitable and efficient spatial planning by the different spheres of government. SDFs should be informed by long-term growth and development strategies, and provide a coherent and common vision for municipal spaces and (where applicable) regions. Land-use and planning schemes should be used to give effect to compact, integrated and connected cities and regions. SDFs should be supported by detailed

sectoral and precinct planning and other instruments. At all levels, government urgently needs to build capacity to develop, align and integrate spatial and sectoral plans in line with the vision outlined in the Act. Municipal planning departments should be well capacitated and funded, able to plan and engage with other stakeholders and to monitor progress on the implementation of plans. Sufficient capacity is also critical for the horizontal alignment and coordination necessary for developing IDPs. This must be accompanied by greater analytical capabilities within government, to pave the way for evidence-based policy adjustments (see Lever 8).

### **Improve urban management**

Urban management is about day-to-day management – getting the basics right. Municipalities should dedicate more attention to their service delivery models (how services are rendered); set clear norms and standards for each service (water, electricity, drainage systems, sanitation, solid waste disposal, cleansing, etc.); allocate sufficient financial, human and operational resources to each service and monitor, report on and evaluate performance, using technology where appropriate. The norms and standards should reflect the quality and efficiency of the service, be appropriate to the municipality's resources and capacities, and be widely communicated to citizens. Where necessary, sector departments responsible for such services should support municipalities in developing the norms and standards, service delivery models, financial models and management systems. Municipalities should also strengthen the enforcement of bylaws and regulations (e.g. building regulations, planning schemes, etc.) in order to create clean spaces and safe neighbourhoods, and partner with communities, to co-produce solutions (see Lever 7).

### **Develop and strengthen instruments for creating compact cities and connected cities**

Compact, connected, integrated and inclusive cities promote efficient services, systems and resource use. TOD is a key instrument for creating compact cities and ensuring better alignment of transport planning, housing and provision of urban infrastructure (see Levers 2, 3 and 4). Brownfield (as opposed to greenfield) developments cost less by using urban structures and create integrated municipal areas. National and provincial governments should set aside special funds to support municipal urban renewal strategies (regeneration), which will also require a proactive and more aggressive state acquisition of land/properties in strategic areas (see Lever 9). Models should be developed urgently, to ensure that the redevelopment of such areas does not push out the urban poor and middle-class and result in gentrification. This would require creating a strong partnership with the private sector, to ensure that both social and economic goals are met. Although regeneration may not be applicable in medium-sized cities and fast-growing towns, attention should be given to precinct-level planning and urban design, to create integrated, safe and inclusive spaces with the right densities, connecting infrastructure, quality public spaces and inclusionary housing. The urban growth boundaries proposed in municipal SDFs must be maintained, to avoid urban sprawl, and to protect environmentally sensitive land and prime agricultural land for food security (see urban resilience cross-cutting issue). This requires collaborative urban governance (see Lever 8). Other instruments include amending zoning schemes to encourage mixed developments and land use that is more intense, altering car parking requirements in favour of public transport use, and changing density regulations to encourage multi-storey buildings.



**Maximise existing IGR structures as a mechanism for coordinating planning**

The Intergovernmental Relations Framework Act (No. 13 of 2005) establishes IGR structures at national, provincial and district level that are mandated to steer coherent policy and planning among spheres. These structures are also key vehicles for setting political and strategic direction, overseeing and monitoring the implementation of plans and budgets, and fostering negotiations and agreements between key governmental and non-governmental role-players in the interests of socio-economic development. However, the emphasis has been on 'coordination' rather than on establishing the necessary mechanisms to ensure effective intergovernmental planning. A proactive approach is required to identify and resolve intergovernmental and planning problems. This should include the use of mechanisms, such as spatial compacts, to negotiate spatial conflicts among spheres, sectors or other actors. Intergovernmental and differentiated planning needs to be strongly positioned within the local government governance framework, together with initiatives to build spatial and long-term intergovernmental planning capabilities for growth and development (see Lever 8). This is particularly urgent for metropolitan municipalities, intermediary cities and the city-regions.

**Ensure greater involvement by Premiers and MECs**

The Premiers, together with the MECs responsible for local government, are key role-players in intergovernmental planning in provinces. Therefore, when provincial departments conduct reviews or draft their strategic plans and annual performance plans, the Offices of the Premier and provincial departments responsible for local government should work together, to ensure that the plans of the different spheres are informed by and aligned to municipal long-term plans, SDFs and IDPs. They should also identify regional spatial development priorities that require joint planning initiatives and collaboration with other sectors. Premiers and MECs should then direct and focus the necessary resources to create coherent centres of planning at provincial level that will support the convergence of investment and development in municipalities.

## Longer term

**Expand the instruments for spatial intervention**

SDFs must be developed based on proper analysis and understanding of urban economies and socio-spatial trends. They must be elaborated into spatial plans that are sufficiently detailed to provide a meaningful basis for adjudicating development applications and guiding the public and private sector's capital investment. Explicit attention must be given to infrastructure within strategic spatial planning (for example, through the development of growth management strategies and their integration into SDFs).

**Modify vulnerability parameters to reduce risks**

To reduce risks, vulnerability parameters can be modified through land-use planning. The attractiveness of this approach lies in its function for regulating long-term use of space. Appropriate land-use allocation can minimise or even prevent exposure to current or future natural hazards.



## Key actors

Municipalities are key for developing the long-term growth management strategies, SDFs and IDPs that must guide investments by all role-players. Credible and implementable spatial planning requires strong collaboration with state-owned entities (SOEs) and the private sector. The Offices of the Premier and provincial departments responsible for local government must ensure that all plans are aligned to municipal long-term plans. National government has a responsibility to take a lead in creating a proactive and integrative spatial planning system that can encourage investment and facilitate sustainable development. Other stakeholders include professional bodies, and academic and research institutions. These stakeholders have valuable skills, knowledge and capacities that government entities can tap into, to change current spatial patterns. Importantly, they can also help to inform and improve spatial planning systems and tools in a responsive and differentiated way, by feeding back practice- and evaluation-based learning.

## POLICY LEVER 2: INTEGRATED TRANSPORT AND MOBILITY

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



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

Integrated transport and mobility contributes to creating compact and connected cities that are dense and efficient. This lever is thus critical for achieving integrated sustainable human settlements (Lever 3), efficient land governance and management (Lever 5) and inclusive economic growth (Lever 6).

Integrated transport and mobility results in:

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

## Status quo

### **Poor people in particular have to commute long distances and pay high transport costs.**

Out of 40 countries surveyed, South Africans spend the longest time in daily commutes to and from work,<sup>39</sup> while more than 50% of poor urban residents spend more than 20% of their declared household income on transport.<sup>40</sup> This is significantly higher than international norms and reinforces poverty and the lack of access to opportunities.

**Transport in South Africa's cities is predominantly oriented towards the private motor car.** The growth rate of private passenger vehicles is higher than that of the population.

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

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

- i. **Bus Rapid Transit (BRT).** Through the Public Transport Network Grant (PTNG), specified municipalities are implementing or plan to implement a rapid public transport network, often centred on BRT systems.

39. OECD (Organisation for Economic Cooperation and Development). 2013. How's Life? at a Glance. OEDC Publishing. [http://www.keepeek.com/Digital-Asset-Management/oecd/economics/how-s-life-2013/how-s-life-at-a-glance\\_how\\_life-2013-6-en#page1](http://www.keepeek.com/Digital-Asset-Management/oecd/economics/how-s-life-2013/how-s-life-at-a-glance_how_life-2013-6-en#page1)

40. Kane, L. 2011. Transport problems associated with poverty in South Africa. [http://www.cfts-uct.org/publication/transport-problems-associated-with-poverty-in-south-africa-national-household-travel-survey-seminar/wppa\\_open/](http://www.cfts-uct.org/publication/transport-problems-associated-with-poverty-in-south-africa-national-household-travel-survey-seminar/wppa_open/)

- ii. **Improving rail passenger services.** The Passenger Rail Agency of South Africa (PRASA) is driving a turnaround strategy that includes new rolling stock and new signalling infrastructure. This investment is a critical component in improving public transport service provision at city level.
- iii. **Non-motorised transport (NMT) infrastructure.** Cities are trying to address the NMT deficit by increasing investments in cycling and pedestrian infrastructure (often linked to BRT investments), but the current scale of such infrastructure is limited.
- iv. **Road infrastructure improvement programmes.** Major investments are being undertaken to improve road infrastructure, through the Presidential Infrastructure Coordination Committee (PICC) and other programmes, such as the Gauteng Highway Improvement Programme.

## Opportunities and challenges

**Access to affordable and quality public transport can help address the socio-economic challenges faced by the majority of South Africans.** The current investments in public transport provide a good opportunity to encourage the use of public transport, especially if supported by greater densification along transport corridors to make them financially viable. National Treasury's Urban Networks Strategy, which seeks to create efficient and effective urban centres through targeted infrastructure investments, is a good initiative for transforming the urban spatial patterns and improving the quality of life of the citizens.

**Existing planning tools and incentives can lead to improved transport, land use and human settlements.** If implemented effectively, these tools and incentives are an opportunity to achieve dense, mixed land use, and pedestrian and cycle-friendly precincts. In this context, public transport becomes a catalyst for spatial transformation and social integration.

Despite these investments, tools and incentives, the following challenges also require attention:

### 1. Roles and responsibilities for public transport not aligned

The National Land Transport Act (NLTA) (No. 5 of 2009) enables metropolitan cities to take over the transport regulatory and contracting functions from provincial governments. However, most metropolitan cities have made little progress, as assuming these functions is a complex process and has major funding and human resource repercussions. Furthermore, it is sometimes difficult to identify the most appropriate sphere for the transport function; for example, in Gauteng, some services are provided at municipal level and some at city-region/provincial (Johannesburg, Tshwane and Ekurhuleni) level. As such, the dynamics in the Gauteng Province are unique and require a distinct dispensation for coordination.

Commuter rail services are a contentious area and are currently the object of long-term major capital re-investments, following a 2004 Cabinet decision, which required the restructuring of non-core assets within Transnet. As a result, the rail passenger entities (Metrorail and Shosholoza

Meyl) were transferred to the Department of Transport (DoT). Out of this arrangement was born the Passenger Rail Agency of South Africa (PRASA), which was responsible for consolidating passenger rail services into a single rail entity. In 2006, Cabinet approved a National Passenger Rail Plan (NPRP) based on the integrated public transport networks (IPTNs) in each metropolitan area. The plan was developed to support the consolidation process and the development of a sustainable business case for the commuter rail service delivery. The NPRP was used to motivate for capital funding to implement the short-to-medium-term modernisation strategy, which includes accelerating the refurbishment of rolling stock, acquiring new rolling stock, implementing a new signalling system, upgrading stations and upgrading the perway. The NPRP complements the work undertaken in the IPTNs and the creation of Intermodal Planning Committees at metropolitan levels.

## **2. Uneven and disjointed subsidy arrangements**

The public transport networks being planned and implemented will need to be maintained and upgraded, and will require substantial operational subsidies to ensure that public transport is affordable for everyone. However, current subsidy arrangements are uneven, and so services are planned, managed and subsidised in a fragmented manner. For example, Gauteng has numerous service delivery and funding streams. These include the national PTNG that funds BRT in municipalities, the national Public Transport Operations Grant (PTOG) that subsidises provincial commuter bus services, separate subsidies for municipal bus services, a national passenger rail subsidy, the provincial subsidy for the Gautrain rail and bus feeder system, the provincial education department's subsidy for the scholar bus service, and national government's taxi recapitalisation subsidy. A similar situation prevails in other urbanised provinces and, to a lesser degree, in other provinces. As a result of these arrangements, separate systems for different public transport modes have become embedded and are an obstacle to integrating services and providing a seamless service to users. Cities are also unable to predict future grant funding, or whether additional revenue sources will be available, which makes longer-term planning difficult.

## **3. Fragmented public transport systems**

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

## **4. Historical under-investment in public transport infrastructure**

The lack of spending in the 1990s on the maintenance and capital expansion of transport infrastructure has had noticeable implications for the current state of public transport in South African cities, in particular the rail network. Although investment in new infrastructure is happening, fully replacing and expanding the network will take a substantial amount of

financial resources and time. There has also been severe under-investment in road upgrades and maintenance, and municipal budgets are insufficient for adequate road maintenance. The problem is compounded by the high levels of road-based freight transport: in 2012, a total of 1 758 million tonnes of freight were transported inland, of which 88.5% (tonnage) was by road and 11.5% by rail.<sup>41</sup> This reduces the life-cycle of road networks because of the intense wear and tear associated with heavily loaded vehicular traffic.

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

Compared to cities in other similar countries, South African cities have lower densities and will therefore have to invest in infrastructure that is more extensive (and thus more costly), but will have lower passenger volumes (and thus earn less revenue). In addition, the distance between commuters' homes and workplaces results in a high peak demand and low off-peak demand, which increases operating costs.

### **6. Urban areas are vulnerable because of the lack of transportation systems**

Mobility and connectivity are key aspects of urban resilience. The lack of proper transportation services in cities makes urban areas vulnerable to shocks in the system, reducing a city's resilience. Transport provides a means for pre-event evacuation and a conduit for delivering rapid assistance during incident/disaster response and recovery.

## **Policy priorities**

South Africa's cities need to transition to the next generation of integrated public transport interventions, building on lessons of the first wave of investment after 2009. To achieve integrated transport and mobility, the following policy priorities are identified.

### **Short-to-medium term**

#### **Empower cities in accordance with the NLTA**

National government should consider the viability of supporting the devolution/assignment of functions for various public transport modes to local government. This should be guided by a devolution strategy. Devolution is based on the premise that local government is the sphere most able to manage and integrate public transport with other infrastructure and services. However, given the complexities of the different transport modes, the strategy should be modal specific and aligned with the relevant statutory provisions. It should clearly prescribe the preparatory work that metropolitan authorities need to undertake before any modal function is devolved. As part of the strategy, the metropolitan authorities should be supported to build a business case that gives clear direction for developing the specific mode, including the resources required to manage and oversee the function; the service level, quality

41. DoT (Department of Transport). 2015. Report on Global Competitiveness by Reducing Transport Costs (Rail and Pipelines). Unpublished report commissioned from Lashka Consulting.

and reliability envisaged; how connectivity will be improved; and how budgets will be better allocated and service delivery improved. For commuter rail, the strategy should investigate specific performance standards and realistic targets to be negotiated between the affected municipalities and the DoT (including PRASA). While the strategy is being developed, national programmes should be introduced to help develop transport-related human resource capacity and institutional learning in metropolitan cities, and, at the same time, ensure that smaller cities and towns are not neglected (see Lever 8).

### **Strengthen and integrate public transport modes**

IPTN plans, including integrating all modes (rail, bus, minibus taxis and NMT) should be completed in ways appropriate to each city's context. The Integrated Transport Plan (ITP) is a key tool for integration and should be aligned to the SDF and other local plans (see Levers 1 and 4). All plans should include NMT and rail, while the implementation plan should provide citizens and businesses with the basis to make location decisions, informed by property and transportation costs. The plan should include estimated costs for completing the networks and a synchronised project schedule. The indicators developed to monitor implementation and grant usage need to incentivise modal and spatial integration. Cities should also invest in infrastructure, ICT and operational capacity that facilitate integration. In cities already serviced by many modes (e.g. Metrorail, BRT, provincial bus services and municipal bus services), the systems need to continue being improved and integrated. The integration of public transport infrastructure and operations through integrated scheduling, ticketing and fare collection should be piloted.

To optimise subsidy funds and provide a seamless transport system to users, national government should support the development of IPTNs, to ensure that network services include passenger rail, BRT, commuter and municipal bus services, small bus services, scholar transport and minibus taxi services. This approach will enable the minibus taxi industry to be amalgamated into network operating companies that are more manageable, which, in turn, will enable effective regulation and law enforcement. National government needs to pursue a workable and mutually beneficial formalisation of the minibus taxi industry. However, the regulation of the minibus taxi industry must be coupled with an effective and sustainable subsidy regime. Transport modes should be considered on a case-by-case basis because cities and towns have different population densities and distances to be covered. Therefore, the IPTN policy and funding must allow for flexible approaches to ensure sustainable solutions for every municipality. Innovative but appropriate and affordable measures must be pursued, to get car users, the private sector and companies to shift from private to public transport.

### **Invest along core public transport nodes and corridors**

Although TOD is a long-term approach, in the short-to-medium term, cities need to identify the core public transport nodes, corridors and other infrastructure investments in those areas. These decisions should be reflected in the SDFs and zoning regulations, to ensure that new growth is concentrated along core transport corridors (see Lever 6). To better understand how to achieve nodal-corridor improvements and extract land-value capture, cities should initiate an action-research programme, linked to pilots in selected cities (in partnership with national



government). A national policy framework to support settlement densification along priority corridors and nodes should also be developed, drawing on existing experience (see Lever 3). Smaller towns, which are not yet planning for public transport but have growing populations, should be encouraged to include density, NMT and public transport provisions early on in the development of their urban spaces. Public transport nodes should be safe and inclusive pedestrianised public spaces that provide economic and retail opportunities (see urban safety cross-cutting issue).

### **Develop an operational subsidisation policy**

The fragmented spatial structure of South African cities means that providing public transport will remain very expensive. Therefore, a national debate on subsidisation is required to give cities the fiscal stability required to be able to operate public transport systems and to ensure ridership numbers. An operational subsidisation policy should be developed, possibly as part of the public transport strategy review. The policy should consider subsidisation principles, fare setting, alignment of the subsidies for different modes, differences in the size of towns and cities, changes in urban form, and the lifetime of public transport interventions. It should also assist in the restructuring of existing subsidies. This is crucial for integration, targeting vulnerable groups, densifying cities and successfully operating the networks. Plans for restructuring the provincially administered bus subsidies also need to be developed nationally, as well as in every affected city.

### **Make cities pedestrian and cyclist friendly**

Citizens need to be able to access public transport, and walk or cycle in towns or cities. All road designs and other infrastructure/built environment plans should therefore consider NMT infrastructure. The design of human settlements and roads should take into account safety from traffic and crime, and universal access for people with disabilities, the elderly and families with children. This goes beyond providing infrastructure to include ongoing maintenance, law enforcement, and operations. Universal access and safety must apply to the whole journey experience, from accessing information about the public transport system, to planning the journey, buying the ticket, and walking or cycling (or taking a vehicle) to access public transport (see urban safety cross-cutting issue). As NMT is key to functional human settlements, infrastructure and operations should be viewed from the perspective of all users, including children, youth, women, the elderly and the disabled. When planning public transport routes, access to social infrastructure (educational, recreational and health facilities, and government services) need to be prioritised and the safety and inclusivity of stations and surrounding public spaces considered. NMT pilot projects should be used to identify best practices for use in all urban areas.

## **Longer term**

The long-term target should be to reduce vehicle emissions, ensure appropriate resource efficiency and switch to greener fuels, to reduce the negative impact of transport on the environment and health of citizens (see urban resilience cross-cutting issue). Standards should be set for all public and private vehicles. Pilot projects should be implemented for congestion

and parking pricing, car-pooling incentives, and testing of fuel-efficient technologies and alternative fuels for taxis and buses. The pilot projects should be monitored for operational consequences, cost implications and ridership numbers.

The continued willingness to react to the lessons learnt and to maintain momentum will define progress. Key transport nodes and corridors should be well established and properly managed, leading to ongoing private investment and consolidation. The infrastructure and systems of the core IPTN should be completed, and new phases planned where necessary. The integration of all modes should be completed, and NMT should be used widely, out of choice. Service improvements, combined with regulatory measures, should drive a significant shift from private car use to public transport. Cities should manage transport planning, and regulatory and operational functions, while continuously improving the efficiency and affordability of transport systems. Where viable, cities may pursue transforming or developing into airport cities or aerotropolises, which provide revenue from non-aviation sources and convenience for users.

## Key actors

All spheres of government play a significant role in the country's public transport systems. The national DoT is responsible for determining norms and standards through policy and regulations, planning, maintaining freeways (through the South African National Roads Agency Limited) and passenger rail (through PRASA), as well as for managing grants at provincial and local levels. Airport cities establish commercial and/or real estate divisions to address development beyond airport boundaries, while the Department of Environmental Affairs sets the environmental standards for the sector. The provincial departments of roads and transport build and maintain various provincially owned roads, contract bus services, regulate public transport through the issuing of operating licences and issue vehicle licences.<sup>42</sup> Some urban municipalities run and fund bus networks. All municipalities build and maintain roads, and are responsible for the planning of the built environment, including public transport networks, in their spaces. The minibus taxi industry transports the majority of public transport users, followed by bus operators. National Treasury's Cities Support Programme (CSP), the SACN and universities assist in building specialised capacity.

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42. In Gauteng, the province has a bigger role because it manages the Gautrain and coordinates metropolitan plans within one agglomeration.

## **POLICY LEVER 3: INTEGRATED SUSTAINABLE HUMAN SETTLEMENTS**

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



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

Housing is just one of the interventions required to create urban environments that are liveable, integrated and multi-functional. Also needed are mobility choices to improve access, economic interventions to better people's livelihoods and appropriate land use to facilitate more integrated and inclusive neighbourhoods.

This lever contributes to integrated urban planning and management (Lever 1), integrated transport and mobility (Lever 2) and efficient land governance and management (Lever 5).

Integrated and sustainable human settlements result in:

- Improved quality of life for all citizens who have full access to all basic services and the multiple social, cultural and economic opportunities of urban areas;
- Multi-functional spaces with varied shelter, locational and economic choices; and
- Well-serviced, safe, cohesive and vibrant communities.

## Status quo

**Housing demand is greater than the pace of formal housing delivery and land released.**<sup>43</sup>

This is because of increased urbanisation and changing demographics (smaller households and migration patterns).

**The concentration of poverty in large urban areas is growing**, although rural areas are relatively more deprived.<sup>44</sup>

**The lack of well-located land and high property prices** mean that residential areas continue to be segregated based on race, social status or class, and housing remains unaffordable to many South Africans. The Housing Development Agency (HDA) has acquired land but much of it falls outside the major urbanisation pressure points, possibly reflecting the dominant prime land retention strategies of many of the SOEs.

**The proliferation of marginalised and disconnected settlements (on the periphery of cities)**, with no integration with mobility interventions, makes access to socio-economic opportunities difficult, especially for low-income households that mostly live on the periphery of cities.

43. Between 1994 and 2011, government built over three million homes and provided 855 000 serviced sites, but a backlog of 2.1 million housing units remains. Similarly, although nearly 500 informal settlement locations have been replaced with quality housing and provided with basic services, approximately 1.2 million households still live in informal settlements.

44. In the former homelands, less than 30% of adults are employed (compared with 55% in cities) and one in two households depends on social grants or remittances (compared with one in six in cities).

**There is a lack of sufficient social and rental housing** for the lower end of the market, especially on well-located land with good access to socio-economic opportunities.

Several programmes are currently being implemented, in line with the 2004 Breaking New Ground (BNG) policy and other policy initiatives, including:

- **National Upgrading Support Programme (NUSP).** This programme improves the quality of life in informal settlements. It is currently being implemented in approximately 53 municipalities, supported by conditional grants, such as the Human Settlements Development Grant (HSDG) and the Urban Settlements Development Grant (USDG).
- **Devolution of built environment powers and functions.** The national Department of Human Settlements is working closely with metros and other municipalities to craft collaborative housing plans in line with the national human settlements master plan. In the longer term, the human settlement and transport authority functions are expected, eventually, to be assigned fully to the most capacitated metros and intermediate cities.

## Opportunities and challenges

**The devolution of built environment functions** provides an opportunity to integrate housing delivery with public transport planning and social infrastructure provision. While some municipalities may not have the capacity and resources to implement this integrated approach, the bigger towns and cities are ideally placed to take on a more expanded mandate. Delivering human settlements at this local level will achieve greater transformation and alleviate municipalities from the burden (and costs) of fragmented development.

**The development of the White Paper on Human Settlements** provides an opportunity to progress to a model that sees human settlements as more than just housing, offering various housing choices and appropriate technology options, and promoting tenure.

Despite these developments, the following challenges require attention:

### 1. Escalating demand for serviced shelter

Rapid urbanisation has resulted in growing infrastructure backlogs and more marginal and un-serviced settlements areas, which are placing tremendous strain on municipal finances. As the demand for services grows, so too does the number of urban poor unable to contribute to municipal coffers. At the same time, demand is outstripping the growth in formal housing, leading to increased informality. More people are settling on dangerous sites, such as steep slopes, low lands adjacent to unprotected riverbanks and ocean shorelines, and have structures that do not meet building codes, making them vulnerable to disasters. Rapid urbanisation and growing informality of settlements also increases pressure on the natural environment, including issues such as sufficient water supply, urban waste management, air and water pollution, degradation of vulnerable eco-systems and the erosion of arable land. The nature of the demand for serviced shelter is also evolving, as a result of technological advances, a younger urban population and the changing nature of employment. The current multiplicity

of urban lifestyles requires greater flexibility, with diverse dwelling forms and sufficient affordable housing options across all tenures (home ownership, rental and social housing) and to accommodate different periods of people's lives.

## **2. Shortage of well-located public land for settlement development**

Despite reforms to the planning and land governance systems, colonial and apartheid legacies still dominate the structure of and access to urban spaces. Even though the state holds substantial tracts of public land, much of this land is not available or suitable for residential purposes. It may be located on unsuitable topography, rendered unsuitable because of former uses (e.g. was a dump site), earmarked for other public uses (e.g. clinics), or located away from existing bulk infrastructure networks. Some urban centres, such as mining and industrial towns, are rapidly growing and have specific requirements for managing their expansion. As urban environments develop and change, the notion of well-located land close to urban opportunities needs interrogating. The definition of 'well-located' may have changed, whereby well-located land is land located across the span of the whole city (especially in multi-nodal cities), and not only close to the inner city. A stubborn spatial challenge to achieving integrated urban development is the location of new housing projects, which currently are still found far from existing developments (or not easily connected to existing transport or economic networks).

## **3. Skewed residential property market**

A dual property market prevails in South African cities: the formal market of the suburbs and commercial areas, and the market in lower-income areas, where the economy is predominantly informal and survivalist. The initial housing policy was intended to provide the poor with starter homes through a housing subsidy, which would then allow them to participate in the residential property market. However, poor people are unable to use property as an economic asset because subsidised housing is not being absorbed into the formal residential market, and the transfer of title deeds for subsidised housing is delayed, sometimes for years.

## **4. Low densities of South African cities**

South African cities have some of the lowest densities in the world and residential areas that are mostly separated from places of employment, recreation and public facilities. This hinders integration, sustainability and equity. As a response to spatial fragmentation, an approach increasingly being implemented in South Africa is TOD, which encourages mixed land uses along transport (transit) corridors and depends on the integrated planning of human settlements, transport and infrastructure. It results in cities that are more compact, affordable and inclusive, and, in the case of certain mass-transit public transport interventions, requires higher densities than is currently the case in South African cities. However, higher densities also require communal and open spaces with a clear urban management plan that considers the safety and security of users.

## **5. Some human settlement interventions lack an economic logic**

Many post-apartheid human settlement interventions may provide shelter and tenure security but lack an economic logic, being far from economic opportunities. At the same time, encouraging economic activity in these settlements has been very difficult, partly because of



the lack of infrastructure but also because private investors do not regard townships and low-income areas as viable investment locations.

## **6. Townships and informal settlements are poorly planned and designed**

The physical environment and public spaces in many areas are neglected and poorly planned, designed and managed, particularly in townships and informal settlements. This contributes to urban violence and crime. The lack of quality 'green' and safe public spaces, which are the lifeblood of vibrant and successful cities and towns, has a negative effect on real or perceived threats to the safety of users in the existing spaces, especially women and girls. Inadequate housing exposes the inhabitants to hazards and health threats, with one of the most serious threats being overcrowding, which enhances the transmission of diseases among the household members, especially children, older persons and people with disabilities. Many informal settlements are found on dangerous sites (e.g. low land prone to flooding) and contain structures that do not meet building codes. This makes them vulnerable to the impacts of climate change, which go beyond exposure to extreme weather events.

## **7. Conflicting interests and approaches by role-players**

A more holistic understanding and approach to sustainable human settlements is required in order to deliver human settlements that include shelter, economic mobility and social interventions (such as health and education). This has implications for institutional arrangements and capacities. To date, social and economic interventions have been inadequate and resulted in the creation of poverty traps, as opposed to the envisaged sustainable human settlements. In some instances, the state's role in guiding transformative investments and driving the public good has been frustrated by contestations from private actors (e.g. 'not-in-my-backyard' responses). Involving the community in co-producing the urban environment, particularly in low-income housing developments, is also critical for building sustainable settlements.

# **Policy priorities**

The ultimate goal of sustainable human settlements is a decent standard of living, which includes access to transport, safety and security, adequate healthcare, nutrition, housing, water, electricity and sanitation services.<sup>45</sup> To achieve integrated sustainable human settlements, the following priorities are identified.

## **Short-to-medium term**

### **Finalise the Human Settlements White Paper**

The most urgent priority is for government to finalise the Human Settlements White Paper. The envisaged White Paper should provide a model for responding to the various challenges.

45. NPC. 2012 *National Development Plan 2030: Our future – make it work*. Pretoria: NPC, the Presidency, p. 38.



These include informal settlements upgrading, inner city regeneration and renewal, multi-segmented rental housing (including backyard rentals), devolution of the housing function, and access to basic infrastructure and services in new developments. It should also promote the development of housing along transport corridors and areas with economic potential, as opposed to on the periphery (see Lever 2).

### **Finalise the devolution of the housing function**

Local government is responsible for delivering basic services and, with the enactment of SPLUMA in 2015, strategic and land-use planning is placed clearly with municipalities. Interdisciplinary collaboration is critical in order to strengthen how SPLUMA may be used to re-imagine SDFs. These must represent the interface between land use, transport planning, and the location and type of human settlement, spatially located near economic activity and/or transport links. Thus the intergovernmental centrality of the spatial framework drives the required spatial integration.

### **Accelerate the upgrading of informal settlements**

Informal settlements are important areas of access to the city, especially for the very poor, including migrants from rural areas. Informal settlements are generally located in areas that promote access, but are also often found in locations that are unsafe for human settlement or in environmentally poor areas. Upgrading would help to deal with the various risks and vulnerability to shocks. The NUSP should be accelerated, and provinces and municipalities should play a central role in ensuring that targets are met. Priority must be given to identifying safe land, upgrading tenure, and providing basic services, social services, spaces for economic activities and alternative delivery models. This will assist in protecting low-income citizens, who are often the most severely affected by disasters. Furthermore, where implemented, this programme should be a priority in the municipality's IDP and budgets. Provincial departments of human settlements should also provide sufficient budgets for the upgrading of informal settlements. Partnerships with civil society and communities are critical for developing sustainable models, and so municipalities should work together with civil society and local inhabitants to identify and implement innovative and relevant solutions (see Lever 7).

### **Prioritise the regeneration of inner cities**

Inner cities play an important role as 'arrival areas', offering access to employment and informal economies, reduced transport costs (even walking to economic opportunities and thereby reducing household expenses), and so on. Their renewal and (re)development should be prioritised, with a focus on providing affordable housing and improving not only public sector investments and management, but urban management as well to make the area safer (see urban safety cross-cutting issue). Inner city regeneration should be a priority in bigger cities and will require partnerships between government, the private sector and housing finance institutions. Government should retain responsibility for inner city regeneration and attracting private investment to declining inner city areas. However, this must be accompanied by a clear programme to protect poorer residents from displacement and exclusion. Government should prioritise resources to proactively acquire properties in these areas and design models that address gentrification.

### **Provide additional options for accessing urban opportunities**

To meet the diverse needs of different kinds of households, greater variety within housing stock should be encouraged. Land must be made available to accommodate an expanding urban population. Cities should develop (or use available) land-use management systems that acknowledge and support different settlement typologies. This might require infrastructure upgrading to ensure sufficient capacity (see Lever 4). A wider variety of affordable rental options is important in order to meet the need for flexible, easy-access accommodation for a mobile population, accompanied by a strong rental management approach.

### **Promote densification, including support for backyarding**

Significant densification is already happening along economic corridors and transport links, and in most residential areas. This densification is generally formalised, but, in most townships, is informal and unregulated, taking the form of backyard structures and/or additions. Backyard rentals provide affordable rental accommodation for lower-income groups and for people not needing permanent accommodation. These rentals also offer owners income assets. Cities need to develop strategies to extend basic services to backyarders, assist with creating more permanent structures and enhance tenant security. Suburban densification options must also be intensified and extended through, for example, high-rise buildings. Home owners could also be incentivised to invest in rental or home-business opportunities, which would increase densities and mixed use. Denser environments require effective management strategies that allow for high-quality open space for residents (see Lever 1). Therefore, a key component of any urban densification strategy must be safe, pedestrianised public open spaces, accessible to all urban residents, especially women, children and youth, the elderly and the disabled. These spaces would ideally be accessible via NMT or public transport and include learning and recreational facilities, safe public sanitation facilities and places for physical activity.

### **Redevelop townships**

The majority of urban South Africans live in townships, where the focus should be on investing in public infrastructure, strengthening the transport links between townships and areas of economic opportunities, and improving public health and education.<sup>46</sup> National Treasury's Urban Network Strategy (currently being developed as part of the Neighbourhood Development Partnership Programme) is a good starting point for linking townships with other economic nodes and concentrating infrastructure investments. This kind of integrative approach should be adopted for public infrastructure investments across spheres and sectors of government (see Lever 4). An example is the provision of good public health and education facilities and services in townships and other marginalised areas, where health and education are provincial and national competences, with local government providing a critical supportive role. Another important strategy is developing and supporting the existing small-scale economic activities of informal traders and businesses in townships (see Lever 6).

46. Lessons from programmes such as the Urban Renewal Programme and the Top 20 Priority Townships Programme of Gauteng Province should be considered.

### **Develop a national policy on inclusionary housing**

Inclusionary housing can result in increased integration and enable lower-income groups to access housing and employment in higher-income areas. Government alone cannot meet the demand for well-located housing and so needs to work in partnership with the private sector and key stakeholders (see Lever 8). An inclusionary housing policy should be developed that incentivises property developers to include a level of affordable housing in their developments. Some private developers have (to a certain extent) started providing mixed-income housing projects, in partnership with local government; these initiatives need building upon. However, although these mixed-income projects tend to be relatively well located (i.e. they are on accessible routes to main sources of employment), they are mostly confined to lower/middle-income areas of the city. Inclusionary housing should also consider the needs of all types of households: young individuals, female-only households, and households with people with disabilities.

### **Identify and fast track land for settlement interventions**

Fast-tracking the availability of safe land for building settlements and associated development, such as public transport, open space, commercial activities and social facilities, is important (see Levers 1 and 2). In identifying suitable land, consideration needs to be given to its environmental and physical attributes, and to whether or not development plans are integrated with broader city and other sector plans and aligned across government spheres. Protecting ecosystems and natural buffers should also be a key consideration, since it can lessen the risk and impact of floods, storm surges and other hazards. Increasing tenure is essential because, while ownership is important, younger urban residents may prefer well-located, high-quality, well-managed and affordable rentals.

### **Develop norms and standards for urban design**

Urban design principles should produce safe, liveable and inclusive urban spaces, resulting in an improved quality of life for all residents. Creating sustainable human settlements is not simply about building houses and rental stock, but includes the provision of social, public and economic facilities. Therefore, differentiated norms and standards need to be developed that go beyond engineering services, to include social facilities, public spaces and green infrastructure (see Levers 1 and 4). Spatial contracts also need to be introduced, to ensure that all social and economic infrastructure services are aligned to housing and transport provision.

### **Transform public spaces into safe places of community life**

Increased attention should be given to creating, maintaining and activating quality public open spaces, such as parks, squares, playgrounds and transport interchanges. These spaces should be seen as shared centres of community life and generators of social inclusion and cohesion. The principles of Crime Prevention through Environmental Design should be actively encouraged and supported, along with municipal norms and standards in urban design, planning and management that give priority to safety considerations in enhancing people's experience of the built environment (see urban safety cross-cutting issue). These spaces should also be barrier-free, to accommodate young children, the elderly, adults with babies and the disabled.

## Longer term

The focus should be less on government's role in providing housing and more on putting in place a regulatory and policy environment that allows other role-players to provide housing options that cater for different needs. The inner suburbs of cities should be redeveloped to accommodate apartment blocks rather than single/double-storey houses, while gated communities should gradually be eliminated as social cohesion improves. Lastly, the concepts and ideas for the integration of human settlements need to continue to be informed by developmental thinking and research, and by partnerships and alliances with key national and international role-players.

## Key actors

A host of actors need to work together to reshape the built environment within municipalities. They include housing and land-related public institutions, such as the National Home Builders Registration Council, the National Housing Finance Corporation, the National Urban Reconstruction and Housing Agency, the Social Housing Regulatory Authority and the HDA. The continued operation of the NUSP requires the participation and integration of national ministries, provincial governments (particularly provincial planning commissions), Offices of the Premier, and departments of human settlements, transport, environment and economic development. Commercial financial institutions and development finance institutions (DFIs) are also important, as are grassroots movements. These include associations that represent informal settlement residents, ratepayers, vulnerable groups (such as the disabled) and consumers, as well as professional bodies, think-tanks and NGOs that focus on the built environment (e.g. advocacy, research and delivery). These resources should be harnessed in the formulation of the White Paper and various other mechanisms.

## POLICY LEVER 4: INTEGRATED URBAN INFRASTRUCTURE

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



Infrastructure planning is about long-term life-cycles of highly complex socio-technical systems. Large water and power generation infrastructure projects take up to 10 years to bring online, and the operational burden is considerable because of long asset lives (50–80 years or longer). Economic infrastructure provides the essential inputs and links for the economy to function, while social infrastructure provides the structures for the care, education and security of the population. Infrastructure is consumed as a bundle of services, and so the planning, financing, constructing, operating and maintaining of each service needs to be done in an integrated and sustainable way. Furthermore, development decisions can affect exposure and vulnerability to multiple hazards over time. Measures that can be taken to reduce losses and build resilience should be considered. How infrastructure is planned, financed and operated is a powerful instrument for steering the development of an efficient, equitable and resilient urban form and facilitating access to social and economic opportunities.

Integrated urban infrastructure that is resource efficient supports the development of efficient, equitable and resilient cities that provide access to social and economic opportunities. This lever is essential for achieving integrated transport and mobility (Lever 2), sustainable human settlements (Lever 3), inclusive economic growth (Lever 6) and urban resilience.

Integrated urban infrastructure results in:

- Universal access to basic social and other services, which supports equality and inclusivity;
- Environmental benefits, through the protection of ecological resources;
- Sustained economic activity, growth and job creation; and
- Urban resilience.

## Status quo

**Current levels of capital finance are insufficient to match projected infrastructure requirements.** To enable infrastructure to reach suitable standards, an additional R4-billion per sector would be required every year for five years, in the case of water and sanitation, and for just under seven years, in the case of electricity.<sup>47</sup>

**The condition of infrastructure assets in cities and towns ranges from excellent to dysfunctional.** Local government and public entities have to optimise their resources to maintain and extend the lives of existing assets, while, at the same time, adding to their infrastructure stock to facilitate growth.

**Municipal operating costs and administrative tasks will expand** because of the increased roll-out of infrastructure to remove backlogs and meet the needs for growth. Total municipal operating expenditure is expected to increase by 63% over 10 years.<sup>48</sup>

47. FFC (Financial and Fiscal Commission). 2013. 2014/2015 Submission for the Division of Revenue. Midrand: FFC, p. 136.

48. Palmer, I, Graham, N, Swilling, M, Robinson, B, Eales, K, Fisher-Jeffes, L, Käsner, SA and Skeen, J. 2013. South Africa's Urban Infrastructure Challenge. A Contribution to the Integrated Urban Development Framework.



**Responsibility for implementing infrastructure plans lies with provinces and municipalities,** although national departments are responsible for policy, legislation and standards.

**Infrastructure is a bridge between rural and urban areas,** and between the primary sector and other sectors of the economy.

## Opportunities and challenges

**The PICC provides a good starting point for investing in strategic infrastructure.** The PICC was set up to coordinate South Africa's infrastructure building and upgrading programme across all spheres of government and priority sectors of the economy, and to contribute to social development and overcoming basic services backlogs. The 18 Strategic Infrastructure Projects (SIPs) cover more than 150 specific infrastructure interventions countrywide (rail, roads and ports; dams, irrigation systems and sanitation; new energy generation plants, transmission lines and distribution of electricity to households; communication and broadband infrastructure; social infrastructure in the form of hospitals, schools and universities; and regional infrastructure).

**Increased investment in developing and maintaining social infrastructure** (educational and health, sports and recreation, libraries, cultural, etc.) improves people's quality of life, and creates safer communities and integrated, sustainable human settlements.

**Green technology offers opportunities.** A combination of rising energy costs, electricity shortages and government procurement of renewable energy has encouraged the development of domestic capabilities to manufacture some renewable technologies. Although off a low base, momentum is growing to use green technologies, as resource efficiency makes commercial sense. Long-term planning is incorporating the idea of 'resilient infrastructure' that can handle shocks arising from climate change or other disaster risks.

Despite these initiatives, the following challenges also require attention:

### 1. Fragmented governance of urban infrastructures

Local governments are not fully empowered to control their urban infrastructure. Separate national policy and regulatory frameworks govern energy, water (and to some extent sanitation), solid waste management and transport. These various and sometimes disconnected frameworks require local governments to formulate sector plans (except for energy and storm water). However, local governments do not legally have to formulate integrated infrastructure plans that combine sectors with local plans (water, transport and solid waste) and sectors without local plans (energy and storm water). Without such integrated plans, local governments cannot prepare long-term budgets or provide citizens and businesses with the certainty needed to build confidence in the future of the city or town.



## **2. Lack of coherent local-level planning and delivery**

Municipalities are required to formulate IDPs, SDFs and (for larger cities) BEPPs and ITPs, which are intended as comprehensive, integrated infrastructure plans. However, the boundaries are unclear for the functions and powers between spheres of government. Cooperative governance is extremely complex, with sector-specific national policy and regulatory frameworks, and shared responsibility for regulation and funding among the three spheres of government. Further complicating integration at a local level is planning by sectors, which is governed by national policy and regulations, managed by sector departments and often operated as a concurrent function. The result is fragmented outcomes and unclear accountability for expenditure and decision-making.

## **3. Insufficient funding for capital investment and infrastructure maintenance**

In recent years, national government has channelled additional resources into municipalities to address infrastructure challenges. However, cities and towns are under increasing financial pressure to deal with their infrastructure and service delivery challenges (backlogs, as well as infrastructure for growth). Rising population pressures and slowing own revenues mean that municipalities, including the large cities, have become increasingly reliant on central or provincial government resources to fund a larger part of their infrastructure development budgets. If these trends continue, the gap between available funds and requirements will become unmanageable.

## **4. Capacity constraints in capital investment**

While some entities face insufficient capital resources to meet demands, others struggle to spend their capital budgets in full because of critical shortages of technical skills or poor recruitment practices. These capacity constraints frequently result in poor project selection, weak supply chain management, poor quality controls, construction delays and weak management of the assets built, which prematurely shortens their useful lives. Thus 'value for money' procurement for infrastructure development needs more focused monitoring.

## **5. South African economy limited by inadequate energy and infrastructure**

Inadequate infrastructure is already a binding constraint on the South African economy and has implications for job creation and other socio-economic objectives, as well as the ability of cities and towns to be engines of growth and development. Unless electricity constraints are addressed, the economy cannot grow at a rate of more than 3% per year. Similarly, the current transport and logistical infrastructure will be unable to support an economy that grows at more than 3.5% per annum.

# **Policy priorities**

Cities and towns are required to work on three fronts simultaneously: to address new basic services demands and backlogs, particularly in townships and informal settlements; to invest in and maintain economic infrastructure, and to reliably deliver services to underpin economic growth (e.g. supply of electricity, transport and communication to businesses); and to prioritise

infrastructure projects that can catalyse new economic growth (e.g. investment in information technology). To achieve the growth of well-managed and integrated urban infrastructure, the following priorities are identified.

## Short-to-medium term

### **Consolidate and coordinate infrastructure funding**

Despite the introduction of the USDG and recent amendments to the fiscal framework suggested through the Cities Support Programme (CSP), greater funding coherence and integration are required across sectors. The Medium Term Strategic Framework (MTSF) for Outcome 9 (local government) makes provision for a review of the infrastructure funding regime. The Local Government Infrastructure Review needs to be assessed, to establish whether or not the available resources are being adequately consolidated and leveraged to support economic growth. Fiscal policy should also ensure adequate spending on rehabilitating and maintaining infrastructure. Consolidated funding for infrastructure needs to provide municipalities with sufficient resources for a growing economy. Furthermore, the municipal responsibilities for maintaining water and energy bulk distribution systems need to be appropriately allocated and funded (see Lever 9). Cities should also be given greater autonomy in defining programmes and projects, but with specific performance indicators related to the long-term objectives encapsulated in the IUDF.

### **Institutionalise municipal long-term infrastructure planning**

Each city's growth management strategy's long-term vision should provide an overarching strategic framework for infrastructure planning, as a tool for coordinating sectoral plans (see Lever 1). All projects and major capital investments (national, provincial and local) need to be spatially targeted and aligned to these municipal plans. The municipal plan should include the infrastructure investments for achieving broader social, equity and environmental objectives; principles of differentiation to enable targeted investments (e.g. economic nodes, informal settlements and poorly serviced locations); resources to be assigned through the PICC SIPs and related targeted infrastructure growth investments; changing demand for resources (specifically water and energy), as migration and settlement patterns evolve and diversify (see urban resilience cross-cutting issue); environmental constraints; financing of required infrastructure investments (capital and operating over the life cycle, recognising that higher capital expenditure might ensure lower operating expenditure and environmental benefits); and institutional arrangements for providing, operating and maintaining infrastructure. Robust infrastructure, which is well-conceived (according to building codes) and properly constructed and maintained, is vital to withstand the impacts of hazardous events without significant damage or loss of function. Reducing the risk of disasters helps to protect development investments and enables societies to accumulate wealth, in spite of hazards.

### **Strengthen intergovernmental planning, roles and partnerships**

Coordinating mechanisms between spheres of government and within sector departments must be used to improve collaboration and integrated planning in practice. Established consultative forums should become transactional IGR platforms for collaborating, negotiating trade-offs and

agreeing on planning priorities to obtain optimal results. Continued effort must be made to clarify functional roles and reform procedures, to enable local government to improve infrastructure delivery, planning, funding, building and management through the infrastructure lifecycle (see Lever 8). Engagement with the private sector and communities is critical, especially when planning and monitoring social infrastructure. Municipalities also need to build stronger relations with communities and civil society in order to foster collaborative 'place-shaping' decisions that improve liveability, especially within informal settlements (see Lever 7).

### **Widen sources of finance for urban infrastructure**

Cities and towns need to widen their access to finance from internal resources and from investors in order to build the physical assets for more inclusive growth at the required scale and pace. Cities and towns can raise their credit status by improving operating efficiencies and revenue collection. Municipalities should increase the use of development charges collected from property developers to finance bulk and connector infrastructure related to property development. New instruments are needed to match infrastructure funding and payment profiles with institutional investment needs. Cities control the management of capital programmes and so are in a position to partner with private finance in urban development programmes. Reaping the urban dividend underpinned by integrated urban infrastructure will be impossible without mutually beneficial partnerships between local government and the private sector (see Lever 9).

### **Invest in ICT infrastructure and literacy**

Successful ICT investments should result in effective governance systems, the availability of infrastructure and technical platforms, and the bridging of digital divides. ICT contributes to decision-making that is more informed (evidence-based urban planning), greater citizen participation in shaping urban spaces, increased accessibility for persons with disabilities, reduced infrastructural barriers, improved access to opportunities and products offered by non-government role-players, and better integration of transport systems. Government spheres need to work together, with national government ensuring supportive national ICT policy frameworks that enable both the private sector and cities to invest in ICT infrastructure. Furthermore, government, working with other partners, should invest in training and educating people, particularly the urban poor and excluded groups, to shift the digital divide from material access to actual use of the Internet and ICTs in order to deal with 'second-level' digital divide (see Lever 8).

### **Develop infrastructure as a bridge between rural and urban areas**

Transportation, communication and energy infrastructure is the backbone of urban-rural development. Good infrastructure should enhance socio-economic development by providing access to urban markets, health and education facilities, and employment opportunities. Furthermore, road and rail infrastructure should link local farmers to food processing industries. National and provincial governments, working with local government, should invest in the development of good transport networks (road and rail) and ensure the alignment of SIPs with other major transport investments. Promoting access to ICT infrastructure (such as fast broadband and mobile coverage) in both urban and rural areas is also critical in improving rural-urban linkages (see rural-urban interdependency cross-cutting issue).

### **Building resilience through integrated urban infrastructure**

Conservation or restoration of ecosystems provides cost-effective options for climate change adaptation and disaster risk reduction. Healthy catchment areas outside cities and green open spaces within cities help to slow the flow of water and increase its infiltration. Furthermore, infrastructure should be constructed in a manner that makes communities less vulnerable to disasters and strengthens their resilience. Municipalities should also ensure that urban infrastructure is constructed and maintained in accordance with building codes and standards.

### **Longer term**

In the longer term, the country should lay the foundations for improvements in productivity and efficiencies that are more intensive, especially for infrastructure delivery, based on cleaner, less polluting and carbon-intensive technologies. Achieving this will require greater regulatory control and increased monitoring of the planning and investment project cycle. The focus should also be on improving resource efficiency when delivering basic urban services and transitioning away from unsustainable resource consumption patterns. For example, delivering electricity through a metered supply to every user; incorporating renewable energy and energy efficiency measures; encouraging water efficiency and reducing losses; recycling and re-using waste and wastewater; developing an urban form that includes space for pedestrians and cyclists on roads and bridges, and emphasises mass public transit systems for bus and rail high density areas.

### **Key actors**

Multiple sectors and entities are involved in delivering infrastructure, from the primary roles of respective government spheres and sector departments, to major construction and investment conglomerations. Infrastructure requires the highest level of collaboration between the state and the private sector, with opportunities for smaller entities, especially within the social infrastructure sector. A cluster to manage the delivery of public service utilities should include the departments of human settlements, transport, energy, environmental affairs, water and sanitation, economic development, telecommunications and postal services, public enterprises, National Treasury and those responsible for local government form. Integrated and collaborative intergovernmental planning for the cost-effective investment of public resources and the expansion of infrastructure within our urban and city-regions is essential. Supporting actors include the Development Bank of Southern Africa (DBSA) and the State Information Technology Agency (SITA).

## POLICY LEVER 5: EFFICIENT LAND GOVERNANCE AND MANAGEMENT

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



Land values are dynamic and influenced by (among others) bulk infrastructure investment, property tax policies, development rights and the urban edge. They also reflect apartheid patterns of segregation and mono-functional use. For private investors, land value is the capital base for accessing further finance to invest in new property developments, which are, in turn, supported by the municipality through, for example, infrastructure, services and public transport. For municipalities, increasing land values strengthens their revenue base, but well-located land is also needed for the poor in order to achieve spatial transformation. A crucial determinant of how easily poor citizens can improve their circumstances is the way in which urban formal and informal land markets operate. The formal market is legally recognised, while the informal involves unofficial transactions where land rights are exchanged but not officially recorded as legitimate by government. The informal market meets the demand of many South Africans for affordable, flexible accommodation, but the lack of legal recognition scares off investors because of concerns around insecurity of tenure.

Efficient land governance and management ensures stability and predictability in the land market, and contributes to the growth of inclusive and multi-functional urban spaces. This lever is critical for achieving integrated urban planning (Lever 1), transport and mobility (Lever 2), sustainable human settlements (Lever 3), and inclusive economic growth (Lever 6).

Efficient land governance and management result in:

- Poor people being able to access well-located land, close to economic opportunities and social amenities, with security of tenure;
- Sustainable urban form (compact cities) and land use;
- Spatial transformation and the creation of inclusive cities;
- Stronger municipal revenue base (mainly property taxes and rates); and
- Resilient urban areas.

## Status quo

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

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

**Land and property markets exclude the poor and exacerbate existing inequalities,** despite the protection of housing rights in South Africa's Constitution and Bill of Rights. Most South Africans cannot afford to access urban land because the price is too high, which increases their exclusion from a land market that serves mainly the wealthy. Poor households are unable to reap the full return on their investments in their homes and businesses, which are mostly informal and in rental premises, making them vulnerable to eviction and displacement.



**A framework for spatial planning and land-use management is in place.** SPLUMA provides for far greater municipal decision-making over how land in their jurisdiction is assigned for development. The objective of the Act is to drive spatial planning that is more inclusive, developmental, equitable and efficient, through alignment of the spatial plans of the three spheres of government. This is intended to promote greater consistency and uniformity in the application procedures and decision-making by authorities responsible for land-use decisions and development applications.

## Opportunities and challenges

**The Housing Development Agency (HDA) is developing the Land Planning and Assembly Programme,** with the purpose of designing and coordinating strategies and support programmes, to facilitate the release of integrated land and landed property for the development of sustainable human settlements. The programme also seeks to offer geo-spatial information services through research and innovative solutions, which could enable the poor to access land and other opportunities.

**Provincial planning legislation provides an opportunity to improve land governance.** Already enacted in the Northern Cape and KwaZulu-Natal, all other provinces are expected to pass their own legislation soon.

Despite these developments, the following challenges also require attention:

### 1. State land disposed at 'market-related' prices

Public land acquired during the apartheid era (often at a minimal cost) is now sold for the maximum return, at 'market-related prices'. This often makes well-located land too expensive for developments that would benefit the poor or promote a more inclusive and efficient urban form. The legislation governing the disposal of land by government and SOEs is sometimes confusing. Treasury regulations indicate that land must be disposed of at market-related value, while the Government Immovable Asset Management Act (No. 19 of 2007) states that the 'best value for money' should be achieved, which includes considering factors such as functional, financial, economic and social return.

### 2. Tenure uncertainty and insecurity

In informal settlements, the formalisation of tenure has been slow. As a result, many people have insecure tenure, although the anti-eviction legislation protects them to some extent. Tenure complexity is related to whether or not land is urban or rural. Urban and rural areas are inextricably linked, with informal settlements in urban areas serving as reception areas for new migrants from rural areas. Poor urban residents often do not have registered land rights in the towns and cities, as they live in informal settlements, backyards, or subsidised housing for which title deeds have not yet been issued. Rural areas include communal (or traditional authority) areas where people also have insecure tenure, do not have registered land rights and, therefore, cannot use their land in the same way as some of their urban counterparts can,



i.e. sell it or use it for collateral.<sup>49</sup> This, arguably, places a severe constraint on the economic and social mobility prospects of such households. Government's efforts at reforms to address inequalities in access to land have been slow and difficult to implement. Overall, the country's racially discriminatory and fragmented land tenure system is proving difficult to dismantle.<sup>50</sup>

### 3. Inadequate land-use management instruments

Cities have limited ability to capture land-value improvements that result from public investments in transport infrastructure, or to grow other revenue as a way of increasing public transport funding, particularly for long-term operations. With the current spatial and land-use management instruments, cities have a relatively weak influence on actual investment decisions of (especially) the private sector. In addition, the valuation roll is only updated every five years,<sup>51</sup> which means that the municipalities do not benefit as much as would be expected from increased property values. Municipalities need to raise the bulk of their income through rates (property taxes) but rarely are able to capture the benefits arising from public investment. For example, national and provincial government's investment in the Gautrain led to sharp increases in the values of properties close to stations, but the municipalities did not benefit from increased rates revenue until the valuation roll was updated.

### 4. Slow land-use planning and management processes

Land-use planning and management processes are often slow, despite legislated timeframes. Many municipalities contain large and well-developed urban areas, but also traditional authority areas (often located some distance from urban opportunities), which make developing coherent spatial plans difficult.

## Policy priorities

Strategic land governance and management can promote urban areas that are more efficient, effective and inclusive. Arrangements must allow for closer alignment at municipal level of land-use planning, infrastructure investment and the development of land. To achieve efficient land governance and management, the following priorities are identified.

### Short-to-medium term

#### Strengthen land-use planning and management

Planning legislation needs to include mechanisms for improving spatial planning, community access to planning processes and intergovernmental coordination around land management. All three spheres of government, particularly municipalities, need to be supported in implementing SPLUMA. A review is needed of the practice of using large tracts of peripheral land for low-income housing, the housing policy and funding mechanisms (see Lever 3). Until the broader

49. ULM (Urban LandMark). 2013. *Land Governance in South Africa: Implementing the Land Governance Assessment Framework*. Pretoria: ULM.

50. Ibid.

51. Legislation also provides for supplementary valuation rolls for specific areas.

goals of urban compaction have been realised, the number of projects built far from well-located urban land should be restricted<sup>52</sup> and allowed only under highly exceptional circumstances. The capacity of municipalities to manage their land must be assessed and mechanisms developed to address capacity shortfalls more effectively. In this regard, various innovative models should be explored to oversee the speed of progress (see Lever 7), such as citizen ombudsman structures, citizen juries, or bodies comprised of public, private and government participants. Land-use planning should consider the needs of all groups of society, e.g. the need for urban farming, recreational facilities for the young and retail space for informal traders.

### **Address the fragmentation in public land information**

The establishment of a single national database of all public property should be considered. The database would include SOE (core and non-core) and national, provincial and municipal property assets. The appropriate department for the housing and management of the GIS-linked<sup>53</sup> database will need to be determined. This would be a massive (and possibly expensive) undertaking, but would support improved spatial planning and intergovernmental alignment. The following information about a landholding should be available at a glance: status (core or non-core), level of improvement, location and locational advantages or disadvantages, extent, ownership and availability.

### **Improve intergovernmental relations for the acquisition or transfer of state land**

Specific mechanisms must be put in place so that state departments and SOEs identified as strategic landowners participate actively in municipal planning processes (see Lever 8). Public partnerships between municipalities and SOEs should be used to develop strategically located land and to promote inclusive urban land access and secure tenure for the urban poor. Both within SOEs and national departments, the existing mechanisms for managing and disposing of land need to be strengthened. For example, regional structures may need to be established to facilitate acquisition or transfer processes. Greater transparency regarding the landholdings, internal structures, processes and procedures for property management within SOEs, such as Transnet, should be clearly articulated to municipalities. Mechanisms must be put in place to ensure that municipalities are better informed of an SOE's intent to dispose of non-core land. Furthermore, given its increasing responsibilities in human settlements, the HDA's role and powers need to be strengthened to support integrated urban development (see Lever 1). An investigation into the challenges being experienced by the HDA needs to be undertaken, to guide the interventions required to improve its ability to fast-track 'land acquisition and housing development services for the purpose of creating sustainable human settlements'<sup>54</sup> (see Lever 3).

### **Speed up security of land tenure**

Land tenure for the urban poor needs to be simplified, clarified and speeded up. For example, in informal settlements, municipalities should develop and implement an incremental approach to land tenure, which would include options such as the recognition of limited tenure, leading to legally secure tenure and later freehold tenure. Policy and practice also need to address

52. Urban LandMark, 2013, op cit.

53. Geographical Information System.

54. Section 2, Housing Development Agency Act No. 23 of 2008.

the tenure rights of vulnerable people in rural areas (such as farm workers). Mechanisms for reducing land registration and transfer costs need to be introduced for poorer people, to ensure that transfers are concluded quickly and recorded properly in the formal land registration system (see Lever 3). Delays and backlogs in registering and transferring low-income houses need to be urgently addressed.

### **Promote land-value capture**

Greater attention needs to be given to developing mechanisms and instruments for local government to capture the accrued values of large-scale public investments, such as the Gautrain. This will become increasingly important as transit-oriented planning and investment expand across various cities (see Lever 2).

### **Ensure legislative concepts are applied consistently**

Key concepts, such as market value, public interest and social responsibility, need to be applied consistently, in order to prevent the ‘cherry picking’ of legislation. For example, the disposal requirement contained in the Government Immovable Asset Management Act obliges the custodian to consider whether the asset can be used by another user or jointly by different users. This supports government’s socio-economic objectives of land reform, black economic empowerment, poverty alleviation, job creation and wealth redistribution, and clearly applies to all spheres of government, including SOEs. Market-related prices should not be allowed to override these principles. This requirement should also be consistently applied in legislation, such as the Public Finance Management Act (No. 29 of 1999) regulations, the Companies Act (No. 71 of 2008) and any other legislation that may be used in the disposal of land.

### **Address the impact of traditional authority areas within predominately urban municipalities**

There is growing evidence that households are opting to move to traditional authority areas found close to urban centres and infrastructure, not only to access land cheaply but also as a means of circumventing the payment of rates and service charges. In addition, government is also faced with a challenge of planning for service delivery, and governing the traditional authority areas that are included within the city-regions. A policy and strategy therefore needs to be developed that addresses aspects such as planning, enhanced integration, management and taxation for traditional areas.

### **Improve municipal access to SOE and state-owned land**

The management and release of non-core SOE land and state land in cities and towns should be improved. This includes, for example, re-conceptualising public land as land that supports the public interest. The legislation governing the disposal of state land must be consolidated and simplified. It should apply to all (including municipalities and SOEs), remove the current contradictions and gaps, and prevent legislation being selectively applied in order to support a profit motive only. Greater transparency is also needed. Any acquisition of SOE land must be part of municipal strategic planning. This includes, for example, developing an integrated strategic land plan, which would include the identification of SOEs, state, municipal and privately owned land, and contain a clear motivation of why and when the land is necessary

for urban transformation purposes. The joint preparation of an integrated strategic land plan must be linked to the IDP, the SDF and any local SDFs (see Lever 4).<sup>55</sup>

### **Improve relations between municipal councils and traditional authorities**

Most municipalities have both elected politicians and traditional leaders, and tension often arises between the two institutions, particularly between the statutory rights land tenure system and the customary system. This tension is often the result of conflict between the traditional land administration system and municipal spatial plans, as elected governments need access to land to fulfil their responsibilities of providing infrastructure, such as roads and sanitation. The tension and uncoordinated land management systems compromise the linkages between rural and urban areas. A framework to guide relations between elected local government and traditional authorities on matters of land governance and the overall development of municipal space is essential (see Levers 1 and 3).

## **Longer term**

Government and the private sector need to work more collaboratively to find mechanisms to introduce effective land-value sharing, which has the potential to generate wealth for cities. However, this needs to be balanced with equitable policies and approaches that will benefit all, especially the poor and vulnerable. Land-value sharing may also strengthen supply chains and increase productivity. Land-value sharing policies encourage compact and connected development, discourage speculation, raise revenues for critical infrastructure and services, and find innovative ways to finance the expansion and infill of serviced buildable plots to accommodate urban growth in a sustainable way. Over time, transparency and accountability in land transactions can be promoted by adopting and implementing sound land governance approaches, through introducing a legal framework for how land is accessed, developed, bought and sold, which should be applicable to both government and the private sector.

## **Key actors**

All players in urban land markets have a role to play in securing urban land in both formal and informal markets. They include municipalities, developers, the banking sector and investors, housing micro-finance institutions and other stakeholders, such as end users and the poor. The HDA can fast-track land acquisition, supported by the custodians of land records and the cadastre. The Deeds Office, the Surveyor General and the Department of Rural Development and Land Reform can play an active role in achieving the policy priorities in the land governance lever. The Department of Public Works needs to give urgent attention to resolving blockages in the transferral of state land to other spheres of government, while National Treasury and the Department of Public Enterprises need to rethink the disposal of SOE land in a manner which contributes to the developmental agenda of government. Local government needs to focus on optimising land-value capture and on supporting the progressive realisation of tenure rights.

55. Section 12(1) of the Spatial Planning and Land Use Management Act (Act No. 16 of 2013), requires that a municipality's SDFs contain the following information: '(g) previously disadvantaged areas, areas under traditional leadership, rural areas, informal settlements, slums and land holdings of SOEs and government agencies and address their inclusion and integration into the spatial, economic, social and environmental objectives of the relevant sphere'.

## POLICY LEVER 6: INCLUSIVE ECONOMIC DEVELOPMENT

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



In cities and towns, the concentration of production factors (land, labour, capital and enterprise), talent and markets provides the potential for economic growth and prosperity. The lack of an enabling environment for economic productivity and growth will compromise the possible positive economic gains from agglomeration economies and innovation in urban centres.

Inclusive economic development is essential to creating jobs, generating higher incomes and creating viable communities. This lever is triggered by integrated urban planning (Lever 1), transport and mobility (Lever 2), sustainable human settlements (Lever 3) and urban infrastructure (Lever 4). It is supported by efficient land governance and management (Lever 5), empowered active communities (Lever 7), effective urban governance (Lever 8) and sustainable finances (Lever 9). Ensuring a risk-informed urban development paradigm and managing climatic impacts and disaster risks are critical to achieving the objective of resilient socio-economic development.

Inclusive economic development results in:

- Increased number and profitability of enterprises, small and large, which form the backbone for economic growth and prosperity;
- People who have self-respect, and who develop new skills and social networks, as they participate in productive work;
- Communities that are uplifted through improved skills and services, and work and livelihood opportunities; and
- Elevated national living standards, as economic benefits (and resources) spread out.

## Status quo

**South African urban centres are very diverse.** To some level, the national and provincial departments in the economic cluster and most SOEs have difficulty recognising and responding in a differentiated way to the diverse economic circumstances and prospects of different cities and towns.

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

**Many of national, provincial and local governments' economic policies and programmes are fragmented.** National and provincial development does not always take into account the economic plans and capabilities of municipalities, including large, well-capacitated metros, thereby missing opportunities to harness and leverage the concentrated capacity and investment in towns and cities.



## Opportunities and challenges

**Economic growth trends**, which include a growing services sector (e.g. personal services), increasingly decentralised production (from energy to manufacturing), growing industrial opportunity and an emerging focus on the green economy present significant opportunities for economic growth and job creation.

**The informal sector is a training ground for nurturing future enterprises.** Cities have the opportunity to assist informal traders to grow and diversify, and to experiment with community-based enterprises and the social economy as a way to develop local skills, provide useful services, and support livelihoods. For example, in townships and informal settlements, recycling waste, renovating homes, car repairs and car washes, hairdressing salons, and caring for children and elderly people are all thriving activities.

**National, provincial and local policies and programmes exist.** These numerous initiatives and platforms are aimed at addressing industrial development, increasing productivity and competitiveness, improving investment climate, and so forth.

Despite these opportunities, challenges remain:

### 1. Economic development has been neglected in many urban areas

Municipalities need to adopt a more determined approach when deciding on the most appropriate locations for business and industrial development in their city or town. Currently, the spatial pattern of investment is somewhat haphazard, with investment driven by where developers can access cheap land or existing infrastructure, rather than planned from a socio-economic and environmental perspective. Many municipalities barely communicate with the business community or other economic stakeholders (because they are preoccupied with their own internal activities), and lack technical capacity for facilitating economic development. Simple bottlenecks (in water, electricity or transport infrastructure) or inadequate local skills often hold up major investment projects with the potential to create jobs. Part of the challenge is that national industrial development strategies and strategic economic infrastructure investments are generally not pursued in consultation with even the largest metros, and thus tend not to consider local development plans. This feeds into the fragmentation of regional growth and development.

### 2. Inadequate focus on creating enabling environments for innovation and economic growth

South African entrepreneurs face particular hurdles in doing business because of varying regulatory and efficiency levels within local municipalities and in relation to other public agencies.<sup>56</sup> Typical obstacles for both large and small businesses include excessive red tape, lack of adequate and reliable economic infrastructure, low service standards, deficient urban management and poor

56. World Bank. 2015. *Doing Business in South Africa 2015*. Washington, DC: World Bank. Of note was this report's finding that of the six globally standardised indicators used to assess South African cities, only half are in the control of municipalities - the others are determined by national departments (Labour, Justice, Trade & Industry, Revenue Service, etc.). This speaks to the complicated nature of the economic development space in cities.



spatial quality. Local conditions, especially the lack of safety and high rates of crime, are also a direct deterrent to household and private sector investment, and negatively affect informal, small and township businesses and neighbourhoods in particular. Macro regulatory frameworks may also present broader constraints for local economic development.

### **3. Informal sector dismissed or marginalised**

Instead of being seen as a source of livelihoods and future businesses, the informal sector tends to be dismissed as undesirable, marginal and survivalist, and, therefore, of little economic consequence. Cities are thus often more inclined to restrict rather than help grow and diversify the activities of informal traders. Policies should accommodate informal economic activities, supported by a planning system that does not see the sector as a problem or ‘formalisation’ as the only solution.

### **4. Different towns and cities face unique problems**

Whereas the challenge for metros may be to recognise and strengthen their role in economic planning, other types of urban settlements (such as small- and medium-sized towns, university towns, mining towns, coastal cities or towns with declining economies or populations) often face their own unique challenges and require unique economic strategies and support. For example, secondary cities do not have large economies but are important for the country’s development because of their population and resources.<sup>57</sup> Their specific challenges include being dependent on one or key economic sectors (and so vulnerable to economic or policy shocks), poor municipal management and weak relations, between both government and NGOs and government and business. They often have weak strategic and spatial planning capabilities, and inadequate municipal infrastructure and maintenance, which prevents them from expanding their economic base. For small towns, challenges include stagnant and declining economies, high levels of unemployment, marginalised townships on the periphery, poorly maintained infrastructure and decaying buildings, and transport networks designed to make towns conduits for goods and services rather than regional service points. In the case of municipalities with large rural populations, tensions between elected local councils and traditional leaders can dilute the focus on essential economic development tasks that should be carried out.

## **Policy priorities**

There is no magic solution to the unemployment crisis, and both government and the private sector have important roles to play, and often need to work together. To achieve inclusive economic development, the following priorities are identified.

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57. Secondary cities are home to 40% of the country’s population and much of the country’s minerals and energy supply, and are an important conduit for services and goods to the rural areas.

## Short-to-medium term

### **Strengthen the economic role of municipalities**

The economic role of local governments, especially metropolitan areas, needs to be recognised and strengthened. Practical expression should be given to the directives of the White Paper on Local Government (1998) relating to the economic role of municipalities. Urban authorities should be enabled to tackle unemployment and to strengthen the local economy, by taking on a more decisive leadership role and directing strategic policies and investments. Municipal leadership needs to send clear and consistent signals that economic development is central to their agenda. In particular, metros should have economic development at the core of their agendas, creating internal systems (among senior politicians and officials) to strengthen linkages with other economic stakeholders (including core national and provincial departments, private sector associations, and civil society bodies) to understand their circumstances better, and to engage in joint problem-solving and practical ventures.

### **Strengthen municipal institutional capacity in economic development**

Economic development requires specific skills and competences, in particular the organisational capacity to engage with external role-players and to champion local interests. Other capabilities needed include strategic leadership, economic literacy, networking, partnership-building and negotiation with wider interests, to ensure that job-creating investment is championed, while safeguarding a proper balance between economic objectives and environmental and social considerations. Municipalities should consider appointing economists, project facilitators and people with appropriate business experience. The function should be located either within the core municipal administration or in a separate agency, with discretionary and operational flexibility (see Lever 8). The function should be outward-facing towards business organisations, investors, citizens and communities. Internal administrative structures and systems should be (re)configured to enable key land, infrastructure and administrative functions to support agreed economic development decisions.

### **Support municipalities in building and using economic intelligence**

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

### **Initiate differentiated economic development strategies for cities and towns**

The economic development strategy should be a special section of the municipal growth management strategy, with a medium-term plan expressed in the IDP (see Lever 1). The strategy should be based on a city's distinctive strengths and weaknesses, and recognise certain imperatives, such as the need to decouple<sup>58</sup> growth and resource consumption. It should seek to position the city (in relation to key industries, occupations, markets and investment opportunities) relative to other cities and regions within South Africa and internationally. National and provincial economic strategies should respond to the different contexts and needs. For example, small- and medium-sized towns link rural and urban areas through consumption, production and employment (see rural-urban interdependency cross-cutting issue). They are where rural households purchase and sell their goods. Functional rural economies are equally important for the sustainability of these small- and medium-sized towns. Existing small-town development programmes<sup>59</sup> should be integrated with the various rural development initiatives, particularly the land reform initiatives and the Comprehensive Rural Development Programme. A crucial part of this will be the development of a clear national SDF, which maps out the space economy and identifies economic potential and opportunities.

Two categories of settlements that require special attention are areas with declining economies and mining towns. Not all urban areas are growing and have the potential for further economic growth. Many smaller municipalities (and some metros) have experienced marginal or declining economic growth, and so will require special attention. An effective national strategy is needed to address the negative social, economic, environmental and health impacts on people in mining towns and labour-sending areas. Mining towns should diversify their economies by attracting new growth sectors, such as minerals beneficiation, environmental technologies or green industries. Social and labour plans of mines must include clear mechanisms to improve the negative impact of closures on mining communities. Government must find special resource streams for former mining towns or areas already facing the consequences of inadequately managed mine closures, while management must address related issues, such as toxicity and dangerous small-scale mining activities.

### **Strengthen roles and leverage partnerships with other economic stakeholders**

Municipalities should engage with external economic stakeholders (including other spheres of government) to develop a shared understanding of economic development and jointly solve problems through sector forums (manufacturing, business services, property development, informal enterprises, etc.) or regular learning forums (e.g. an annual 'state of the city economy' summit). The perception of many municipalities is that policy is a barrier to such partnerships (e.g. Municipal Finance Management Act), and so economic partnership must feature more

58. Decoupling refers to the ability of an economy to grow without corresponding increases in environmental pressure through increased consumption of natural resources.

59. Such as programmes initiated by the Department of Rural Development and Land Reform and the Department of Public Works.

strongly in major policy and implementation decisions. Different kinds of collaborative arrangements will be required, depending on the purpose (e.g. to accelerate infrastructure delivery, support community-based enterprises or build specialised expertise for particular industrial sectors and clusters). Some may take the form of loose partnerships for sharing information and joint planning (e.g. infrastructure projects with specific state entities), while others may require a more formal arrangement, if involving resource transfers and delivering new services (e.g. intermediary agencies to manage relationships and provide specialised support services for particular sectors). Entering into formal agreements could provide tangible evidence of sustained commitment and help to hold national, provincial and local agencies to account. Neighbouring municipalities with strong functional relationships should also cooperate.

### **Create the local conditions for supporting enterprise development and growth**

This could take the form of removing barriers that stand in the way of enterprise development. At a local level, economic development requires available serviced land, essential physical and telecommunications infrastructure, labour, skills, and efficient administration of building and environmental regulations. Combined with a conducive and safe social environment, these form the basic platform for attracting investment and enabling growth. However, municipalities do not have responsibility for all of these things and cannot deliver them alone. Therefore, municipalities need to champion a common economic agenda, working with relevant organisations and stakeholders in order to avoid redundant, incoherent or fruitless efforts and initiatives, and to develop joint action plans. Similarly, municipalities need to work closely with key role-players in human capital development (health, education and training), labour market services (job search, advice and work experience) and enterprise support services (business planning, financial assistance and marketing) to develop the local economy. Key development planning documents, such as the IDPs and SDFs, should clearly reflect municipalities' priorities (see Lever 1). Urban safety must also be specifically addressed in order to create conducive local conditions and mobility for citizens' engagement in economic activity. Targeted economic development strategies should be directed at places identified as being especially unsafe (see urban safety cross-cutting issue). The promotion of local economic activity and employment creation can be used as strategies for engaging young men who tend to be particularly at risk. The private sector should be encouraged to make larger contributions towards efforts to create safer communities through, for example, funding civil society programmes (See Lever 7).

### **Progressively improve inclusive economic infrastructure and services**

Municipalities should be aware of, for example, suitable land and buildings that are available for new development and redevelopment, including their ownership, size, condition and location. They should be able to use this to target well-located parts of the city and ensure that the infrastructure, physical environment and regulatory frameworks are conducive to accelerate (re) development. To coordinate planning and address capacity constraints, municipalities should work closely (and seek formal agreements) with national departments and other state entities that are responsible for providing new electricity sub-stations, broadband connectivity, bulk water pipelines, sewage treatment works, major port and railway improvements, and public transport.

### **Support community-based enterprises and work**

Given the large deficit of decent jobs in the mainstream economy, public employment programmes should be used imaginatively to support community-based initiatives and other ‘bottom-up’ activities, particularly in townships and informal settlements. These programmes need to be imbued with a social enterprise approach, in order to foster genuine entrepreneurialism and business acumen. As well as offering valuable work experience and a basic income safety net for marginalised groups, these programmes can provide useful services in poor communities, for example, food gardens, catering operations, environmental improvements, infrastructure maintenance, better security and early childhood development. Community groups, religious institutions and other local bodies can be involved in planning and delivering such projects, thereby strengthening local organising capacity, fostering community cohesion and encouraging local initiatives (see Lever 7). These shared productive activities may promote a sense of collective ownership of neighbourhood assets. The natural environment would also benefit from restored ecosystems, cleaner rivers and reduced air pollution.

### **Support urban livelihoods and the informal sector**

Given South Africa’s mass unemployment, government needs to support all kinds of entrepreneurial activity, both directly and by not imposing undue restrictions on their operations. Panel beaters, mechanics, hairdressers, cell phone repairers, tailors and cobblers, artists, recyclers, waste pickers, craftsmen, street traders and other home-based industries all have a part to play in growing the economy. Progressive approaches to the informal economy should be adopted, using the informal economy guidelines developed by various entities. Municipalities must manage the informal economy more coherently, mainstream it in economic strategies, and help to enhance the sector’s economic potential. Various (mostly municipal) functions that would be affected range from planning (zoning and bylaws), supporting infrastructure provision (see Lever 4), through to taxation, licensing and regulation. Informal trade and informality should also be considered in spatial planning policies. Furthermore, municipal land-use policies should consider informal economic activities and find ways to accommodate sustainable livelihoods (see Lever 5).

## **Longer term**

In a competitive global environment, South African cities and towns need to develop specialised activities and sources of advantage not easily reproduced by other cities. In identifying new and expanding markets, the focus should be on building unique industrial strengths and distinctive physical assets, and nurturing local differences. Upgrading the local economy to include an increasing number of value-added productive activities is especially important for externally exposed (‘tradable’) sectors. Examples of such activities are beneficiation of mineral resources, rather than exporting raw materials, and agro-processing, rather than simply exporting food. Strategies should build upon established local capabilities and relationships, rather than on imported ideas. Cities should develop stronger international networks and connections in

order to position themselves more effectively in global value chains. Where there are sizeable cross-boundary resource flows and other interactions, city economic strategies should refer to neighbouring areas. Urban authorities should accept some responsibility for supporting the surrounding region and rural areas on which they depend for natural resources, food and labour (see rural-urban interdependency cross-cutting issue). This may take the form of policy guidance, technical support, capacity building and collaboration.

## Key actors

Municipalities should take on a leadership role, as they have local knowledge and robust institutional networks and connections. Other partners include other parts of government (including national and provincial government, SOEs, etc.), the private sector, trade unions, community-based enterprises and any other relevant economic interests.

## POLICY LEVER 7: EMPOWERED ACTIVE COMMUNITIES

Cities and towns that are stable, safe, just and tolerant, and respect and embrace diversity, equality of opportunity and participation of all people, including disadvantaged and vulnerable groups and persons.





Cities cannot succeed without the energy and investment of their citizens. In fact, the very power of cities stems from their unique capacity to bring together a critical mass of social and cultural diversity. Active participation in government activities and decision-making promotes the rights and responsibilities of communities. Empowering residents to participate in local government results in active citizenry and social inclusion, cohesion and integration. Social integration is imperative, given the unjust history and legacy of urbanisation in South Africa, and applies both to intra-community relations within townships and suburbs and inter-community social divides where racial and class divisions remain stark. Citizens who feel good and secure about where they live are more likely to take care of their neighbourhoods, spend money and socialise with strangers.

Empowered active communities enable cities to succeed, and transform the quality of urban life. This lever is critical for achieving integrated urban planning and management (Lever 1), sustainable human settlements (Lever 3), urban infrastructure (Lever 4), inclusive economic development (Lever 6) and effective urban governance (Lever 8).

Empowered, active communities result in:

- Socially integrated, stable, safe and just societies where all human rights are protected and each individual's dignity is respected;
- Equal opportunities for all, including all disadvantaged and vulnerable groups and persons, to participate in civic, social, economic and political activities and decision-making processes, regardless of their background; and
- A cohesive, tolerant, non-violent society that respects and harnesses diversity, and does not discriminate or slip into destructive patterns of tension and conflict when different interests collide.

## Status quo

**The majority of urban dwellers live in townships and informal settlements,** which are characterised by insecurity, inadequate and insufficient public infrastructure, and low-end economic services, with minimal industrial activity. This locational disadvantage, coupled with the lack of resources, prevents them from fully participating in civic, social, economic and other decision-making processes. Yet townships also teem with many positive and inspiring stories, a vibrant cultural life, and social capital and resilience. Many of South Africa's most dynamic leaders and innovators grew up in townships and benefitted from the positive values instilled by religious and cultural formations, traditional practices and extended family networks.

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

**Considerable public investments have been made into poor neighbourhoods.** These include the provision of free basic services, non-fee paying schools, clinics, tenure and social security,

and transport subsidies to ease the cost of looking for or travelling to work. However, these investments have not resulted in improved living standards, followed by more economic activity, re-investment and so forth.

**Public participation has become overly routine** in planning processes and does not cultivate constructive, mutually supportive initiatives. People are not placed at the centre of the process and empowered to be architects of their lives, through participating in planning, designing and managing their spaces.

## Opportunities and challenges

**Government is already deeply committed to the co-production<sup>60</sup> of various services at the local level**, through structures such as ward committees, community policing forums, parent-teacher associations, community health committees and home-based care networks, and programmes (e.g. Community Works Programme and the Extended Public Works Programme). Existing community forums, community- and faith-based organisations are other possible structures that could be used.

**Municipalities have the framework for structuring public participation** that enhances, rather than impedes, the delivery process. This is found in the White Paper on Local Government (1998), the Municipal Structures Act (No. 118 of 1998) and the Municipal Systems Act (No. 32 of 2000).

Creating a South Africa characterised by a set of shared values, an inclusive society and economy, increased interaction between South Africans from different social and racial groups and a mobilised, active and responsible citizenry means dealing with the following challenges:

### 1. Insufficient skills and experience within government to engage with civil society

Most municipalities display limited internal capacity to engage meaningfully with communities, to build social confidence or to foster a sense of civic pride and ownership, while civil society groups have few practicable proposals about how to 'solve' service delivery crises. The absence of purpose-built institutional mechanisms to foster local government/civic collaboration at the neighbourhood level (as opposed to ward-level) further compounds the problem. Existing structures (e.g. ward committees and community policing forums) function sub-optimally for various reasons. These include poor management skills, internal conflicts, limited resources and government officials' lack of capacity to work sensitively with community members – and, most importantly, disillusionment among communities because of the limited results achieved.

60. Co-production refers to an equal partnership between the public and the state when delivering services. It goes beyond the idea of citizen engagement and views the public as resources, not mere recipients of services.

## **2. The lack of innovative, co-produced solutions to service delivery dissatisfaction**

The current service delivery model, whereby government provides all the services, is both socially and fiscally unviable, and does not encourage the co-production of innovative solutions. To an extent, this is the unintended consequence of how some policies have been interpreted and applied. Solving the widespread service delivery dissatisfaction will be difficult unless municipalities are able to agree jointly with local communities on how basic services will be provided, maintained and continuously improved.

## **3. The lack of understanding of government structures and operations**

A factor that inhibits active participation by citizens is the lack of skills and avenues to access information, and a poor understanding of government structures and logics. Public participation is also affected by the relatively low level of education and training, poor standards of health and low life expectancy of many urban populations, particularly in the townships and informal settlements. Skills, such as basic accounting knowledge (budget literacy), an understanding of urban planning and governance functions, and spatial knowledge are critical for community members participate effectively.

## **4. Inadequate use of forums to promote participation and social cohesion**

In most instances, ward committees and broad public meetings are the only means used for public engagement, and are not enough to build effective mutual understanding and to integrate people from different national and cultural backgrounds. Despite the legislative and policy provisions for encouraging and promoting meaningful participation at a neighbourhood level, government agencies have not fully used the available avenues.

## **5. Inadequate provision of quality public spaces**

Good quality public spaces encourage the interaction of people from various social and cultural backgrounds. Unfortunately, most public spaces, particularly in poor neighbourhoods, are not fully developed or well maintained because of either financial constraints or poor urban management. Furthermore, in some instances, the design of urban spaces pays little attention to the provision of quality public spaces.

# **Policy priorities**

Community organisation and mobilisation is a key dimension of inclusive, innovative and responsive delivery. Through building partnerships among stakeholders with historically different interests, collective problems can be solved. To achieve empowered active communities, the following priorities are identified.

## **Short-to-medium term**

### **Strengthen participatory governance**

The local participatory governance system needs to be urgently reviewed and brought into line with the NDP's recommendations. Properly funded, citizen-led neighbourhood vision

and planning processes should be encouraged, and able and motivated people developed who will participate in civic, social and economic and political activities. The revised system should encourage engagements at neighbourhood (not ward) level and use existing relevant community platforms. Citizens should be involved in planning, designing and managing their neighbourhoods (see Levers 1 and 3). This will bring integration and cohesion among community members, irrespective of their age, social or racial differences. In accordance with the NDP, government should engage with people in their own forums rather than in forums created by the state. Government should assist in establishing community-created forums that bring together stakeholders to share, understand and learn from each other, thereby promoting social learning. Local communities can also benefit from the skills, enterprise and networks of new arrivals, which would reduce xenophobia and migrant exclusion. Furthermore, special mechanisms should be developed to enable vulnerable groups to participate, particularly the illiterate, blind, hearing impaired and outsiders in communities. Resources must be made available to facilitate these dialogues and to build the capacity of ordinary citizens and social facilitators. Active citizenry at neighbourhood level should complement and enhance the efficiency of the ward committee system. In developing these community-engagement models, lessons learnt from the existing forums (such as community police forums and community health committees) and methods used successfully in other countries should be considered.

### **Invest in people's capabilities**

Education enables people to understand societies, cultures and religions other than their own, instilling respect and appreciation of diversity, and empowering those who are marginalised or excluded from participating in discussions and decision-making. In partnership with civil society and other role-players, municipalities should explore models for equipping community members with the necessary skills to participate meaningfully in government. Citizenship education and training (in planning, project management, and budget, institutional and spatial literacy) is needed to strengthen community organisations. Community activists and workers should be equipped with skills in community organisation, management and planning. This will enable effective engagement with the broader municipal planning systems, ensuring that neighbourhood community visions are integrated, and help local government to become sufficiently responsive to community needs and opportunities (see Levers 1 and 8).

### **Build institutional capacity to engage**

Multi-stakeholder processes are complex and require particular facilitation skills. Capacity should be built at local level to develop and implement area-based management plans (see Lever 1). This means that capacity building within government should not be limited to the units/sections responsible for coordinating public participation/stakeholder engagement, but should be mainstreamed in all departments. This will require partnerships with relevant NGOs and academic institutions.

### **Explore co-production mechanisms to find solutions to service delivery challenges**

Government generally, and municipalities in particular, need to rethink service delivery business models and value chains in order to work in dynamic ways with citizens and their organisations. In turn, community-based organisations will have to learn what it means to

operate social enterprises that contribute to the broader good, and be competent, accountable and part of a larger institutional system. Public and private stakeholders (from grassroots thinkers to city officials) should convene to discover how they can work together, and how top-down and bottom-up planning solutions can complement and enrich each other. This implies collaboration and participation between a variety of people from different backgrounds and with varying levels of expertise.

### **Improve access to quality public infrastructure and facilities**

Public infrastructure and facilities should create conditions for people to have a sense of belonging. Municipalities should provide quality, safe public spaces where citizens feel valued, that complement public transport and other basic services (Levers 2 and 4), and that contribute to creating safe and sustainable human settlements (Lever 3). Investments should be made in cultural and social infrastructure that promotes the mixing of different groups, while urban designs should provide safe and quality spaces for families and individuals from different cultures, races and genders to interact. Municipalities should develop policies and standards for public spaces that other spheres of government and developers adhere to. Developing and maintaining public spaces requires enormous resources, and so municipalities should develop partnerships with communities, civil society and the private sector for the planning and upkeep of quality public spaces. Programmes being implemented by some municipalities, such as community/business adopt-a-spot, should be up-scaled.

### **Strengthen support to community organisations and the integration of migrants**

Community- and faith-based organisations are critical for building social cohesion and integration. Government must work with and provide the necessary support to these local formations, which should be identified through engaging with local stakeholders. Government should also provide goods and services that help migrants to integrate into the city. Most migrants to cities are vulnerable, and tensions may arise because of the perceived competition for resources. Helping migrants to integrate will require stronger intergovernmental collaboration because the functions critical for integration (e.g. health, housing and education) are divided among national, provincial and local government.

### **Ensure effective leadership at local level**

Leadership, both city and civic, is critical for social transformation. At a city level, the leadership should ensure a connection between residents and their municipality through their respective leaders. In order to promote accountability and transparency, leaders should engage communities on municipal issues, such as budget, projects and general information. Political representatives and administrative leaders should have clear programmes for engaging residents, guided by the relevant legislative and policy prescripts. Municipalities should develop and implement stakeholder engagement and communication strategies (see Lever 8). Civic leaders should also work with cities to help drive an agenda of values and inclusion of the most vulnerable groups, and also to help overcome barriers associated with class, gender, race, disability, etc.

## Longer term

Models and incentive packages for social compacts must be developed, to ensure that everyone participates in shaping and developing their neighbourhoods, and that competing interests are managed. These compacts should address the responsibilities of the state, the private sector and the citizenry. Government should partner with civil society, business and academia to drive initiatives that empower neighbourhoods and reward innovative practices. The social economy should be promoted, by empowering and mobilising marginalised groups and communities to provide community goods and services, and by combining skills training with capacity-building to create locally based organisations. To achieve this, government will have to be able to build capacity and manage dynamics at the community level. Various service delivery mechanisms should be explored for social services that are not the mandate of local government, to ensure that cities are active role-players and partners in the provision of such services. This would be in addition to their current role of providing supportive services, such as bulk services sanitation, water, electricity and roads.

## Key actors

Promoting active citizens who participate meaningfully in the planning and development of their neighbourhoods requires strong collaboration between government, civil society, community groupings and research/academic institutions. National government has a crucial role to play in creating an enabling policy environment that allows local government and non-government stakeholders to develop innovative solutions to service delivery challenges in a way that supports the social economy. Civil society will also be critical in identifying and starting initiatives to promote social enterprises. Therefore, local government needs to develop and maintain partnerships with business and civil society.



## POLICY LEVER 8: EFFECTIVE URBAN GOVERNANCE

Cities and towns that have the necessary institutional, fiscal and planning capabilities to manage multiple urban stakeholders and intergovernmental relations, in order to build inclusive, resilient and liveable urban spaces.





Urban governance involves managing both government and non-government players, such as the private sector, media and civil society. It requires collaborative and visionary strategic leadership, supported by strong management and clear responsibilities, authorities and accountabilities. A crucial element is an intergovernmental institutional framework that specifies the delegated responsibilities, encourages transparent communications among players, and enforces a code of conduct. Urban governance also has to recognise the distinctive social, demographic and economic trends of different towns and cities, so that the demands of urbanisation can be translated into appropriate socio-economic development. Well-coordinated public sector action, supported by the private sector and other stakeholders where relevant, is crucial for creating urban spaces more compact, productive and equitable.

Governance systems and mechanisms provide greater opportunities for an integrated development approach. This can enable synergies with infrastructure investment and maintenance, land use management, livelihood creation and ecosystem services protection, with resilience building as an overarching objective.

Effective urban governance harnesses South Africa's collective energies to create liveable and inclusive urban areas. This lever is essential for achieving integrated urban planning (Lever 1), transport and mobility (Lever 2), sustainable human settlements (Lever 3) and urban infrastructure (Lever 4). It supports efficient land governance and management (Lever 5), inclusive economic growth (Lever 6), empowered active communities (Lever 7) and sustainable finances (Lever 9). Effective urban governance plays a crucial role in enhancing resilience, ensuring resource efficiency and mitigating climate change, thus ensuring sustainability.

Effective urban governance should result in:

- Well-functioning and highly capable municipalities that deliver on their roles and responsibilities;
- Constructive collaboration that advances common purpose across the intergovernmental system;
- Accountable and transparent government entities able to respond to the social and economic demands of urban growth; and
- A responsive citizenry that engages with growth and development in their municipal space.

## Status quo

**Weak intergovernmental relations constrain the management of the roles and responsibilities assigned to municipalities.** Intergovernmental relations are weak despite the Intergovernmental Relations Framework (IGRF) Act (No. 13 of 2005), which provides a framework for coordination, collaboration and alignment across government and sectors. As a result, a fluent intergovernmental dialogue on urban planning and development is missing. Policy coherence is lacking, and the fiscal and functional authority for housing, public transport

systems and access to land remains fragmented across spheres and sector departments. While municipalities have the autonomy to make bylaws and administer the functions allocated by the Constitution, national (or provincial) government regulates how municipalities exercise their executive authority for these functions and for (often unfunded) functions delegated to them. The result is fiscal uncertainty and service delivery that is less effective and integrated.

**The way in which powers and functions are allocated affects local government's ability to deliver on its constitutional and legislated mandate.** This has an impact on collaborative planning and integrated delivery, which are critical for reversing the stubborn legacies of apartheid policies that reinforce spatial marginalisation, especially with respect to the 'right to the city'. It also affects the ability of municipalities to manage effective, transactional intergovernmental relations, to establish performance oversight and monitoring systems, and to enforce rigorous fiscal accountabilities.

**Intergovernmental planning is often poorly related to other sectors and role-players.** With some exceptions, the IDP has lost much of its centrality as a lever for development, and implementation is variable across municipalities. Collaboration and coordination with sectors remains uneven, and so development is not coherent, while planning is not aligned among metros, secondary cities and towns, especially across immediate boundaries.

## Opportunities and challenges

**National government has a number of programmes that support metropolitan municipalities and other urbanising municipalities** in dealing with urban growth and management. For example, the City Support Programme (CSP) seeks to strengthen cities in restructuring urban spaces, increasing productivity and improving performance.

**The Back to Basics Programme supports local government's continuing transformation and is aimed at achieving more effective governance and management.** Introduced in 2014, the objective of this intergovernmental programme is to create well-functioning municipalities that serve their communities better. It encompasses five pillars: Putting People First, Delivering Quality Basic Services, Good Governance, Sound Financial Management and Building Capable Local Government Institutions.

Despite the various initiatives, the following challenges also require attention:

### 1. Insufficient collective action and no common agenda for inclusive urban growth

The fragmented governance environment results in a lack of common goals. Many national and provincial departments have policy, regulatory and support functions in large urban areas. However, these functions are poorly aligned, coordinated and sequenced, making integrated planning and delivery difficult for local government, especially in the larger urban areas. In addition, reforms are needed in sectoral and transversal policy frameworks, and in fiscal frameworks, regulations and practices.

## **2. Poor oversight and weak institutional systems**

The fragmented and weak oversight system of municipal performance undermines good governance. The numerous reporting requirements placed on municipalities generate large data flows to provincial and national government. However, although the Municipal Systems Act legislates for annual performance reports to be produced by each sector, the quality of these reports is uneven, and the information is rarely verified or used to generate better practices or appropriate interventions. While this is slowly changing under the the Back to Basics Programme, the fact remains that most monitoring departments do not have adequate analytical capacity to provide real insight into the performance of (or risks facing) municipalities and provinces. Fragmented reporting systems across spheres and parallel programmes also result in extensive duplication and unnecessary extra work for municipalities.

## **3. Shortage of appropriate skills and competent staff**

For cities and towns, a challenge is recruiting and retaining appropriate skills for municipal service delivery, particularly in planning, engineering and financial management. This results in weak reporting systems, low analytical capability, a high turnover in senior management, critical vacancy levels in key technical positions and long lead times for replacing key personnel. Capacity support, through mentors, trainers, contract placements, etc., may temporarily relieve the problems but is not sustainable in the long run. Part of the problem is that while the required skills do exist in South Africa, municipalities are often not seen as employers of choice.

## **4. Poor citizen communication and engagement**

In most municipalities, the processes and systems for citizen engagement are generally weak, mainly because of the lack of comprehensive public participation policies to guide constructive engagements. For example, few municipalities conduct citizen satisfaction surveys. The only consultation mechanisms used are ward committees and broader community meetings, limiting the ability of the municipalities to reach their broader stakeholders. Municipalities thereby lose an opportunity for co-creating solutions in partnership with civil society and the private sector.

# **Policy priorities**

Urban municipalities are at the centre of the drive for accelerated and more inclusive growth. To create and sustain the momentum towards improved productivity, inclusivity and growth will require strong governance and leadership. To achieve effective urban governance, the following priorities are identified.

## **Short-to-medium term**

### **Ensure policy coherence and strengthen national, provincial and city coordination**

Policy coherence must be improved across different government spheres and sectors. This requires a review of the alignment/divergence of key national and provincial policies that affect urban spaces. Cities should carry out the same analysis. National-city intergovernmental relations should be strengthened in order to drive agreed policy, fiscal and regulatory changes,

and to steer the priorities of the urban agenda. Intergovernmental forums provided for in the IGRF Act, such as the President's Coordinating Council, Ministers' and MECs' Forum (MinMecs), Premiers' Coordinating Forums and the District Intergovernmental Forums, should be used as platforms for addressing the urbanisation challenges regionally and per sphere, complemented where necessary by other sector-focused discussions to ensure coherence.

### **Establish clear mechanisms for intergovernmental transactions**

Cities should be given the appropriate functional authority to deal with the demands of urbanisation. Built environment functional arrangements should be strengthened through a coherent programme that clarifies the approach, form, sequencing and financing arrangements in each sector (see Lever 1). The key policy objective should be to ensure that the assignment of functional responsibilities (such as health, education, housing and transport) to municipalities is accompanied by a substantive shift in the funding, capacity provision and, fundamentally, the intergovernmental decision-making arrangements. Even if formal assignment is not immediately feasible, the governance arrangements for managing these functional responsibilities need to be clearer and more certain.

### **Up-scale integrated intergovernmental development planning**

The approach to intergovernmental development planning should be reviewed, with an emphasis on collaboration and stakeholder involvement in local area decision-making (see Lever 7). As UN-Habitat states, 'urban and territorial policy and planning is more than a technical exercise' and should be 'an integrative, multi-level and participatory decision-making process that addresses competing interests and is linked to a shared vision, an overall development strategy and the development of national, regional and local urban policies'.<sup>61</sup> Urban resilience is also most successful when all levels of government have shared goals and mechanisms for vertical and horizontal integration to address disaster risk, sustainable development, environment protection and climate action. These should be reflected in the IDPs. A revised regulatory environment (e.g. through the IGRF Act) may result in better outcomes and increased consensus going forward. Mechanisms should be developed for integrated and collaborative planning and collective oversight of planning and capital investment outcomes.

### **Strengthen inter-municipal and intra-municipal coordination**

Integrated urban development needs to look beyond the administrative boundaries, and so coordination across municipalities or regions is critical. Institutional models or governance structures should be explored for developing and managing sustainable city-regions that can plan and deliver services more efficiently by exploiting economies of scale and reducing externalities. Locally, horizontal coordination should be strengthened so that sectoral investments are guided by a city's long-term spatial plan to create compact cities and sustainable human settlements (see Levers 1 and 3). Closer cooperation is necessary between the strategic spatial planning, transport planning and housing departments. Policies should be

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61. UN Habitat's International Guidelines on Urban and Territorial Planning, April 2015.

complementary, not conflicting or competing, and supported by a broad constituency of public and private stakeholders. This will require a degree of both formal and informal coordination, strong political leadership and perhaps the introduction of more pre-approval conditionalities related to inter-disciplinary planning.

### **Improve city leadership and administrative capabilities**

The delivery of infrastructure and services required for integrated urban development is dependent on strong municipal leadership, sufficient autonomy and financial authority. At a political level, leaders should be able to envision, manage conflicting interests and make trade-offs in support of long-term sustainable urbanisation, and to balance a long-term transformation agenda against short-term priorities. At the administrative level, relevant expertise and capacity required to plan, budget, implement and monitor projects is important. Capacity needs to be not only at senior management level, but also from middle management down, and to be supported by the necessary systems and processes to ensure evidence-based decision-making. This should include capability across all departments, to take into account all population groups, e.g. child-sensitive budgeting and gender-sensitive emergency response.

The political-administrative interface should be stabilised and interdepartmental coordination mechanisms strengthened. Appropriate technical and specialist professional skills should be recruited to support the demands of urban governance. Capacity must be built, in particular the skills needed for measuring and monitoring performance, and managing and analysing the data that is central to planning and policy implementation. A key issue relating to oversight is the absence of checks and controls before decisions are made that may lock an entity into inappropriate development choices.

### **Enhance resilience, climate change mitigation and resource efficiency**

Increased optimal decision-making requires looking beyond climate/risk data. For instance, it involves looking at the costs and benefits not only of various solutions, including the 'co-benefits' of alternative actions (e.g. improved health from improved air quality), but also of shifting to renewables and less energy-intensive lifestyles. Data on inequalities in the urban population should inform decision-making, to help reduce inequities in risk/exposure assessment, preparedness and early warning of multi-hazards. Vulnerability to hazards in urban areas is shaped not only by exposure and vulnerability but other factors as well, including socio-economic variables (e.g. security of tenure, access to social safety nets, poverty, access to livelihoods and other urban inequities) and the availability of ecosystem services. These critical interdependencies remain to be fully explored and understood.

Given the complexity of the urban space, sector departments across government spheres and between government and communities need to collaborate, in order to increase the resilience of the system to shocks and emergency responses. This requires establishing accountability procedures for all departments (at all levels), reducing risks and building resilience, as well as promoting risk-informed decision-making, creating rapid decision-making procedures and making available emergency resources (financial and human) to respond to emergencies or disasters, and setting up an integrated early warning system.

### **Strengthen transparency and accountability**

As urban spaces are shaped by a multiplicity of stakeholders, promoting good governance and strengthening public participation are critical. Government needs to be accountable to and understand its impact on all population groups. Therefore, priority should be given to interventions contained in the Back to Basics Programme in order to promote transparency and democratic decision-making. Innovative technology and other mechanisms should be used to build trust and increase transparency and accountability.

### **Strengthen communication and use of technology (e-governance)**

Government, and local government in particular, needs to make greater use of technology to inform, empower and include citizens in its activities. Individuals should be given better access to information and services, and increased opportunities for their voices to be heard by decision-makers. Citizens should be able to report service delivery failures, monitor performance or provide feedback to the municipality. SITA should be supported in its mandate to prioritise e-government and related e-strategies. Technology gives citizens new ways to have their say ('e-participation'), allowing the voices of the marginalised and the youth to be heard, and thereby making processes more inclusive. Partnerships should be built with civil society, the private sector and universities and colleges, in conjunction with the e-government work of the Department of Communications and SALGA's Local Government ICT Network.

## **Longer term**

Greater differentiation is needed in how different types of cities and towns are planned, financed and assigned built environment powers and functions. Some of the regulatory provisions in the Municipal Systems Act and Municipal Structures Act should be amended, i.e. those related to municipal classifications, intergovernmental planning and the divisions of powers, as well as the scope of the regulatory framework for intergovernmental regulations. These measures should enable improved intergovernmental collaboration and coordination of functional responsibilities, and integrated planning and investments for urban growth. Long-term investments in innovation and technology development for resilient urban design should be promoted. Institutional and governance arrangements and reforms will continue to be monitored and assessed, under the banner of the Back to Basics and other support programmes.

## **Key actors**

Effective governance covers all political and institutional roles in government, public entities and other stakeholders. Actors include political and administrative leadership and decision-makers, i.e. national, provincial and local governments, the different intergovernmental forums, the PICC, the DBSA, the government communication and information systems, the Financial and Fiscal Commission, SITA, state-owned entities and other stakeholders (business, civil society and academic and research institutions).



## POLICY LEVER 9: SUSTAINABLE FINANCES

Cities and towns that are supported by a fiscal framework that acknowledges the developmental potential and pressures of urban spaces, manage their finances effectively and efficiently, and are able to access the necessary resources and partnerships for inclusive urban growth.





Sustainable cities and towns are those that do the basics right (have good revenue management and expenditure control) and find innovative ways to expand their resources. They are able to match expenditure demands with the necessary resources to expand and maintain urban infrastructure and services. Municipal own revenue (from local taxes, user charges and other fees) is supplemented by transfers from national government aimed at ensuring poor households have access to basic services. Creditworthy municipalities can access capital markets, and thereby achieve greater scale and efficiency when investing in infrastructure. The intergovernmental fiscal framework within which South African cities and towns operate has to recognise the development potential and pressures of urban spaces, as well as the impact of decisions and actions taken by provincial and national government.

Sustainable finances are critical for achieving integrated transport (Lever 2), sustainable human settlements (Lever 3) and urban infrastructure (Lever 4). This lever is integral to effective urban governance (Lever 8) and supported by empowered, active communities (Lever 7).

Sustainable finances through well-managed municipal fiscal and financial systems result in:

- Efficient and effective mobilisation and utilisation of resources by municipalities;
- Greater scale and cost effectiveness in the mobilisation of capital finance for infrastructure investment; and
- Clear accountability for performance by municipalities, particularly to local residents.

## Status quo

**Most municipalities are failing to plan and spend their capital budgets properly.** In addition, the current levels of capital finance are insufficient to match projected infrastructure investment requirements. Research has found that cities will need to spend five times the current levels of investment to meet the infrastructure needed for rolling-out services and enabling economic growth.<sup>62</sup> Compounding the problem is that many municipalities are 'uncertain of the extent, location, composition, physical attributes and asset-care needs of their infrastructure assets'.<sup>63</sup>

**The intergovernmental transfer system compels municipalities to roll-out services but with little consideration to the created infrastructure's lifecycle.** As a result, municipalities create infrastructure that they are unable to care for or that take resources away from revenue-generating infrastructure.<sup>64</sup>

62. SACN (South African Cities Network). 2013. *State of City Finances*. Johannesburg: SACN, pp. 116–117.

63. FFC (Financial and Fiscal Commission). 2013. *2014/2015 Submission for the Division of Revenue*. Midrand: FFC, p. 141.

64. FFC (Financial and Fiscal Commission). 2013. *2014/2015 Submission for the Division of Revenue*. Midrand: FFC, p. 136.

**The fiscal and regulatory framework for municipal financial management provides a strong foundation for effective and efficient municipal expenditures to support urbanisation.**

However, aspects of the system do not encourage integrated investment responses by municipalities, and, in some cases, weaken municipal accountability for outcomes.

**Private sector lending to municipalities for infrastructure investment is constrained**

because municipalities have a weak appetite for borrowing as a result of the prevailing economic climate, their credit rating and general ability to finance loans. The economic pressures also affect the supply side, i.e. private sector lenders.

## Opportunities and challenges

**Sound financial management is one of the five pillars of the Back to Basics Programme, which is aimed at achieving more effective governance and management.**

National and provincial departments will assist municipalities in developing and implementing audit and post-audit actions plans, as well as their credit control and debt collection policies. Performance will be measured against National Treasury's standards and reporting requirements.

**National government provides fiscal incentives in recognition of the important role of (especially the larger) cities.**

City-specific conditional grants provide supplementary funding for functions, such as housing and transport that are being allocated to cities in order to encourage development that is more integrated and inclusive. Other incentives include tax incentives for regenerating specific urban development zones and for social housing restructuring zones.

Despite these initiatives, the following challenges also require attention:

### 1. Suboptimal own-revenue performance and expanding consumer debtors

Unemployment and poverty have a direct impact on municipal revenues, particularly in times of economic hardship, as households struggle to pay municipal accounts. These effects are mitigated somewhat by national transfers to support the provision of free basic services for poor households, and through indigent policies adopted by municipalities. However, municipal revenue has been affected by the poor management of the revenue value chain, including weak tariff-setting practices, above-inflation rate increases, and weak billing and collection practices.

### 2. Inappropriate fiscal incentives in the system of intergovernmental transfers

The current system of intergovernmental transfers is fragmented and focused on outputs rather than development outcomes. The overall impact of municipal expenditures is reduced because objectives and procedures are not aligned, both among grants and with municipal own revenues. Compounding these challenges are problems in the design and administration of grant programmes, including unclear and overlapping objectives, competing expenditure priorities, funding gaps and a lack of longer-term predictability and stability in funding flows.

### **3. Managing the complexities of powers and functions**

While efforts are currently being made to clarify the roles and responsibilities of local government according to the principles of differentiation, the extensive differences between local spaces highlights the limitations of relying on legislative provisions or compliance. For example, an unfunded (or underfunded) mandate arises when municipalities carry out functions that do not form part of those allocated to them by the Constitution or legislation. Examples can be found in library, museum, health and housing services. It is acknowledged that assignment of the housing and transport functions in particular, would enable capable cities to drive more strongly their spatial transformation agendas. However, under current practice, the fiscal system targets capital grants to many large metro housing and transport projects; this is meant to be managed as an intergovernmental and collaborative endeavour, but with varying degrees of success.

### **4. Weak effective demand for borrowing by municipalities**

Challenges in planning, identifying and preparing projects, as well as the long-term financial strategies for financial sustainability, contribute to weak municipal demand for borrowings and, ultimately, to an under-investment in the creation and renewal of infrastructure assets that would support urban economic growth that is faster and more inclusive.

### **5. Emerging constraints and opportunities for deeper private sector partnerships**

Financial sector reforms, particularly enhanced liquidity requirements in the banking sector, may raise borrowing costs, reduce the average length of loans offered and limit the availability of private capital to finance municipal infrastructure investment.

## **Policy priorities**

Effective and efficient municipal financial management is critical to ensuring value for money in the use of public resources, while infrastructure (renewal and maintenance) needs to be appropriately allocated and funded. A review is also needed of the management, adequacy of the funding and intergovernmental decision-making of the primary intersectoral-metro functions.

## **Short-to-medium term**

### **Review the intergovernmental fiscal relations framework, to consider the financial strain faced by urbanising municipalities**

With the increasing demands for basic services and shelter, urbanising municipalities need sufficient resources to meet their responsibilities and thereby unlock their economic potential through infrastructure investments. For example, municipalities need sufficient funds to maintain water and energy bulk distribution systems. Responsible borrowing is an essential element of a sustainable framework for financing infrastructure investments at the scale required. The fiscal framework for financing urban infrastructure investment needs detailed investigation and development. Furthermore, the municipal responsibilities for maintaining water and energy bulk distribution systems need to be appropriately allocated and funded (see Lever 9).

### **Incentivise infrastructure provision that is more integrated through an improved conditional grant framework**

Measures should also be introduced to facilitate optimal take-up by urban municipalities of the new framework for consolidating grants that provide for urban infrastructure and services. A targeted infrastructure grant for basic services infrastructure – the MIG2 – should be introduced for qualifying cities. Municipal urban renewal strategies (regeneration) need to be supported, including aggressive state acquisition of land/properties in strategic areas.

### **Improve capital budgeting and expenditure on key urban powers and functions**

Municipalities should develop realistic and financed capital budgets (using life-cycle costing) that are based on their capacity to deliver and the revenue available – planning and budgeting must be aligned. Funding should follow function, and efforts are needed to accelerate better provision for transport and housing capital. A greater emphasis also needs to be placed on refurbishing and renewing existing infrastructure. Municipalities should consider designing tariffs that enable the recovery of depreciation costs of existing infrastructure and funding of new infrastructure, within the context of ensuring customer affordability and protecting the poor.

### **Incentivise excellence in financial management and own revenue performance**

Cities should improve financial management, reduce debtors and introduce innovative revenue enhancement measures. This will improve long-term fiscal sustainability and predictability for planning and capital investments. Municipalities need ongoing support and incentives to directly address their financial management challenges, with a particular focus on own revenues. Municipalities should be rewarded for good performance and be accountable for below-average performance. Fiscal incentives should be provided to reward effective institutional and fiscal management, and for ‘green economy’ building and environmental conservation practices, as well as to reduce pollution, carbon emissions and toxic waste.

### **Strengthen/improve partnerships with other state entities and the private sector**

If capacity to plan and spend is a concern, municipalities should consider partnerships with other state entities (Eskom and water boards) or with the private sector. The use of public-private partnerships remains an untapped financing option for municipalities. For example, municipal services could be partially or fully outsourced, provide the municipality has the capability for effective contract management and understands that effective PPP agreements are based on a mutual understanding of the risks and costs that are borne by both parties.

### **Explore alternative capital financing instruments and borrowing**

Innovation in capital financing instruments should be supported, especially those that interface with land and housing markets, for example, the use of tax increment financing or expanding the use of development charges by municipalities to finance bulk and connector infrastructure required to support property development. Municipalities should expand their operating surpluses, as a precursor to additional borrowing for infrastructure investment, while metros should be supported to make better use of the bond market (financial market) to access long-

term funding for public expenditure in infrastructure, transport and housing. Public-private partnerships should be explored as a way of accelerating the delivery of key infrastructure projects without incurring additional debt.

### **Reposition development finance institutions to support market development**

Development finance institutions (DFIs) should enable well-governed and creditworthy municipalities to expand debt maturities to match asset lives and enhance market liquidity to encourage and broaden participation by institutional investors. This intermediation role should avoid direct competition with private investors and seek to support the growth in lending to municipalities by a broader range of financial institutions. This includes supporting municipalities to develop bankable portfolios of investment projects, enabling municipalities to progressively extend the average tenure of their debt, originating new debt in ways that enable a broad range of potential investors to participate, and packaging existing debt to support greater liquidity in the market.

## **Longer term**

Ultimately, the revenues of a municipality should be directly connected to the performance of local economies. This will ensure that municipalities work consistently to protect and enable economic growth, and that the revenues available to fast-growing, dynamic local economies match their expenditure needs. Once current challenges in municipal revenue performance have been measurably addressed, scope may exist for additional revenue assignments to larger urban municipalities, alongside a reduction in their overall dependence on intergovernmental transfers.

## **Key actors**

National Treasury plays a key role in regulating municipal financial management practices and managing the Division of Revenue. Consolidation and alignment of grant programmes will require new national administrative arrangements to ensure effective management, while enabling ongoing inter-sectoral coordination. Municipalities are central to ensuring sustainable finances but need to collaborate with partners, such as private funders and DFIs. They will require ongoing support and incentives to improve their revenue value chains and to participate more effectively in capital markets.

# CONCLUSION

South Africa is already a highly urbanised country, with 63% of the population living in urban areas. The UN estimates that this figure will rise to 71.3% by 2030, reaching nearly 80% by 2050. Government has developed this urban policy framework to guide the growth and management of urban areas in a way that catalyses the potential of our cities and towns. It responds to the NDP's vision of creating functionally integrated, balanced and vibrant settlements.

The IUDF's central focus is to propose measures for better aligning the existing interventions and identifying further areas that enhance integrated urban development. The IUDF marks a New Deal for South African cities and towns, steering urban growth towards a sustainable model of compact, connected and coordinated cities and towns. It recognises that the country has different types of cities and towns with different roles and requirements, and so the IUDF must be interpreted and pursued in differentiated, locally relevant ways. For example, metros have large populations and diverse economies, whereas small and medium towns generally have smaller populations and (in most cases) limited economic activities, and (as regional service centres) are important for sustainable rural development and strengthening the rural-urban linkages. All of these urban centres, nonetheless, have a role to play in the national economy.

The IUDF's premise is that **jobs, housing and transport** should be used to promote urban restructuring as outlined in the NDP. The objective is to transform urban spaces by:

- Reducing travel costs and distances;
- Preventing further development of housing in marginal places;
- Increasing urban densities to reduce sprawl;
- Improving public transport and the coordination between transport modes; and
- Shifting jobs and investment towards dense peripheral townships.

The IUDF provides key principles and policy levers for creating urban spaces. The nine policy levers and priorities are premised on an understanding that integrated urban planning forms the basis for achieving integrated urban development, which follows a specific sequence of urban policy actions. Integrated transport informs targeted investments into integrated sustainable human settlements and should be underpinned by integrated infrastructure network systems and efficient land governance. Together, these trigger economic diversification and inclusion, and the creation of empowered communities, which, in turn, will demand deep governance and financial reform. The levers in combination address the structural drivers that promote the status quo and bring the different sectors together to work towards creating compact, connected and coordinated cities and towns. Furthermore, the identified priorities should strengthen rural-urban linkages, promote urban resilience, create safe urban spaces and ensure that the needs of the most vulnerable groups are addressed.

Integrated urban planning and management is the primary driver of urban development and informs investments in transport, human settlements and urban infrastructure. It ensures coherent development that enables access to services and opportunities, promotes inclusive economic growth, and results in inclusive, integrated and resilient cities.

A critical lever for spatially transforming our cities is integrated transport and affordable mobility, which also helps to strengthen rural-urban linkages. The IUDF advocates a TOD approach to urban design. This promotes higher-density urban developments along mass transit corridors, and should inform investments in human settlements in order to improve access and inclusion. To achieve this will require better alignment of transport, land-use, human settlements and resource-efficient, integrated infrastructure.

Underpinning these levers is efficient urban land governance, which is central to building integrated and sustainable human settlements, promoting inclusive cities and addressing urban inefficiencies. The inaccessibility of well-located land has further exacerbated the exclusion of the poor from urban opportunities. The IUDF's approach to the state's provision of shelter is that city governments need to lead the process, which involves strategic spatial planning (which should inform key infrastructure developments) and managing compact urban growth, and closely integrating the provision of housing with public transport. Active citizenry is critical for creating socially cohesive and integrated communities, and so municipalities should prioritise measures to enable communities to shape their own spaces.

Inclusive economic development is key for addressing the challenges of poverty, inequality and unemployment. The IUDF calls for productive and inclusive growth to reduce inequality and for the development of people's skills and capabilities. This means seizing the potential of new economies through technological innovation, investing in social capital and public services, and supporting township and informal economies. Inclusive economic development is essential to creating jobs, generating higher incomes and creating viable communities.

The IUDF has sought to provide a roadmap to follow in the national quest for spatial transformation towards liveable, inclusive and resilient towns and cities. It is an all-encompassing policy to guide current and future urban growth. It is intended to be used by all spheres of government and all sectors: the private sector, civil society and all stakeholders concerned with urban growth and urban futures.

The IUDF is adopted as a learning policy framework, and the priorities and action plan will be regularly reviewed as we continue to learn from practice.



87 Hamilton Street, Arcadia, Pretoria, Gauteng 0001, Republic of South Africa  
Telephone: (012) 334 0600 | Fax: (012) 334 0603 | <http://www.cogta.gov.za>



## Cooperative Governance

Department:  
Cooperative Governance and Traditional Affairs  
**REPUBLIC OF SOUTH AFRICA**