CHAPTER 8: CHALLENGES

In many cases challenges are the same as those left by apartheid. In some cases these have either intensified or taken on new forms.

CHAPTER 8. THE STRATEGIC CHALLENGE AND WHAT NEEDS TO BE DONE

THE URBAN CHALLENGE IN 2004

Significant change …

It is now 10 years after the first democratic elections. In this time a great deal has been accomplished in the transformation of South African cities. This report has highlighted many of the successes realised to date. Achievements include the fact that:

- Apartheid barriers on movement have come down, allowing all South Africans free movement into cities and the right to live where they want in cities. Many more are better located and better housed today as a result of this;
- The institutions of local government have been completely reconfigured, which means all city residents can now look to the same political and administrative structures to meet their needs. Huge effort has been put into making sure that the local state is stable, and responsive, so that residents and stakeholders do invest their expectations in it;
- The new local government structures have made good progress in meeting service delivery and community development needs. In particular they have successfully rolled out service infrastructure to many of the communities that were under-serviced under apartheid. Many more people today have decent infrastructure than 10 years ago; and
- Assisted by municipalities and their partners where possible, local economies have grown. And they have provided the greater part of the country's net increase in formal jobs and other opportunities to earn a living.

…. but still apartheid-style cities

However, despite the significant progress, this State of the South African Cities Report has also shown that many challenges still remain. In many cases these challenges are the same as those left by apartheid. In some cases these have either intensified or taken on new forms.

THE CHALLENGE IN PRACTICE: WHAT THINGS CAN BE DONE

This State of the Cities Report will lead to a series of other documents, discussions and SACN programmes of action. These will generate more concrete ideas for how municipalities should understand the current South African urban challenge in practical terms. The following are some preliminary suggestions. They include initial ideas for how development partnerships, led by different parts of government prepared to think outside the box of traditional mandates, and CDS type approaches, may enable cities to address their challenges.

CHALLENGE 1: MANAGING URBAN POPULATIONS

The challenges are different for fast and slow-growing cities. Fast-growing cities are most likely to continue to grow fast for the foreseeable future. These cities must develop long-term strategies to manage the inevitable consequences of growth. They will have to deal with the increasing demand for services, the need to facilitate expanding work opportunities, and the need to manage growth in the number and density of informal settlements. The key challenge for these cities is to receive new residents, and in particular young people, in a manner that quickly assimilates them, thereby stabilising the urban environment and maintaining financial viability.

Managing fast growth necessarily involves collaboration between municipalities and other parts of government focused on infrastructure planning, housing, transport and economic development. In particular, a coherent response to the potentially very fast growth in Gauteng is essential. The Gauteng Provincial Government has already started processes to anticipate, take advantage of, and mitigate the effects of the fact that a continuous polycentric urban region in the province will soon be equivalent to some of the largest cities in the world. A longer-term strategic plan focused on 2014 will be one of the outcomes of this process. The Gauteng SACN municipalities will need to engage closely with this process.

Slow-growing or declining cities do not face the challenge of increasingly severe service backlogs. But this does not mean they can relax. They must manage the potentially negative consequences of stagnation and decline. These include the abandonment of cities by more mobile, often wealthier, residents in favour of faster-growing areas; under-investment by residents in urban assets leading to lower rates-returns; lower demand for goods and services leading to more sluggish economic growth; leakages of financial resources; weakened social capital; and a tendency for residents to use city facilities and amenities, but not care for their upkeep. For these cities the key challenge is to stabilise their existing populations, and attract newcomers, through measures aimed at improving the quality of life.

CHALLENGE 2: TOWARDS MORE PRODUCTIVE CITIES

First, cities need to develop long-term, strategic, city-level economic development perspectives that give certainty to all players and stakeholders. Within this, municipalities in the nine SACN cities need to develop a more nuanced understanding of their role in promoting economic development. Local government is seldom able to directly influence economic fundamentals such as labour market efficiency or key macro-economic policy choices. However, municipalities do have a key role in addressing micro-economic constraints on the economy in their ability to direct the nature and responsiveness of city services, prioritise city infrastructure and lead economic development partnerships. Concretely, cities can implement strategies that:

- Enhance local business competitiveness. This includes: helping to optimise logistic pathways (transportation, ports and harbours, airports etc) through strategic infrastructure investments; developing skills partnerships to focus human development on key sectors; promoting sector and supply-chain agglomerations and maintaining/enhancing public infrastructure.

- Improve local government efficiency to address constraints on the business environment. This includes speeding up the processing of business-related applications; ensuring municipal service continuity and quality, especially of services such as transport and electricity supply that business functioning is particularly sensitive too; and creating targeted incentives for sectors/ locations;
- Address market failures and enhance the capacity for new market entrants to set up and sustain new businesses. Municipalities and their partners may help to stabilise the property markets and promote redevelopment in areas facing decline through focused urban renewal. This has positive effects across the local economy, but it often helps new small business get access to decent business space. Cities may address the demand for job creation through direct support for labour-intensive public works, targeting the most impoverished sections of the city.
- Last, although LED initiatives have often been too small scale and ad hoc to make any difference at all, it is still important to directly assist in capacitating new market entrants. Supporting the informal economy by reducing their transaction costs, rather than hampering their expansion with restrictive trading laws, and stimulating local demand through procurement reform, are elements of more meaningful LED initiatives.

CHALLENGE 3: BUILDING A MORE INCLUSIVE CITY

Poverty reduction strategies are a key tool for the assimilation and stabilisation of urban populations. It is vital that cities develop a solid understanding of the extent, structure and location of urban poverty. Based upon this understanding they need to work very closely with other spheres of government to: develop social safety nets that: give immediate relief and protection to people in chronic poverty; help people out of poverty and prevent people from falling back into poverty; and assist the working poor negotiated periods of vulnerability.

Service delivery will always remain a key component of cities social assistance package. It is likely that service delivery backlogs will remain and even intensify in many cities. A key challenge is to address these service delivery backlogs in a systematic manner that reflects both household affordability levels, and maintains the financial sustainability of cities. This will require the development of innovative, scaleable and incremental service infrastructure models. It will also require a continuous assessment of existing subsidy mechanisms, including the adequacy of fiscal transfers and mechanisms for their effective targeting.

However, municipalities in the nine SACN cities must also think beyond infrastructure as their key social development strategy. Social development is still being understood too narrowly. Many other interventions are conceivable, both within local government's existing powers and functions, and through creative inter-governmental partnerships and alliances across sectors. These range from simple measures such as supporting social development NGOs with targeted rates rebates and other grants in aid, and facilitating their collaboration around common programmes of action, through to more complex multifaceted strategies that aim to reduce the high urban cost of living borne disproportionately by poorer people. This last is where municipalities and their partners are likely to make the greatest impact in

the short to medium term. It involves both helping to mitigate the household cost effects of new challenges such as HIV and Aids and addressing relatively high urban costs of such things as housing location and transport.

In the longer run, all city actors also need to develop a deeper understanding of how cities also function to define and help people realise personal growth aspirations. There are blockages to social mobility in the way the city functions, ranging from who gets access to banking facilities and various forms of risk insurance; through to how housing markets work to expand or limit access. Poor functioning needs to be addressed through carefully calculated multi-stakeholder initiatives.

CHALLENGE 4: TOWARDS A MORE SUSTAINABLE CITY

The dearth of information on the state of the environment in SACN cities suggests that environmental considerations remain at the periphery of local government decision making. Cities need to become more conscious of the mounting costs that not managing the urban environment proactively will impose on the envelope of natural resources that sustains the city. All cities have sustainability limits, and South African cities need a much clearer sense of what their limits are. This effort starts with investing in information that can help define the state of the urban environment.

Following this, clear long-term strategies are needed to shape appropriately located development, improve public transport, mitigate environmental health risks, anticipate possible disasters, and invest in bulk infrastructure capacity.

Above all cities must address urban dysfunctionality through integrated spatial, transportation and environmental planning, followed by more decisive interventions. For example:

- Key infrastructure delivery programmes, (including municipal engineering infrastructure, housing delivery and the upgrading of informal settlements), currently managed by many different parts of government, can be better co-ordinated at the local level. The logic of settlement development programmes also needs to be changed. For example, through key revisions in the current location-supplied housing subsidy system, housing delivery could be made more responsive to household location choices and demand-side pressures which factor location costs into allocation and purchase decisions.
- Some cities have tried to consolidate the city through such measures as urban-edge boundaries. These may have perverse effects. The unanticipated consequences of interventions in land markets need to be watched very carefully. Some cities are already considering the advantages of engaging with key public sector players, such as parastatals, that hold huge portfolios of strategically located land close to the city centre. Expropriation of this public land is within the legal power of local government.
- Cities could be doing much more to manage the burden of settlements on the environment. All stakeholders could be more rigorous about managing building energy usage and waste. Partnerships could help mitigate the effects of air and water pollution and help build more liveable greener cities. Multi-stakeholder strategies could quite easily contribute to better public transport systems and healthier communities.

CHALLENGE 5: DEEPENING GOVERNANCE

Great effort has been put into configuring appropriate institutions and administrations to manage South African cities. Cities need to continue the institutional development work of the past decade, ensuring that the new institutions become more stable, but also more dynamic and flexible. Whereas establishment and stability have been the watchwords in the last 10 years, innovation and learning are the watchwords of the next. Municipalities need to do more to benchmark themselves against others, compare what they are doing and how they are doing it, and learn together about what works and what does not.

A great deal of attention has also been given to reincorporating citizens who had never been allowed to participate, and who had actively disengaged, into normal political life. It is essential that municipalities and their partners build on this by engaging more meaningfully with their citizens. Cities must maintain an ongoing dialogue to deepen awareness of the citizen needs, to enhance citizen-participation in prioritisation decisions and to enhance city responsiveness to these problems. City actors could do much more to encourage and assist in the redevelopment of organized civil society, and to respond actively to what is heard from these formations. This is not a nostalgic nicety owed because of strong organisations in the past. Vibrant social formations are critical to stabilising the social body and improving perceived quality of life.

Cities need to be more aware of trends that may enervate and fragment the local state in the long run, leading to potential conflict and a new era of disengagement. City partners are already doing a lot to address some of the more obvious problems, such as public violence and crime. But much more could be done, especially where crime is tearing apart poor communities.

The difficulties still inherent in cross-sphere and inter-municipal co-operative governance, as well as the current weaknesses in public-private sector co-operation, need to be cracked. The first requires clear rules of the game to enable open-ended bargaining processes, the outcome of which all stakeholders can be held accountable to. The latter requires that the public sector reach out to the private sector. Simple strategies such as briefing sessions and quarterly 'planning' forums with key business leaders could contribute much for little effort.

CHALLENGE 6: PUTTING IT ALL TOGETHER

The apartheid city was defined by a political economy of space that supported a few, well-located and increasingly wealthy white residents at the expense of the excluded, spatially marginalised and increasingly poor majority. Over the last 10 years, municipalities and the partners have done a huge amount to unwind this inherited reality. But the apartheid city remains today, with many core features intact. The next decade of democracy must see a systematic strategy of city transformation. This will take clear vision, careful planning and sustained effort. When and where necessary, decisive actions – such as bold interventions in relation to publicly owned land – may be essential in unlocking a host of further development possibilities. But mostly it will take a new willingness for all stakeholders to enter developmental partnerships in which they are each prepared to think outside the box of their traditional powers and functions, and work collectively to accomplish agreed city

strategies. City Development Strategies are the key. They need to hold in view the totality of city challenges, plan for the long term over the life-cycle of cities, and then commit all signatories to clear short-to-medium-term actions that will have the biggest impact for the effort and available resources.

This principle, 'from municipal transformation to city transformation', is the bedrock concept for a new approach to city development. The challenges discussed in this report suggest that this new approach demands three things.

- First, since municipal resources are extremely limited on their own, a new generation of developmental partnerships between municipalities, national and provincial government, the private sector, communities and other actors will be needed to drive the transformation of cities. This will require a change of attitude and approach on the part of all players. In particular, national and provincial government as well as business stakeholders will need to take cities and municipal government more seriously. For their part, municipalities will need to make a serious effort to engage those partners whose resources they need to drive more ambitious city transformation initiatives.

- Second, city development partnerships do not simply happen by themselves. They need to be defined, configured and driven by a lead partner. In most, but not all, cases this lead partner will need to be the municipality. In order to lead partnerships a change of mindset is needed within local government. All too often, especially as budget pressures bite and the list of residents' demands grow longer, there is a tendency for councillors and officials to reassure themselves that their mandate stops with the list of powers and functions defined in the Constitution, and the executive obligations placed on them by law. They may too quickly conclude that they are not responsible for a complex challenge because the definition of the challenge seems to involve the competencies of another sphere. These provisions do define the broad ambit of local government, but not its limits. A power of general competence, and an injunction to ensure the social and economic development of municipal areas in the broader sense, has not been taken seriously. And the country cannot afford to build a system of co-operative governance that is only about making sure that each sphere keeps off the others' turf. It also needs to be about spheres of government actively co-operating with one another when a challenge demands their joint contribution. The further transformation of the apartheid city is just such a challenge!

  SACN municipalities need to think outside the box of their current 'powers and functions' if they are to proactively lead city development initiatives that many different stakeholders can buy into and contribute. This does not mean opening the door to unfunded mandates. Meaningful collaborative action, in which each partner contributes their own capacity, can be configured through simple memorandums of understanding. The conclusion to Chapter 7 on well-governed cities identified new opportunities for formalising these agreements provided by the IGR bill.

- Lastly, city development partnerships, led by municipalities thinking beyond their traditional mandate, need to be guided by clearly defined and well justified outcomes shared by all partners. City Development Strategies (CDSs), promoted by the South African Cities Network over the last two years, are the key instruments to define and structure commitment to these outcomes.

A CDS typically is highly focused on key points of leverage where impact is maximised – the 20% effort giving 80% impact. It is not a comprehensive plan that seeks to encompass all the functions of local government, other spheres of government and private and non-governmental agencies. In cities with significant inequality and poverty, CDS processes often involve a search for the 'deal-breaker' issue or 'transformation triggers' that unblock the major obstacles to reducing poverty while enhancing the growth prospects for the city.
Curitiba, a medium-sized city in Brazil, which enjoys global recognition as a hub of urban management innovation and good practice commenced its 'miracle' with a concerted five-year focus on transforming its transport infrastructure. While this focus was narrow, it had a massive and wide impact that changed the spatial, economic and social character of the city in a profound manner. This was then followed by a further five-year environmental focus that consolidated its position as a dynamic and visionary city.
The first Hong Kong CDS similarly was tightly focused on the development of a long-haul airport as a means to consolidate its position as the 'Gateway to China'.
(City Development Strategy Framework and Process Plan for SACN, 2003)

QUMZA HIGHWAY, BUFFALO CITY

The tinny sound of hip-hop signals the approach of any one of the many minibus taxis streaming down the road, crescendo followed by the deep thud of bass. Mostly red or white with tinted windows, some bear colourful AIDS awareness slogans along their sides 'too smart for any body' – and back windscreens sport the ubiquitous Nike tick or fiercely promise 'no mercy'.

Drivers hoot and flash their lights intermittently, halting violently and without warning as they spot a pedestrian. There is a constant stream of people climbing in and out of the taxis, while others stand and stare.

This is Qumza highway, the only major road and main taxi route through the sprawling Mdantsane township outside East London, approximately nine kilometres from start to finish. Initially a single carriageway, the volume of traffic prompted the widening of the road to a dual-lane highway, and in 2000 the Buffalo City Municipality allocated R6,7 million for an upgrade.

This busy road is named after Gordon Qumza, the first mayor of Mdantsane and a sports reporter for the local *Daily Dispatch* newspaper. Previously it was known as 'the black road' because of the carnage that occurred as workers travelled over the border from their homes in the 'black' Ciskei to their places of work in 'white' East London. Now it costs R7,70 one-way in a taxi.

In 1963, under the Urban Removals Act, Mdantsane was identified as a relocation site for residents of Duncan Village. The land, previously called Potsdam and inhabited by farmers of German origin, was chosen primarily because of the railway and existing road link to East London.

The highway dips and rises as one travels east. The view reveals uniform rows of low-cost houses with other dwellings crouched on slopes deemed too steep for development. These are the shacks of poorer residents, for whom the pavements alongside the highway are more important than the road itself. They do not have money for taxi fare.

In 2001, President Thabo Mbeki identified Mdantsane as one of eight national development nodes for urban renewal with the aim of investing in economic and social infrastructure, alleviating poverty and enhancing enterprise development. Since then, the Qumza highway has been widened from Extension 1 to Extension 6, which is the busiest section, and the rest has been resurfaced. Pavements and traffic circles have been constructed, creating a safer environment for the many pedestrians. The yellow stripes decorating the miniature humps at the edge of these circles are still new and bright.

Alongside the road, just before Qumza meets Billie Road, a mother moves her children away from the entrance of her home, marked '1308' in old English lettering. There is a tyre on top of the asbestos roof. Her face is painted white in the traditional Xhosa manner and a baby is tied to her back. She wanders across to her washing hanging on the fence and gently pats a pair of pink slacks, children tug at her dress. For her and many other residents, life is improving. Most houses now have running water and sanitation, although some residents still collect water from communal taps. Most residents have electricity, and streetlights have helped reduce the violent crime that was common after dark.

Many of the houses bordering the highway have vegetable gardens with cabbage and spinach leaves the only note of greenery in the area. There is no vehicle access from the highway to these houses.

An expanse of open veld is scattered with flattened plastic bottles and broken glass. It's a well-used route to a trading store, adjacent to one of the many petrol stations in the area. Surprisingly not many of these are on the many traffic routes. The owner of the store is dressed in a safari suit and wears a beige hat embroidered with pink daisies and butterflies. A car pulls in, without a grill and seemingly devoid of a radiator, its fan exposed, its headrests covered in the American flag and an exhaust pipe spewing a train of white smoke.

It's one of the few private vehicles on the road. The people of Mdantsane rely mostly on public transport. The taxi rank in Zone 3 has been upgraded and the link from the rank to the highway straightened to ease the traffic flow. People throng the area, buying goods at the side of the road for supper, as taxis cram the rank. The smooth tarred highway is the artery and lifeblood of Mdantsane, its connection to the economic mainstream and central to the life of residents.