



Transforming human settlement and the national space economy

KEY POINTS

- Respond systematically, to entrenched spatial patterns across all geographic scales that exacerbate social inequality and economic inefficiency.
- In addressing these patterns we must take account of the unique needs and potentials of different rural and urban areas in the context of emerging development corridors in the southern African subregion.
- The state will review its housing policies to better realise constitutional housing rights, ensure that the delivery of housing is to be used to restructure towns and cities and strengthen the livelihood prospects of households.
- Active citizenship in the field of spatial development will be supported and incentivised through a range of interventions including properly funded, citizen-led neighbourhood vision and planning processes and the introduction of social compacts from neighbourhood to city level.
- Planning in South Africa will be guided by a set of normative principles to create spaces that are liveable, equitable, sustainable, resilient and efficient, and support economic opportunities and social cohesion.
- South Africa will develop a national spatial framework and resolve the current deficiencies with the local system of integrated development planning and progressively develop the governance and administrative capability to undertake planning at all scales.

INTRODUCTION

Where people live and work matters. Apartheid planning consigned the majority of South Africans to places far away from work, where services could not be sustained, and where it was difficult to access the benefits of society and participate in the economy.

A great deal of progress has been made since 1994, but South Africa is far from achieving the Reconstruction and Development Programme (RDP) goals of “breaking down apartheid geography through land reform, more compact cities, decent public transport and the development of industries and services that use local resources and/or meet local needs”. Despite reforms to the planning system, colonial and apartheid legacies still structure space across different scales.

For this reason, the Commission proposes a strategy to address the apartheid geography and create the conditions for more humane – and environmentally sustainable – living and working environments. It is a strategy that responds directly to the South African Constitution, and especially to the provisions in the Bill of Rights that affirm the right of all to a healthy environment; access to adequate housing; and access to basic services (Sections 24, 26 & 27).

The strategy is guided by the need to:

- Respond systematically, and over time, to entrenched spatial patterns across all geographic scales that exacerbate social inequality and economic inefficiency.
- Implement strategically chosen catalytic interventions to achieve spatial transformation in a manner that supports locally driven spatial governance.
- Achieve a creative balance between spatial equity, economic competitiveness and environmental sustainability.

- Expand personal freedoms by providing the residents of South Africa with greater choice of where to live.
- Support individuals, communities and the private sector in engaging with the state on the future of the spaces and settlements in which they live and work while streamlining processes to enable local governments to implement strategic spatial interventions.

There are no quick fixes for transforming the functioning of human settlements and the workings of the space economy. There are powerful interests concerned with maintaining the spatial *status quo*, while the massive existing investment in fixed assets means that transformation will invariably be incremental. However, bold measures taken over a sustained period could change the trajectories of spatial development and could mean considerable gains for ordinary citizens and for the national economy. This process must start now to stop and reverse the dysfunctional patterns that have continued since 1994

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. For this to happen the country must:

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

Before addressing each of these three elements, the chapter reflects briefly on the spatial challenges confronting South Africa.



Consultation on this chapter included a number of meetings with government departments, a workshop with a cross-section of stakeholders, including government, experts, associations and industry bodies, as well as numerous discussions with experts in the field.

STORYLINES

The spatial challenges are discussed below in terms of five storylines:

- The transforming national space economy¹
- Differences and inequalities within rural areas
- Urban inefficiencies
- The accommodation conundrum
- Weak capabilities for spatial governance.

The transforming national space economy

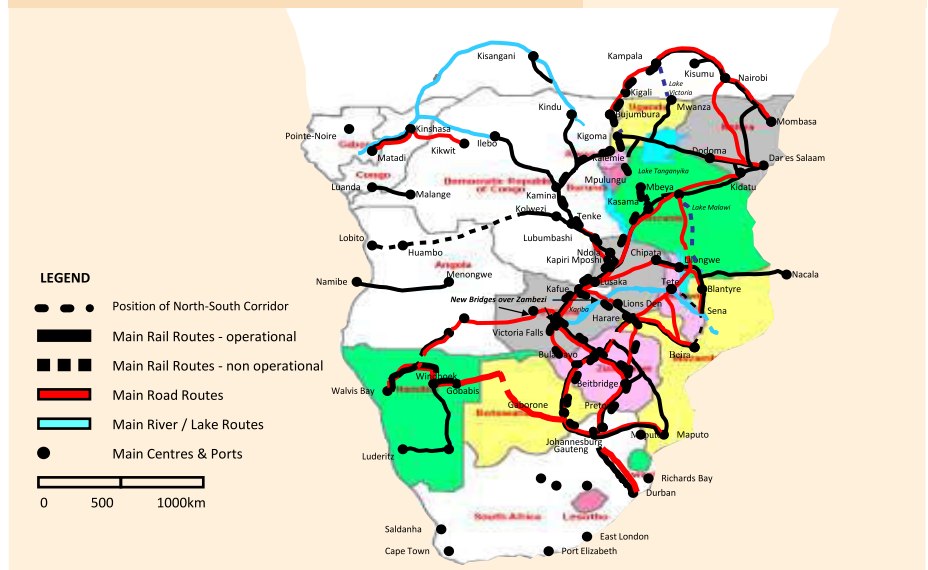
The national space economy needs to be understood in terms of the southern

African subregion (see chapter 7, "Positioning South Africa in the World"). Southern Africa is transforming as cross-border trade increases and as infrastructural networks become increasingly integrated. The nature of the settlement system in southern Africa is also transforming, with South Africa's urban growth lagging compared to countries such as Botswana, Zambia, Namibia, Angola and Mozambique². All of this requires a strategic response, including a reorientation of attention to rapidly growing cities in the subregion, and greater attention to cross-border planning issues including environmental protection, water security, energy and transport.

The Spatial Development Initiative programme has been important in supporting transnational corridor development. Corridors in southern Africa have mainly been east-west, linking port cities to

resource extraction in the interior, for example, the Maputo corridor, Coast2Coast, the Beira development corridor and the Lobito development corridor. Increasingly important, however, are the north-south corridors, including the recently identified development corridor from Durban to Dar es Salaam, which extends through Gauteng, Limpopo, Zimbabwe and Zambia.

FIG 8.1 THE SOUTH AFRICAN CONTEXT



Source: DBSA North-South Corridor

At a national scale, South Africa's economic activity is distributed across four metropolitan regions and a network of cities, large towns and service centres, all linked by established networks of connecting infrastructure. However, the country also has a dysfunctional and inequitable settlement pattern. The challenges are that:

- Many people still live in poverty traps, including the former homelands, where less than 30 percent of adults are employed (compared with 55 percent in the cities).
- One in two households depends on social grants or remittances, compared with one in six in cities.
- Logistics and communication lines are long because of sheer scale, making infrastructure maintenance difficult and movement of goods and people costly.

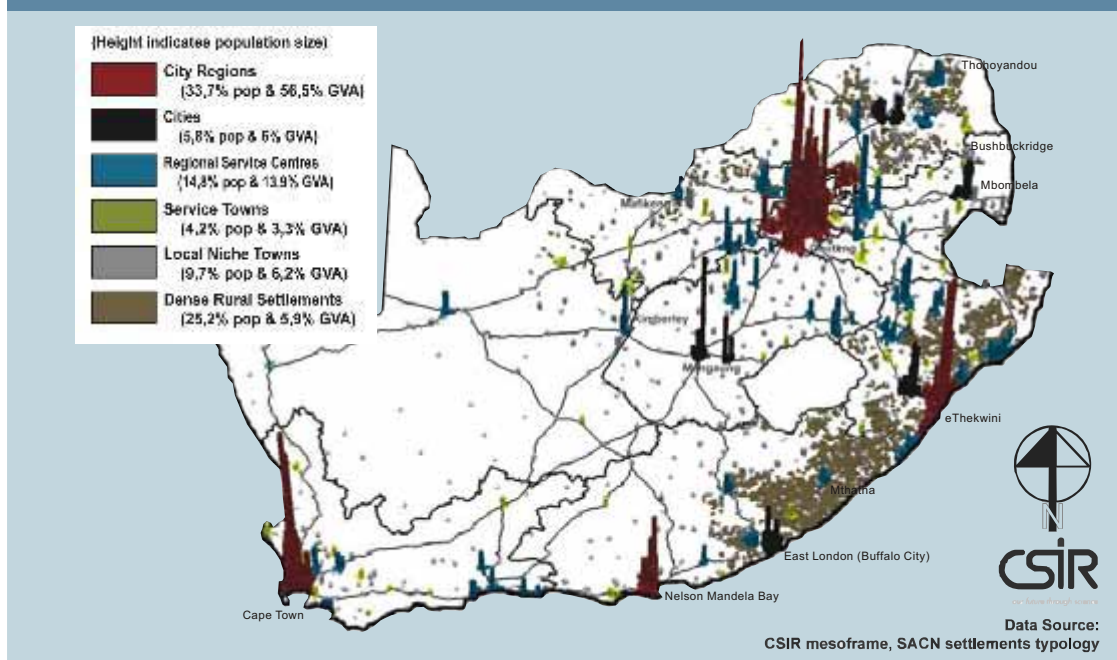
Interconnected interventions are needed to tackle these issues. These include economic solutions, institutional reforms, changes to land management systems and infrastructure investment. This chapter focuses on the spatial aspects of these interventions.

The landscape has changed since 1994, producing mixed results. The Gauteng city-region has reinforced its national dominance and attracted growing migration. The coastal city-regions have performed less well, especially in terms of job creation, largely because the manufacturing industry has failed to gain traction despite the apparent advantages of their location. The performance of smaller cities has been uneven, depending on their dominant industries. Many small towns and rural areas have stagnated or declined as agriculture and mining have gone through structural changes, while others have developed dramatically as economic activity has increased. Parts of the former homelands are changing their economic structure, supported by increased spending from social grants which raises questions about long term sustainability but does potentially open new opportunities. This is occurring along major

transport corridors, in developing tourism areas and along national borders where trade and transport are growing.

By 2030, a perspective on changing settlement patterns must consider the distribution of, and threats to, natural resources, and the spatial implications of the emergence of green technologies and green economies³. The Commission has mapped the spatial dimensions of these concerns. These include: biodiversity threats, particularly in the Western Cape; stressed water catchments; areas contributing disproportionately to greenhouse gas emissions and air pollution such as the Mpumalanga Highveld; new areas of resource extraction including the Waterberg; and areas most severely affected by climate change such as the west of the country where rainfall is expected to decline, and the interior of the country where an increase in extreme rainfall events are anticipated. These changes may alter the relative potential of regions, including the Northern Cape, for example, where large-scale investment in solar energy is anticipated.

FIG 8.2. POPULATION DENSITY AND SETTLEMENT TYPES IN SOUTH AFRICA



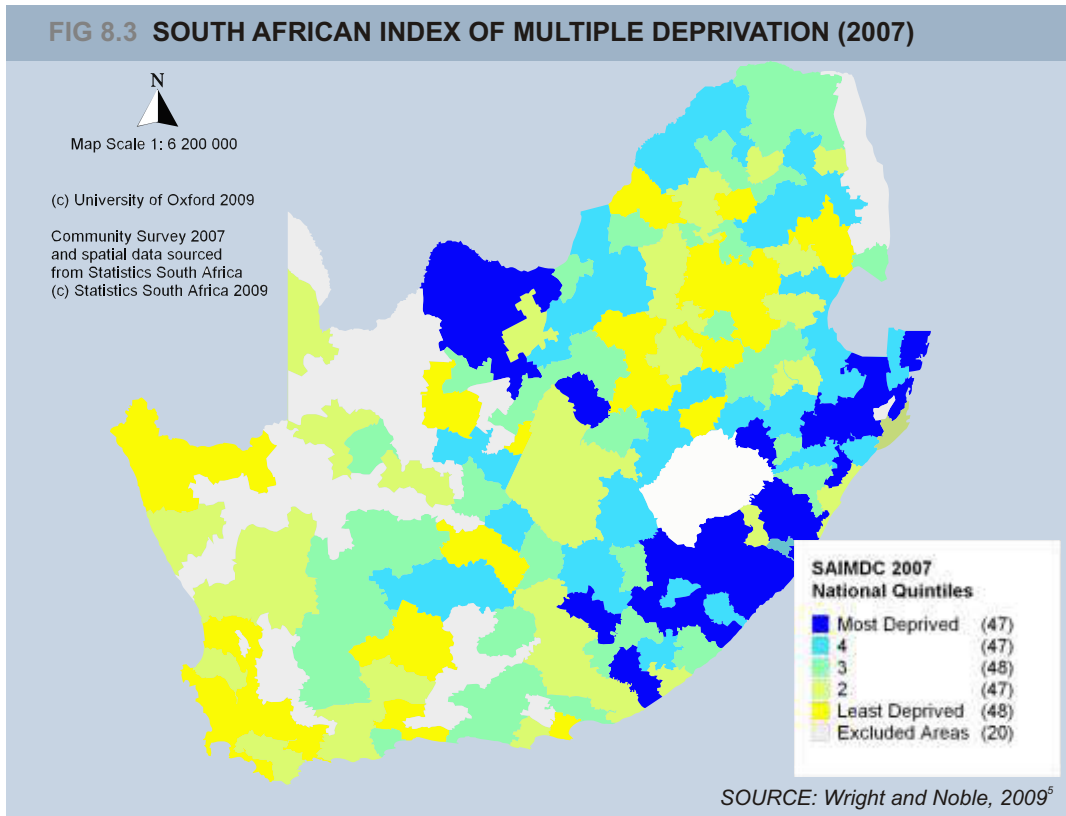
SOURCE: Council for Scientific and Industrial Research, 2011



Although we deal with the rural and the urban in separate subsections, the distinctions between these categories are blurred⁴. This is partly a legacy of apartheid policies, such as forced removals and restrictions on migration, which led to dense settlements in rural areas, while labour controls led to circular migration between rural and urban areas.

South Africa needs an integrated approach to this interdependency and national territory issues. The population have responded, and continues to respond to changes in economic opportunity. For a discussion on current and anticipated migration patterns across South Africa, refer to chapter 2 on demographic trends.

FIG 8.3 SOUTH AFRICAN INDEX OF MULTIPLE DEPRIVATION (2007)



The map above reveals the extent of spatial disparities across South Africa. While rural areas are the most deprived in relative terms, urbanisation of poor households means that there is a growing concentration of poverty in large urban areas in absolute terms.

Differences and inequalities within rural areas

Despite population shifts from rural to urban areas, the health and wellbeing of the entire population still depends on rural goods and services – food, water, minerals, energy, biodiversity, natural and cultural experiences, labour and land – and this will become

clear in the next few decades as resources become more constrained.

International experience shows that rural areas play a role in urbanisation. Urban areas are markets for rural products and rural areas demand urban goods. Early on, cities have limited capacity to deal with large inflows of low-skilled migrants, so it is important to provide security and services in rural areas and to support agriculture. As urbanisation grows, rural areas continue to provide the goods, services and markets essential for the national economy, but they also start to provide space for economic activities that cannot survive in expensive urban environments.

These international observations apply to South Africa, although there are also characteristics specific to the country as a result of colonisation and apartheid. Historically, rural populations were able to subsist without support, growing their own food, building their own housing and using local resources for water and energy. As rural people became crowded into reserves and homelands, the

productive base of many of these areas was undermined.

Today, 40 percent of South Africa's population lives in rural areas, of which a very small proportion is self-sufficient or significantly involved in agriculture.

Over the past two decades, the productive

economy of rural areas has declined further, with a sharp drop in agricultural employment. Reasons for agricultural decline in the commercial sector and changes in rural economic activity in the former homelands are discussed in chapter 6 dealing with an integrated and inclusive rural economy. Even where agriculture has the capacity to provide sustainable livelihoods for rural households, out-migration will continue as urbanisation, which is a global trend, increases and there are limits to the ability of agricultural activities to support population growth. However, rural areas cannot be written off indiscriminately as spaces of social reproduction and retirement with no economic prospects. There are rural areas in South Africa that have experienced significant economic growth. In some places, especially near large metropolitan markets or along transportation corridors, agriculture has expanded, and other areas have potential that could be

unlocked if policy shifts are implemented. There are also signs of economic vibrancy in parts of the previous homelands, in sectors such as retail, transport and construction, as increased state grants have expanded local circulation of money. These successes need to be built on and new opportunities explored while recognising the danger of continued investment in settlements which are unlikely to be viable without continued financial support.

The economic base of rural areas and how agriculture can be expanded to support more people is examined elsewhere in the plan. This chapter focuses on the spatial aspects of rural development. These cannot be divorced from other critical issues – institutional development, land tenure reform, non-agricultural employment and resource rights. Each needs to be addressed in a comprehensive programme that restores rural areas, and clearly outlines the role of the state and local government, as well as capacity requirements.

The starting point is **recognition of the extreme differentiation within rural South Africa.**

Typologies have been developed that differentiate, for example, between the small market towns, agri-villages, informal settlements, farm villages and scattered homesteads in commercial farming areas, and the peri-urban informal settlements, villages, and scattered homesteads in former homelands. This is a useful approach that points to the need for differentiated planning responses in relation to varying settlement types. However, there are other dimensions of differentiation. For example, some rural areas have declining or stagnant economies, while others have local economies that are growing even faster than those of large urban centres. Some areas are receiving migrants and densifying, while others are sources of out-migration and have declining or static populations. Some rural areas are well positioned in relation to nodes and corridors of





development across southern Africa while others are extremely marginal. There are also huge differences in terms of the types of economic activity and the levels of poverty across areas.

More work is required to ensure that there is a sufficiently differentiated understanding of rural areas in South Africa so that interventions in support of rural development will be sensitively attuned to variant developmental conditions⁶. South Africa must, for example, develop a better understanding of the changing demographics of who stays, who leaves and who returns and what impact that has on the nature of the household structure and livelihood opportunities across the typologies.

The spatial concerns in relation to rural development include:

- The high cost of providing services and infrastructure in rural areas, and especially in places that are remote and have low population densities.
- The continued densification of rural settlements where there is access to good transport services. Many of these settlements have population densities approaching that of urban areas but lack the suitable mix of land uses and 'urban' economic activities to support local economies, and the necessary infrastructure and governance arrangements to manage this change. A large proportion of people living in rural areas live with strong urban expectations,

further complicating the interventions required.

- The current framework governing land use in traditional areas is not working. In particular, it discriminates against women⁷.
- The spatial opportunities in sectors including agriculture, mining, tourism and renewable energy that remain unrealised because of the lack of connecting infrastructure.
- The large areas of high-potential agricultural land that are grossly underutilised, particularly in traditional areas.
- The damage being done to high potential agricultural land and related ecosystems through short-term mining activities.
- The failure of the land-reform programme to take proper account of spatial potentials. Successful agricultural production requires suitable land that is well located in relation to major markets and agro-processing chains. Many land-reform initiatives have been in areas that are marginal to markets with insufficient development, for example, in peri-urban agricultural zones⁸.
- A lack of focus on infrastructure that connects producers to markets to protect producers and consumers from external shocks and rising transport costs.
- Weak mediation mechanisms to resolve spatial conflicts involving tourism, agriculture, mining rights, and protection of biodiversity. These are becoming increasingly acute as natural resources are depleted.



Urban inefficiencies

Most South Africans live in a complex network of towns and cities, which generates about 85 percent of all economic activity. Urban areas vary enormously in relation to such factors as spatial form, economic base and institutional strength and, as with rural areas, it is important that a one-size-fits-all approach is not taken. The government and the private sector should understand the distinct challenges and potential of different areas and respond with a location-specific approach.

Towns and cities are connected in varying degrees into wider urban systems and their development reflects global and local forces. Economic activity is becoming consolidated in the largest cities. However, other activities including in highly skilled professional services are decentralising partly as a result of information and communication technology (ICT) and lower transport costs, creating opportunities for smaller urban centres.

A major trend is the development of city-regions that extend beyond individual municipalities. This offers opportunities but also complicates urban planning and management. In particular, decision-making around land-use management and the coordination of development initiatives are greatly affected by the blurring of boundaries. Institutional structures that ensure greater collaboration and harmonisation of plans must be considered. The Gauteng city-region and embryonic city-regions around port cities are cases in point, requiring new collaborative approaches.

Towns and cities are affected by a range of challenges:

- Despite slower urbanisation than in other parts of Africa, another 7.8 million people will be living in South African cities in 2030 and a further 6 million by 2050, putting pressure on municipalities to deliver services. A large

proportion of new urban residents will be poor, reflecting a phenomenon referred to as the urbanisation of poverty.

- In particular, the number of young people in cities is growing rapidly. These youth are largely in the working-age category and mainly unemployed or involved in marginal enterprise. This requires a positive response, as disenfranchised youth are both a hazard and a lost resource to society.
- South Africa's towns and cities are highly fragmented, imposing high costs on households and the economy. Since 1994, densities have increased in some urban areas and there has also been partial regeneration of inner cities, coupled with the growth of housing ownership⁹ but, overall, little progress has been made in reversing apartheid geography.
- The growth of property value has led to an overall average house price that has made housing unaffordable to many South Africans, and has further excluded participation in the property market by historically excluded groups. The growth has largely benefited middle- and higher-income groups.
- There is an insufficient understanding in policy of the informal and adaptive strategies and livelihoods of the poor. The relationship between where people live and how they survive is often overlooked.
- Transportation networks are critical to the spatial transformation of urban areas. There has been progress in some cities in delivering new public transport infrastructure, but the major shift from supporting private cars to incentivising public transport is yet to happen, and insufficient attention has been given to integrating modes of transport and coordination across municipalities.
- Although cities are generally more resource efficient than scattered settlements, their concentration requires the development of

large sources of energy and water and good transport connections which can place strains on the surrounding natural environment. If this is not resolved, cities face varying degrees of water stress, food insecurity and power shortages. Future development depends on the ability of towns and cities to become less resource intensive. The concentration of people, industries and infrastructure in urban areas presents opportunities to use resources more productively. There are also opportunities to create greener urban spaces, even in the densest areas.

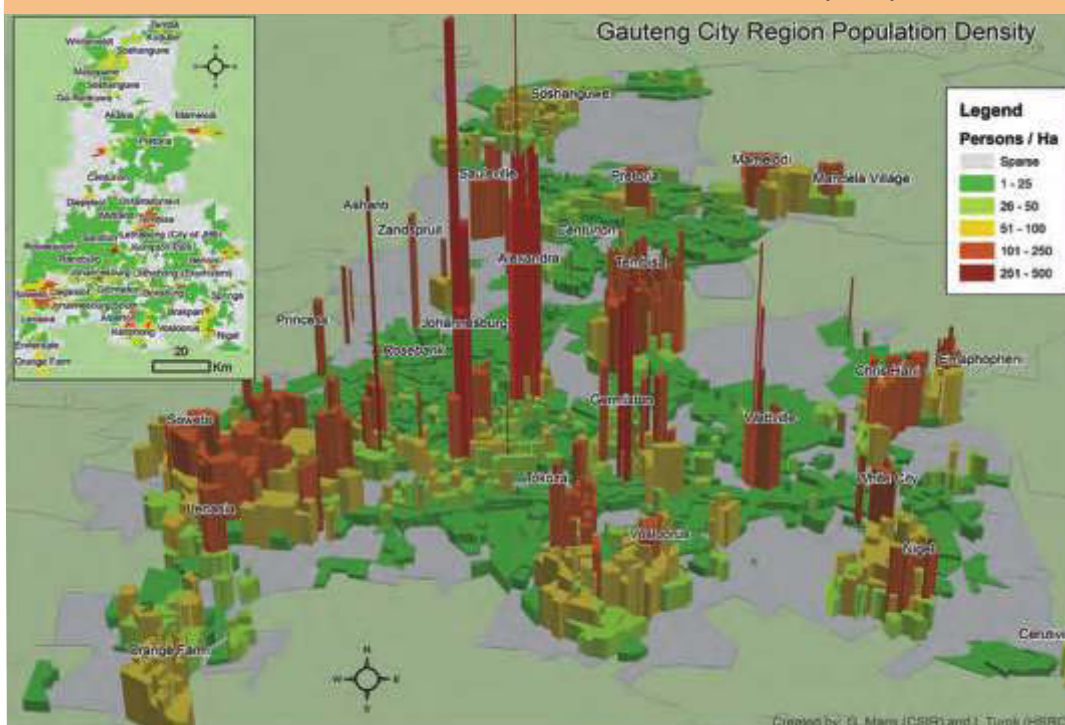
- Towns and cities are not productive enough and do not generate sufficient jobs. While most of the larger cities have performed better than smaller cities, their growth has been disappointing. Manufacturing has performed especially poorly. There is also little support for the informal economy, while township economies are unable to retain local spending power or attract productive investment.
- Many of the challenges are not a result of a vacuum in policy, but rather insufficient

THE COMMUTING BURDEN

A single mother of four children aged between three and 12 lives in Tembisa with her mother. She spends nearly five hours each day commuting to and from work in the Pretoria suburb of Brummeria, where she is an office cleaner. The journeys cost nearly 40 percent of her monthly salary of R1 900. She leaves home at 05:00 to be at the office at 07:30, starting with a 2 kilometre walk to the taxi stand, which takes her to the train station. In Pretoria, she takes another taxi to Brummeria. After leaving work at 16:00, she may not get home until 19:00, as the trains are often late. She spends over R700 a month on transport and nearly 100 hours on the road.

institutional capacity, a lack of strong instruments for implementation and a lack of coordination. There is also a critical lack of trust between different interest groups which reduces the willingness of economic players to commit to the kind of long term investments which are needed to generate jobs and the economic returns that would support sustainable urban growth.

FIG 8.4. SOUTH AFRICAN INDEX OF MULTIPLE DEPRIVATION (2007)



Source: The South African Cities Network¹⁰

THE ACCOMMODATION CONUNDRUM

South Africa is faced with addressing the accommodation needs of the mass of its population in a way that builds long-term settlement sustainability and strengthens the capabilities and livelihood prospects of its citizens.

In 1994, South Africa's new housing policy was launched, with the housing capital subsidy scheme as its instrument. The Department of Human Settlements estimates that 3.2 million subsidised units have been completed / are in progress for poor families: a considerable achievement. The programme enabled home ownership with title deeds being transferred to the beneficiaries. At the same time, access to basic services expanded – 97.7 percent of households have access to water and 82 percent have access to sanitation and 75.8 percent to electricity¹¹.

The housing policy has been a learning

process. The release of a revised policy in 2004, known as *Breaking New Ground*, followed a growing recognition that the programme often resulted in poor-quality units; uniform and monotonous settlements on the urban edge; the concentration of the very poor in new

ghettoes; and poor-quality residential environments without the necessary social facilities and supportive infrastructure. Unwittingly, post-apartheid housing policy had reinforced apartheid geography.

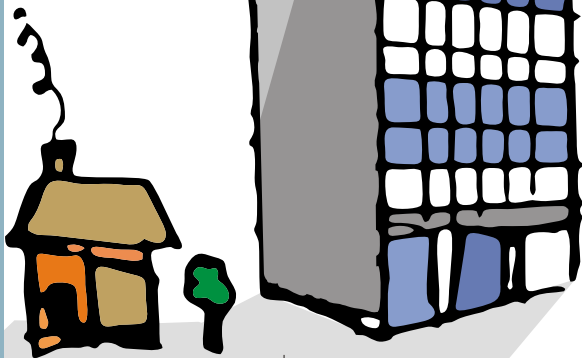
Other shortcomings became apparent as the

programme approached its first decade. These included:

- The scale of the housing problem – indicated, for example, by the growth of informal settlements in areas of economic opportunity – was increasing despite the delivery of RDP houses.
- A growing recognition that the programme was a blunt instrument in response to the diverse housing needs of individuals and households. It was unable, for example, to respond to individuals who did not qualify for the subsidy and who were also unable to access the limited range of housing products available in the market. It failed to address the importance of rental accommodation in a context of household mobility and transience. Despite the intention to bring private-sector finance into the lower end of the market, very little was achieved as investment risks remained high.
- The programme gave insufficient attention to the workings of the market, including the rental market. Beyond the state programme, the extension of property finance for the lower end of the housing market was muted, with very limited growth in the secondary market at the lower end. It did not adequately transform the apartheid neighbourhood geographies.

Breaking New Ground attempted to address these concerns by “utilising housing as an instrument for the development of sustainable human settlements, in support of spatial restructuring”. In particular, it emphasised:

- The need for better-located mixed-income and mixed-use housing projects by extending the scope of the project-linked subsidy programme.
- More diverse housing forms by structuring new programmes, including tackling informal settlement upgrading as a recognition of entry into the incremental housing-delivery process.



- Greater attention to social and rental housing as mechanisms to revitalise depressed property markets including the lower-end rental market.
- Accrediting municipalities with the housing delivery function to effect improved integrated settlement development; and linking job opportunities and work creation with housing development processes.

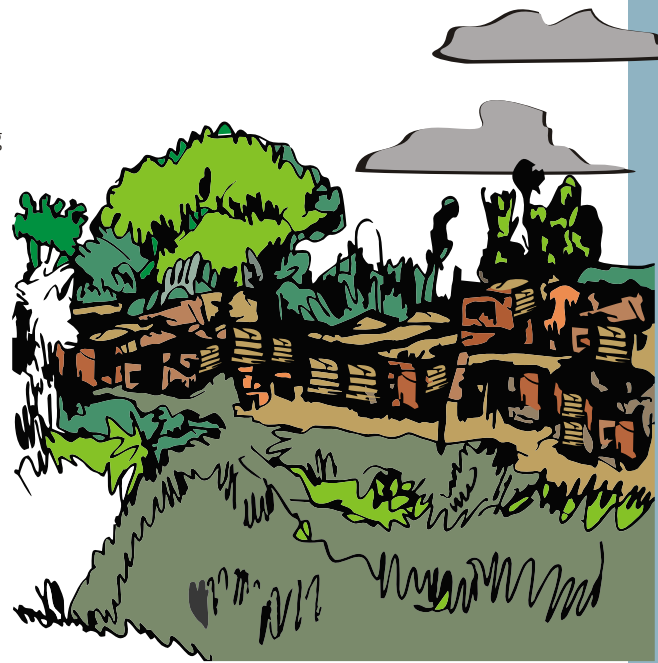
This approach was reinforced in 2009 with the creation of a Department of Human Settlements and the adoption in 2010/11 of the President's delivery agreement on "sustainable human settlements and improved quality of household life" (outcome eight). Important elements included:

- The commitment to upgrade 400 000 households in well-located informal settlements with the assistance of the National Upgrading Support Programme by 2015.
- The emphasis on increased social housing delivery and inducements on affordable rental accommodation.
- The unlocking of well-located land, especially state-owned land, for affordable housing.
- Mechanisms to induce improved performance of the lower end of the property market, including those that increase private finance to the bottom end of the affordable market segment.

The Commission acknowledges the positive direction that human settlement policy has taken since the introduction of Breaking New Ground and believes that the full implementation of outcome eight will make a major contribution to housing delivery. There are, however, a number of challenges requiring special attention if the delivery of housing is to be used to restructure towns and cities and to strengthen the livelihood prospects of residents:¹²

- Circular migration and households with more than one house make it difficult to understand the real demand for housing.

- Providing housing could help people earn an income from home. However, there is a lack of clear policy on home-based income generation.



- State-provided houses are not being integrated into the property market because there is a delay in registration and issuing of title deeds, and households are not allowed to sell their subsidised houses for eight years after receiving it.
- Private investment into housing at the lower end of the market is very slow, although there is evidence of effort and resources for beneficiary residents in transforming their homes¹³.
- There is a growing gap market as many households with an income above the threshold for receiving a subsidised house have neither access to a private bond nor adequate government support¹⁴.
- Inadequate attention is paid to rental accommodation across income bands. There is not enough incentive for public and private investors to invest in rental housing. The government lacks operational capacity to manage rental stock.
- Despite efforts to transform South Africa's urban areas, many housing projects do not create efficient urban spaces.
- There is a lack of enabling policies and implementing instruments to support the development of an appropriate housing mix in inner cities.

- Despite improvements in state-subsidised housing, projects are not achieving living areas with different types of housing for different income groups, supported by schools, clinics, businesses and job opportunities.
- There are growing housing backlogs in areas of economic growth and in-migration, with a disproportionate number of new houses in areas of little or no growth. This indicates poor spatial targeting of housing projects.
- In general, the focus remains on housing rather than on developing quality environments for low-income communities, supported by the necessary physical, social and environmental services.
- Despite improvements, the existing housing subsidy system continues to fund top structures (houses) rather than producing quality public spaces and infrastructure in the area.
- Breaking New Ground emphasises affordable inner-city housing. However, municipalities continue to focus on providing individual ownership units where it is easy to meet numerical targets. This is largely because policy and funding instruments for affordable inner-city accommodation have not been accessible.
- The National Upgrading Support Programme, which aims to upgrade informal settlements, has made slow progress due to rigid local regulations, ambivalent attitudes towards informal settlements in parts of government, and a lack of capacity to upgrade such settlements (see box below on informal settlements and livelihoods).

Addressing the challenges

The housing issue is complex and needs to be addressed through a cumulative process of reform. There is tension between the need to address housing backlogs quickly and affordably, and the need to provide housing to create well-functioning, high-quality human settlements that will offer greater opportunities for income generation and human development. It is the Commission's view that a long-term perspective on spatial transformation must be kept in mind at all times while addressing short-term needs.

There is a need to find the correct balance between protecting property rights of vulnerable individuals, protecting state investment, allowing integration of state-provided housing into the property market to stimulate the secondary housing market and ensuring locational flexibility for housing beneficiaries.

To achieve this, there is a need to debate the appropriate role for government and other actors in realising the constitutional right to housing and developmental goals, such as improving income through job creation, providing livelihood support and creating environments that facilitate human development. Large amounts of money have been spent on the housing sector but major problems remain. The system of state-provided housing has benefited many poor households but may have undermined the incentive for people to upgrade their own housing circumstances and may have increased a dependency on the state for the supply of private goods¹⁵. A national discussion is required on the future funding of housing in South Africa, and on the respective roles of the state, the private sector and individual households in providing housing and creating integrated and sustainable human settlements.



ADDRESSING CHALLENGES OF

AFFORDABILITY FOR HOUSEHOLDS IN THE 'GAP MARKET'

Fifteen percent of households in South Africa have access to bond finance. Around 60 percent of households qualify for subsidised houses, leaving a group representing approximately 25 percent that does not qualify for a fully subsidised house, yet does not earn enough to qualify for a bond. This segment is known as the gap in the housing market.

The Department of Housing first introduced the Finance Linked Individual Subsidy Scheme (FLISP) in October 2005 to provide assistance to households earning from R3501 to R7000 per month. The programme was revised significantly to take account of lessons learned and expanded to include beneficiaries earning up to R15 000 per month. Under the revised programme, households earning from R3 501 to R7 000 qualify for a serviced stand in a housing project if they are unable to secure mortgage funding to buy a complete product. Households earning from R7 001 to R15 000 per month qualify for financial assistance to be able to repay their bond. A mortgage-guarantee fund was also introduced to reduce the lending risks of banks in this sector. Limited stock is however available in this segment of the market.

A market where only 15 percent of households are able to take care of their housing needs independent of the state, points to market failure. A recent dialogue on housing-infrastructure finance highlighted that there are layers of individual failures that result in unaffordable housing for a large part of the population.

Particular aspects that require unpacking, which affect housing prices, include:

- Bureaucratic delays in approval of new development applications that increase the holding cost of land.
- High demand for well-located land pushes up the price.
- Availability of bulk and link infrastructure often also leads to delays in implementation and present high costs to developers if additional services need to be installed to unlock development.
- Views from private developers that inclusion of products affordable to the gap market will increase their risk and compromise project viability.
- Households falling within the particular income bracket are not necessarily ready to commit to a fixed location for a period of 20 years and the transaction costs associated with sale and transfer of fixed residential property is high. Very limited support is available for this group to access affordable rental to allow a more flexible location until they are ready to invest in property for the long term.

It is important to address all of the above in the medium to long term. In the short term, it will be important for the state to alleviate the symptoms of market failures by supporting households to access shelter affordably.

The current housing programme is costly, with an estimated R300 billion required to address the current 2.1 million backlog in housing units. However, spatial transformation and meeting the settlement needs of the poor is invariably expensive and fiscal concerns cannot be the only issue considered when reviewing the programme. The critical concern is whether the current programme is effectively targeted. More attention must be paid to aspects of human settlement apart from top structures, including public infrastructure and the public environment. Are there other ways to support household shelter while directing attention to the full range of factors that make up sustainable settlement?

The Commission envisions a revised approach to human settlement, in which the state properly fulfils its obligation to providing high-quality public infrastructure and environments, while also supporting and facilitating low-income households in acquiring adequate shelter. How this will be realized requires detailed technical work, led by the Department of Human Settlements, but there is an urgency to the matter as the current trajectory of housing provision must be changed if the overall objectives of human settlement transformation are to be achieved. In part the solution may come from a more innovative application of the instruments

available by provincial and local governments, but there is a need for new instruments that will incentivise and

complement investment by households, such as housing vouchers that are not spatially tied as well as a need to reorient funding towards public infrastructure and public environments.

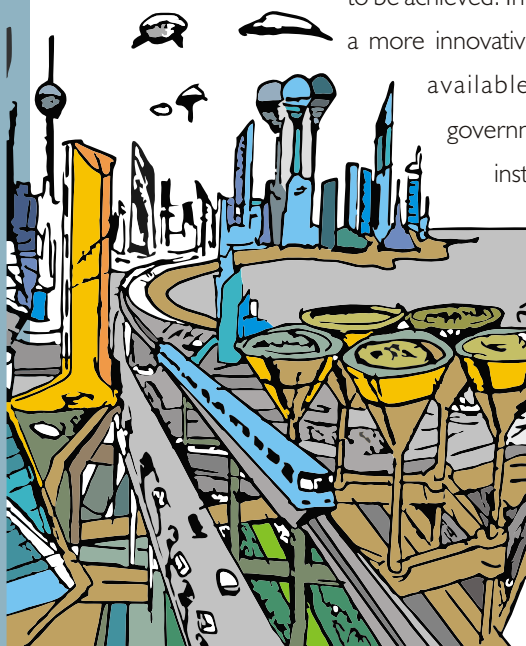
The development of new housing stock is severely

constrained by the failure of municipalities to provide bulk infrastructure proactively. In part this is due to planning and management failures at municipal level (discussed in more detail in chapter 13) and, in part, due to gaps in the municipal financial framework (addressed in chapter 4). The housing challenge is therefore closely related to the need to provide access to basic services. Despite the achievements in this area since 1994, **access to adequate housing**, reliable electricity, safe water supplies, accessible public transport and hygienic and dignified sanitation facilities remain a daily challenge for many South Africans, particularly in poor rural and peri-urban communities.

These challenges will only be resolved if their underlying causes are addressed. Priority areas include:

- Affordability of services for poor households.
- Poorly managed municipalities, with limited human and financial resources.
- Failure of municipalities to develop bulk capacity to supply all the networks from which households get their services or to develop housing areas where adequate infrastructure is available.
- Uncontrolled use by some households.
- Inadequacies in the maintenance of infrastructure and lack of reliable data.

There are particular problems in the distribution of electricity, the quality of water supply, the integration of new public transport networks, and the reduction of waste-to-landfill, which require urgent attention. Municipal spatial planning is often inadequately linked to investment decisions around bulk infrastructure, and this points to the need to improve the capabilities for spatial governance as well as to revitalise the municipal integrated development planning processes and transform it into a practical instrument to guide municipal investment.





INFORMAL SETTLEMENTS

Informal settlements provide new migrants and the urban poor an affordable point of access into towns and cities, although they are also associated with high degrees of physical and social vulnerability.

Part 4, Volume 5 of the Housing Code (2009) points to the role of informal settlements in including households that did not qualify for housing subsidies by providing funding for area-based upgrades, in addition to household-linked subsidies. Outcome eight recognises that informal settlements provide land and urban opportunities for the poor, but implementation remains slow. The reasons for this are diverse. There is an ambivalence across government towards how to address the upgrading of informal settlements, and the mechanisms for the in situ upgrade of informal settlements have yet to be fully developed. The institutional capabilities to manage processes such as incremental tenure, infrastructure and shelter upgrade and the development of appropriate regulations, in a participatory and empowering way, have yet to be developed.

Wherever possible, upgrades should happen in situ, or at least with minimum disruption to existing communities. In South Africa, many provinces and local authorities still revert to conventional approaches to land development. Decisions on where upgrading should happen is often contentious. In many cases relocations happen where more creative solutions to land rehabilitation could be found.

There are local examples of upgrading projects, but results have been uneven and inconsistent and there is a need for a systematic assessment of results.

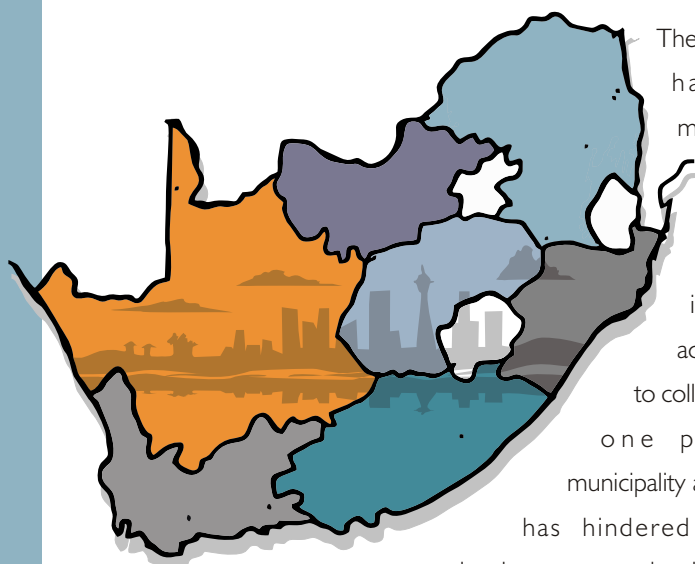
Informal settlements are highly differentiated in terms of history, location, levels of vulnerability and social structures, and so generalised solutions should be avoided. There is, however, a general lack of adequate information about the nature and conditions of each of the informal settlements, which would allow for tailored solutions, and would enable a more strategic use of resources.



Weak capabilities for spatial governance

Renewed effort is needed to ensure that national, provincial and local government work together in reshaping the built environment to achieve smarter and fairer development.

South Africa's intergovernmental system of spatial planning has been slow to develop and coordination has been poor. The complex division of powers and functions between local, provincial and national government has contributed to the problem and, in addition, ambiguities in the Constitution about who is responsible for spatial planning have created uncertainty.



The planning system has cemented municipal and provincial boundaries, making it almost impossible to plan across borders or to collaborate between one province or municipality and another. This has hindered development planning as many developmental issues, such as environment, transportation and economy issues, straddle political boundaries.

There are added complications within each level of government. Spatial planning is dispersed across national ministries¹⁷, and is subject to parallel and sometimes conflicting legislation. The legislation that regulates land-use management is largely unreformed and dates back to apartheid. Without a guiding framework for national spatial development, ministries and state agencies sometimes operate at cross-purposes. For example, policies on the use of surplus state-owned land are inconsistent.

Provincial land-use management functions overlap with municipalities, creating confusion and conflict. Provinces are largely responsible for overseeing economic activities such as agriculture, tourism and environmental management. However, lack of capacity has delayed development and reduced the quality of the provincial growth, and coordination strategies for development. The divide between managing development and the environment, and promoting economic investment is a design flaw in the planning system, making it difficult to strike a reasonable balance.

Municipal integrated development plans (IDPs) vary in quality. One of the problems with IDPs at municipal level is there is no effective system for them to gain the national and provincial support that they require to be meaningful. IDPs also depend on robust capacity within municipalities for both planning and implementation, which is often lacking. Some municipalities have gone beyond IDPs and related spatial development frameworks by developing long-range strategic plans and more detailed plans, even down to the level of urban design. However, many municipalities are still struggling to produce credible IDPs. A handful of municipalities are ready to introduce new instruments to shape space, such as value-capture instruments, but most require continued support in developing basic plans.

Inefficiencies in processing planning applications have sometimes deterred job-creating investment. The costs associated with long approval processes are carried by the private sector with negative consequences for growth and job creation. The planning system does not distinguish between procedural requirements for small municipalities that receive only a few large applications and big metropolitan authorities that get many.



Municipal planning responsibilities were recently clarified by a Constitutional Court judgment, but urgent action is needed to bolster local government's capacity to fulfil these functions. The proposed Spatial Planning and Land Use Management Act provides a framework for spatial planning and land-use management towards spatial transformation, but more fundamental changes will be required in areas that go beyond the mandates of the department that sponsored the act.

Difficulties for the planning system include:

- Ambiguity and contest around the developmental role of traditional authorities.
- Poor cross-boundary coordination.
- Autonomous transport systems.
- Legal complexities for municipalities to acquire and swap land parcels.
- Disparate funding streams, which complicate integrated development.
- Planners (and other development and built environment professionals) who lack an understanding of economic principles, market forces and commercial realities to negotiate better development outcomes, and also of informal livelihood practices and the challenges these raise for flexible and empowering regulation.

One of the consequences of weak spatial governance is that spatial planning has tended to follow patterns set up by private-sector investment. While the private sector has a role to play, the overall pattern of spatial development should be shaped by the long-term public interest, and so the capability of the state to engage with the private sector must be improved.

The weaknesses in capacity relate to implementation structures and planning. A lack of effective project preparation and project management skills, including thorough pre-

feasibility and feasibility work, causes service-delivery backlogs, poorly conceptualised projects, and failure to spend allocated budgets.

Sound spatial governance requires strong professionals and mobilised communities. Many municipalities struggle to appoint qualified planners and urban designers, who are in short supply and are often not considered a priority. As a result, quality standards are sometimes poor, and because opportunities are limited, too few people study planning and urban design. Low capacity aggravates the lack of citizen engagement in neighbourhood planning and development. There are few examples of communities initiating their own planning and problem-solving, and these efforts are often stalled due to the government's inability to engage and respond.

There are pronounced limitations on citizen action at individual and community level. Although IDPs are required to be participatory, engagement in planning processes and joint problem-solving often happens at a superficial level. Participatory processes are often formulaic and compliance-driven, and there are few incentives for citizens to engage in community-building. Citizen dependence on a state with limited capability leads to confrontational protests by individuals who are waiting for the state to provide houses and services. Simply providing the opportunity for local communities to take part in preparing their own plans may create new forms of inequality as better-resourced communities are far more likely to respond to the opportunity. A differentiated approach to spatial planning is required which allows simple approaches to be adopted in uncontested areas but provides for mechanisms to address the conflicts that are likely to emerge in other cases more speedily than at present.

WHY IS TRANSFORMATION SLOW IN SOUTH AFRICA?

There is now wide agreement that spatial transformation in the democratic era has been slower and more ambiguous than initially anticipated. In accelerating spatial transformation towards 2030, South Africa needs a proper understanding of why expectations have not been met to date. Analysis points to the following reasons, amongst others:

- **There are powerful interests at all levels concerned with maintaining the spatial status quo.** Spatial patterns reflect, to a large extent, historical and current power relations. They change gradually over time in response to shifts in political and economic control. Major changes to spatial arrangements are likely to provoke resistance from those who have a vested interest in maintaining the existing pattern. This is apparent at all levels, including at the community level where the so-called NIMBY (not in my backyard) response makes the goal of social and income integration in the built environment very difficult to achieve. Spatial planning interventions that could override some of the NIMBY and private sector objections to developments that could support greater spatial equity are still weak.
- **The diverse (often contradictory) spatial effects of economic and social policies.** Spatial change is the outcome of diverse social, economic, institutional and political processes. In South Africa, policies and programmes in areas including trade and industry, transportation, environment, housing, health, education, infrastructure have not been scrutinised for their spatial implications, and there has been no sustained effort to achieve spatial alignment.
- **The lack of an overarching strategic approach to spatial development.** The responsibilities for spatial planning remain institutionally fragmented across various departments, while spatial planning does not have significant institutional force within the governmental system.

CLARIFYING THE VISION

A vision for spatial futures needs to be inspiring but also believable, and should emerge from a process of consensus-building.

In this section, the Commission proposes:

- A set of overarching principles for spatial development.
- A process of vision-building through the development of a national spatial framework.

- A national discussion on the future of towns, cities and rural settlements.

While we envisage the vision unfolding as a process of creative dialogues, we also suggest elements that we have tested with a range of stakeholders. The Commission provides, for example, a proposed schema for spatial targeting that indicates where investment should be focused, and we identify elements of the existing broad consensus for transforming towns and cities.

Overarching principles for spatial development

All spatial development should conform to the following normative principles and should explicitly indicate how they would meet the requirements of these principles:

- **Spatial justice.** The historic policy of confining particular groups to limited space, as in ghettoisation and segregation, and the unfair allocation of public resources between areas, must be reversed to ensure that the needs of the poor are addressed first rather than last.
- **Spatial sustainability.** Sustainable patterns of consumption and production should be supported, and ways of living promoted that do not damage the natural environment.
- **Spatial resilience.** Vulnerability to environmental degradation, resource scarcity and climatic shocks must be reduced. Ecological systems should be protected and replenished.
- **Spatial quality.** The aesthetic and functional features of housing and the built environment need to be improved to create liveable, vibrant and valued places that allow for access and inclusion of people with disabilities.
- **Spatial efficiency.** Productive activity and jobs should be supported, and burdens on business minimised. Efficient commuting patterns and circulation of goods and services should be encouraged, with regulatory procedures that do not impose unnecessary costs on development.

MAKING THE CASE FOR A NATIONAL SPATIAL FRAMEWORK

South Africa needs a spatial vision to inform development policy, specifically to:

- **Tackle inherited spatial divisions.** South Africa's spatial structure perpetuates exclusion. Distorted growth patterns cannot be ignored. They also worsen economic and logistical inefficiencies.
- **Unlock development potential.** Many places are not growing economically because of a lack of infrastructure, inadequate skills, poor innovation capacity and weak governance. The locked-in potential of these areas could be released through targeted investment in economic and social infrastructure and institutional support.
- **Guide and inform infrastructure investment and prioritisation.** A spatial investment framework is needed to support growth and inform the long-term infrastructure investment strategy.
- **Manage contemporary economic and demographic shifts.** Economic dynamics are produced by concentrating productive activity, entrepreneurs, workers and consumers in a place without congestion.
- **Facilitate coordination between parts of government and other agents.** Spatial policy could be used to bring different actors and interests together to define a common future binding all sectors locally, provincially and nationally.

Develop a national spatial framework

Spatial policy seeks to coordinate and connect the principal decisions that create and shape places to improve how they function. Spatial policy does not operate in isolation – unaided it cannot transform the country's economic geography or promote growth. However, spatial policies can make a difference when they are integrated with plans for tangible public and private investment that are sustained over time, and carefully adapted to the needs and opportunities of specific places. Good spatial planning also builds communities and improves social cohesion.

Spatial policy can be used to strengthen ties with neighbouring states by guiding measures to improve cross-border infrastructure connections, ensure better integration and management of a wider network of human settlements and support the sharing of economic assets to secure economies of scale. To achieve this, a transnational spatial framework for southern Africa should be developed, which might eventually be integrated within an Africa-wide spatial framework. This is, however, likely to be complex, politically and institutionally, and should not delay the concurrent preparation of a national spatial framework for South Africa.

The development of the national spatial framework needs to involve the government, business and civil society to create a shared perspective. In identifying key elements of a common vision, lessons can be learnt from an earlier attempt to address such concerns – the National Spatial Development Perspective. It focused on the tough choices facing costly public investments, but it took a narrow view of the development potential of different places. Recent data has highlighted trends that illustrate the need for an ongoing process of spatial management. Given the complexity of the task, and the need for a fully participatory process that

properly involves departments and agencies with a mandate for spatial development, the Commission does not present a national spatial framework in this chapter. Rather, we suggest some elements for inclusion in the framework and propose the institutions and processes necessary for the work to start.

The challenge of spatial disparity is one of the most difficult issues that the framework would have to confront. Economic development is uneven, with some places growing more quickly than others. National spatial policy needs to support the major centres of competitiveness where jobs can be most efficiently produced. However, there are opportunities and growth dynamics to be unlocked within currently lagging regions. South Africa should:

- Develop governance capabilities and creativity in all regions, and in lagging regions in particular.
- South Africa should implement its plans to invest in connective infrastructure that would integrate lagging regions into the economic core.
- Invest in infrastructure and services that enhance labour mobility in search of jobs, such as education, training and transportation.

The development of a national spatial framework, as well as ongoing spatial management, must be supported by integrated national system of spatial data infrastructure. There are a number of initiatives in the public and private sectors to collect and analyse data at national level, but these are not well integrated and there is duplicated effort.

A national spatial framework cannot and should not address the details required within provincial and municipal spatial development frameworks. It can, however, offer broad principles for provincial and local development. An important principle is spatial differentiation. Spatial planning should recognise

and respond to differences between places. Spatial typologies used by the government usefully differentiate between categories of settlement, but they are not sufficiently nuanced within each category. For example, there are considerable differences in informal settlements. Those closer to urban centres often house young unemployed males looking for jobs, while those towards the urban periphery often have a more stable population with a high percentage of women and a greater need for social services¹⁸.

The framework should also deal with areas of national importance and develop specific programmes to support them. Territorial plans of this nature would work best in South Africa if they are supported by a spatial fund that can direct support to specific areas to address specific spatial objectives. The development of such a fund would need to be part of a process that interrogates the fragmented fiscal arrangements for spatial development in housing, infrastructure and neighbourhood development.

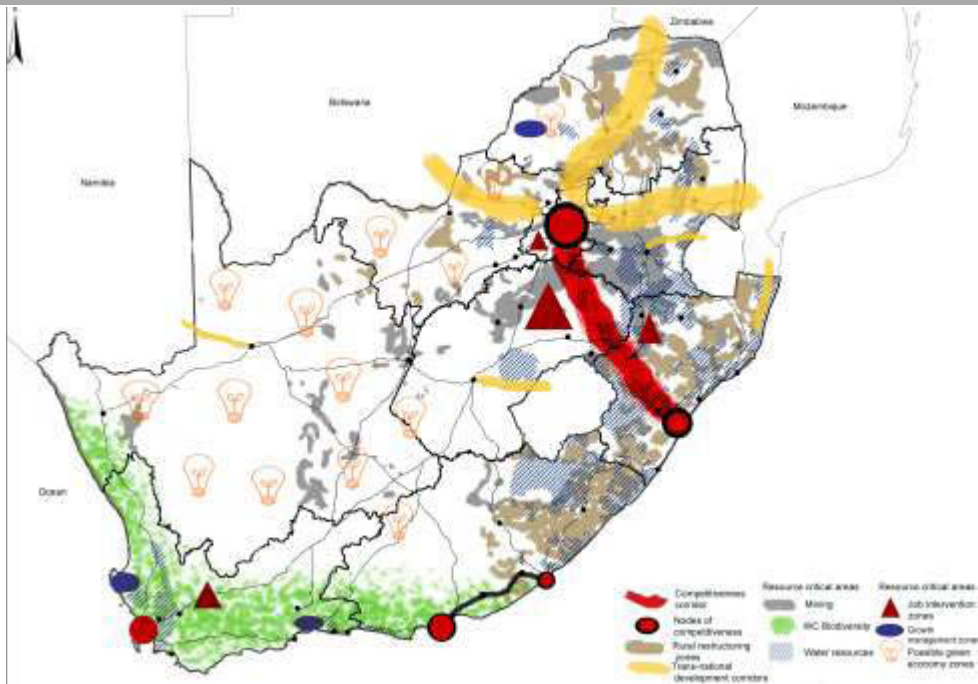
The proposed national schema for spatial targeting

(provisionally mapped) is illustrated and discussed below.

- **National competitiveness corridor.** The corridor of logistics hubs, road, rail, fuel and other infrastructure, including and connecting Gauteng and Durban, is vital to the future of the national economy, and should be designated as a national competitiveness corridor. It accounts for about 46 percent of gross domestic product (GDP), and would build on the Department of Transport's 2050 Vision for the Durban-Gauteng freight corridor. The corridor should be integrated as part of the anticipated transnational Durban-Dar es Salaam corridor.

- **Nodes of competitiveness.** Clusters of localities that account for at least 5 percent of GDP or jobs have experienced higher than average growth since 1994, or have the potential for high growth in future. Special attention must be given to their efficient development and to creating and retaining economic value. The Cape Metropolitan region, which produces about 11 percent of GDP, and eThekweni, which produces about 9 percent, are obvious candidates, although the latter is

FIG 1.1 PROPOSED NATIONAL SCHEMA FOR SPATIAL TARGETING



Source: National Planning Commission, 2012

already incorporated within the corridor. With their ports and industrial and agro-processing hubs, the Eastern Cape's two metropolitan regions could also enhance national economic prospects. Collectively, these regions contribute about 4 percent of GDP. These regions have not performed optimally since 1994, but with targeted support, their performance and contribution could be improved.

- **Rural restructuring zones.** Some rural areas have large populations that are experiencing change, for example, new settlement formation. Such areas need management, institutional development, land and tenure reform, infrastructure provision and economic stimulus. They include the more densely populated parts of the previous homelands, where there is population dynamism and sufficient numbers to provide the

basis for viable markets. There may also be areas with agricultural, tourism or mining potential. Almost all provinces have areas that fall within this category, but the zones should only be designated after careful consideration against a set of criteria.

- **Resource-critical regions.** These regions have natural resources that provide ecosystem lifelines to the country and may require specific policies to ensure their sustainability. They may include areas of highly valued mineral resources (the platinum belt); areas of great importance for biodiversity (the Western Cape); and critical water production areas (various catchments along the Eastern Escarpment). Regions with competition between development and environment, or between competing environmental uses (the Mpumalanga Highveld) may also fall under this category.



- **Transnational development corridors.** These corridors are critical to creating an integrated southern African economy, which require specific interventions around economic stimulus and trade

and transport networks. The corridors between Gauteng and Zimbabwe, and Botswana and Mozambique are likely to be recognised as the primary transnational development corridors, and

should be integrated within the corridors supported through the Strategic Development Initiative programme.

- ◉ **Special intervention areas.** These areas require particular forms of state support for specified periods. They include:

- ◉ **Job intervention zones.** Areas that have lost more than 20 percent of their jobs over the past decade, with significant losses to the national economy. The state may seek to stimulate the growth of new sectors, develop new skills or, in extreme cases, promote out-migration. Areas of concern include agricultural districts in the Western Cape, the Free State goldfields, the Newcastle-Dannhauser region in KwaZulu-Natal, and the far west Witwatersrand.

- ◉ **Growth management zones.** Areas of rapid anticipated growth that may require special planning and management. For example, rapid new growth is anticipated in the Waterberg region in Limpopo as a result of new mining development and related industry such as petrochemicals, and around Saldanha in the Western Cape due to resource-related port and industrial development.

- ◉ **Green economy zones.** These zones have proven potential to create “green jobs”, where short-term state intervention could leverage significant private development. For example, areas in the Northern Cape offer potential for solar and wind energy.

PROPOSED INFRASTRUCTURE PROJECTS IN THE NATIONAL SPATIAL FRAMEWORK

The government recently adopted an infrastructure plan that is intended to transform the economic landscape of South Africa, create a significant number of new jobs, strengthen the delivery of basic services to the people of South Africa and support the integration of African economies. This single common infrastructure plan will be centrally driven and monitored. It will allow for a planning framework that goes beyond a single administration to avoid stop-start patterns through a 20-year project pipeline with five-year priorities. The first set of priorities will include 17 projects. Priority projects will need to catalyse and enable socioeconomic development and cut across development areas, and include all provinces. Particular projects of note for the overall spatial structure include the geographic and spatial projects that include the unlocking of the Northern Mineral Belt with the Waterberg as the catalyst; the Durban-Free State-Gauteng logistics and industrial corridor; south-eastern node and corridor development that improves Eastern Cape access into Kwazulu-Natal; improved rail capacity between the Eastern Cape and Northern Cape; acceleration of investments in road, rail and related infrastructure to unlock economic opportunities in the North West Province; the Saldanha-Northern Cape development corridor; integrated municipal infrastructure projects to assist the 23 least-resourced districts with infrastructure; and a project to transform space and public transport in large urban areas.

The national spatial framework must take account of these proposals, indicating the relationship to overall spatial objectives. It is critical to provide a framework to coordinate across these initiatives, and to link these initiatives to other development processes across South Africa.

Source: Presidential Infrastructure Coordinating Commission, 2012.

Each of these zones should have an integrated programme of actions to help realise potential or deal with problems. Investments will vary in nature and scale between areas, therefore a matrix linking spatial areas with forms of intervention is required. Support is likely to target bulk infrastructure, capital for land assembly, public transport, other connecting infrastructure, business development, skills and capacity building, and programmes to enhance innovation.

The areas for spatial targeting indicated above will be designated by national government. Provincial and municipal authorities should also designate areas for special attention, and integrated funding could allow for this. Municipalities should establish a few transformation zones to act as catalysts and demonstration projects for urban integration and densification. This would build confidence in the government's ability to reshape human settlements. Projects could:

- Regenerate run-down inner city areas.
- Develop growth magnets on large vacant sites that have the potential to accommodate job-creating investment and large residential populations in accessible locations.
- Cement links between peripheral townships and urban cores.

The institutional arrangements for supporting these zones need further consideration, and may involve public-private partnerships and support from national government.

Spatial social compacts

The transformation of space is complex given the diversity across South Africa, the entrenched historical legacies, the multiple interests at stake and the many trade-offs required. The Commission supports developing social compacts as a way of mediating interests and providing the platform for future action. These compacts may be developed in a variety of sectors such as health, education, economy, but can also have a spatial dimension.

Spatial compacts can happen at various scales, from local neighbourhoods to cities or regions. They must deal with matters of direct concern where there are competing interests such as, the development of new public transport systems, the upgrading of informal settlements, the management of informal trading, inner-city regeneration, neighbourhood safety, measures towards environmental sustainability and infrastructure maintenance. Developing compacts should be managed to give voice to all competing interests, and should address the responsibilities of the state, the private sector and the citizenry in spatial development. The government should find means to incentivise developing these compacts.

Developing social/spatial compacts has preconditions, such as a level of trust between participants, high-level mediation capacity, measures to ensure equitable participation, especially where some parties are well resourced and others not, and adequate sanctions and





consequences of non-performance in terms of the contract. Strong capacity is required to initiate the process and draft the compact. Chapter 15, dealing with nation building, explores social compacts in more detail.

There is also a need to stimulate a broad discussion on the future of South Africa's cities, towns and villages. Unleashing citizens' popular imagination, creative thinking and energies are needed to tackle the challenges and opportunities that settlements face. People from diverse sectors of society will be encouraged to present new ideas, creative designs and alternative proposals to restructure their living and working environments. This should include young people in townships, artists in inner cities, the elderly in rural areas, and thought leaders in South African society.¹⁹

Rural futures

Rural areas present developmental challenges. They generally do not have the economic base that urban areas have, while the low densities and remoteness of many rural areas mean that the capital investment and servicing cost per unit is high.

Our spatial vision for rural South Africa is the development of vibrant, productive rural communities that create and keep wealth in their areas and also provide benefit to the nation. The question is what can be achieved realistically within the time-frame of the National Development Plan given the constraints and trade-offs.

The Constitution guarantees absolute minimum rights, including basic services and a healthy environment. Service backlogs in rural areas must therefore be addressed.

The Commission believes that the most sensible approach to unlocking the potential of rural areas is to accept the reality of rural differentiation. There is

an enormous difference between remote rural areas with low densities and marginal economies, and rural areas that have an established or potential economic base, and are well located in relation to urban markets and transport corridors. In the former, the focus may be on the universal access of services and improving connectivity, while in the latter there is a rationale for investment in economic infrastructure.

The first principle underlying a vision for rural areas should therefore be **sensitivity to the differentiated nature of rural areas, recognising that there is a rationale for varying types and levels of investment.**

Other principles and elements of an elaborated rural spatial vision include:

- Innovative forms of service and infrastructure provision where conventional, fixed infrastructure may be unaffordable. This includes mobile services, renewable energy and ICT.
- Stronger spatial coordination and greater clustering of services in all rural areas, including health, education, transport, welfare and security.
- Strengthened systems of governance and management such as reformed tenure and land management systems, and targeted infrastructure provision in areas of densification along mobility corridors and within previous homelands.
- A land reform programme that is spatially targeted in areas that are most viable in terms of agricultural land and access to markets.
- Prioritised attention to agriculture and rural enterprise development in areas of high market access, especially within peri-urban zones and along major mobility corridors.
- Prioritised attention to connective infrastructure that strengthens the links between the urban and the rural.

- Attention to “soft infrastructure” for rural development, including support for good governance, enterprise and youth development.
- Attention to expanding ICT access in all rural areas.
- Attention to the infrastructure for supporting non-farm activities such as tourism and mining in areas with proven potential.
- A renewed emphasis on the developmental role of small towns in rural areas as job creation centres.
- Targeted investment to support the regional and local food production systems that build local rural economies and reduce national food security risks.
- Attention to developing green economies in rural areas, especially in relation to producing renewable energy, and sustainable tourism, farming and water-usage.

Urban futures

South Africa needs to rethink the urban to face future challenges. We must grapple with this task and deal intelligently with social exclusion, environmental threats, economic inefficiencies, logistical bottlenecks, urban insecurity, decaying infrastructure and the impacts of new technologies.

Over the past few years – supported by the work of organisations such as the South African Cities Network – consensus has begun to emerge around an urban vision for South Africa:

- Towns and cities, as with rural areas, are highly differentiated and solutions and strategies must be tailored to their unique circumstances.
- The main challenge in planning for urban areas is to enable job creation linked to sustainable livelihoods and to establish well-performing human settlements. This should be at the heart of what municipalities do and how they function.

- The state should gradually shift its role from a direct housing provider of last resort to a housing facilitator ensuring adequate shelter and greater access to a wider choice of housing options. It should ensure optimal settlement performances by developing public goods through investment in public transport, other economic and social infrastructure, quality public spaces and jobs.
- Where housing is provided, greater emphasis should be on rental housing as many individuals do not settle permanently in towns and cities, or require interim accommodation before they do so.
- Social diversity should be accommodated in the way that investments are directed and enhanced in the built environment.
- The social and environmental function of land should be properly acknowledged in addition to the value of land as a marketable commodity.
- In the context of economic uncertainty and climate change, towns and cities must be designed for long-term resilience and flexibility, with more attention given to citizen vulnerability and safety.
- In a context of economic scarcity, city government, business and citizens should become efficient in their use of resources.
- The ways in which goods are produced, transported and consumed must be progressively greened.
- South African towns and cities must keep up with international innovation in technology, transport and energy production, while local urban innovation systems should be incentivised.
- Ageing urban infrastructures must be refurbished and core infrastructure like roads, transit, sewers and utilities should be properly maintained. There must be a transition to sustainable infrastructure delivery.
- All new developments should enhance the



ideal of creating vibrant, diverse, safe and valued places.

- Public transport investment should be used for the spatial transformation of towns and cities (see chapter 4 for a full discussion on public transport).
- The housing programme must be aligned with other public investments in transforming the form and functioning of towns and cities. It should ensure overall growth of the property market and a more equitable distribution of its value²⁰.
- Children and youth should be given special attention in urban development.

These elements are reflected in a substantive spatial vision for towns and cities:

- Urban sprawl should be contained and possibly, reversed as denser forms of development are more efficient in terms of land usage, infrastructure cost and environmental protection. A pragmatic approach is required to ensure that the raised cost of land and housing associated with increased densities does not burden the poor. This may require implementing inclusionary housing policies, using state-owned land for affordable housing and introducing land value-capture

instruments.

- Special incentives and subsidies should be designed to make affordable, large-scale high-density housing possible in inner cities, on well-located land parcels, taking into account property markets.
- Retrofit existing, non-sustainable human settlements with the public infrastructure and services required to make the transition to sustainability.
- 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 (see chapter 4)²¹.
- The major concentrations of urban poor should be spatially linked into the mainstream of city life through investments in transport infrastructure and the connecting corridors of development.
- Investment strategies in the public environment linked to improved social infrastructure investment, and inducements to get increased levels of private finance to improve the quality and value of properties, must be developed.
- Economic hubs supporting diverse economic activities should be developed within



historically black townships that have sufficient market size and/or mechanisms that integrate townships into wider economic functioning localities.

- ◉ Recognise that informal settlements provide the poor with affordable access to urban land and housing markets. Well-located informal settlements should be upgraded in situ.
- ◉ New ghetto formation should be avoided by promoting a mix of race and income groups in new housing developments.
- ◉ More attention should be given to the design and quality of urban public space.

SHARPENING THE INSTRUMENTS

Many of the elements of the spatial vision outlined above were known and accepted in 1994, although there has been refinement and adaptation. For example, there is more emphasis on environmental sustainability. The real challenge has been to translate the vision into implementation and meaningful spatial outcomes.

Planning and fiscal instruments were developed including IDPs (with spatial development frameworks); the housing subsidy; and infrastructure funding mechanisms. These mechanisms have worked to varying degrees but there is a need to sharpen the instruments. Bolder measures are needed to reconfigure towns and cities towards efficient and equitable urban forms.

The following recommendations are made:

- ◉ **Reform the current planning system to:**
 - ◉ **Eliminate inefficiencies in administrative procedures** for land development without compromising the need for careful evaluation of proposals. Municipalities should be required to report on turnaround times in decision-making, and procedural

requirements should be re-assessed during the proposed review of the planning system.

- ◉ Require all municipal and provincial plans, including IDPs and their spatial development framework components, to be translated into **spatial contracts** that are binding across national, provincial and local government.
- ◉ Actively support the **development of plans that cross municipal, and even provincial boundaries** that would promote collaborative action in fields such as biodiversity protection, climate-change adaptation, tourism and transportation.
- ◉ Ensure that every municipality has an **explicit spatial restructuring strategy** that is linked to instruments for implementation. This includes identifying **priority precincts for spatial restructuring**.
- ◉ If necessary, tools must be developed that empower municipalities to **make critical interventions to redress past social segregation**.
- ◉ Retool the **instruments of land-use management** to achieve spatial objectives by, for example, municipalities introducing land-use zoning, incorporating the social value of land imperatives and the fiscal instruments to achieve spatial objectives.
- ◉ Strengthen the **link between public transportation and land-use management** with the introduction of incentives and regulations to support compact mixed-use development within walking distance of transit stops, and high-density developments along transit routes²².
- ◉ Encourage the **development of plans or components of plans that address the concerns of children and youth and reflect their voice**.
- ◉ Strengthen the enforcement of **local planning and building control**.



- ◉ Urgently **review the existing grant and subsidy regime for housing** with a view to:
 - ◉ Ensuring diversity in product and finance options that would allow for more household choice and greater spatial mix and flexibility²³.
 - ◉ Ensuring that state funding does not support the further provision of non-strategic housing investments in poorly located areas²⁴.
 - ◉ Prioritising development in inner cities and in other areas of economic opportunity such as around transport hubs and corridors²⁵.
 - ◉ Ensuring that housing provision supports livelihood production and job creation.
 - ◉ Progressively shifting state support from only providing top structures to investing in public space and public infrastructure.
 - ◉ Leveraging private-sector funding into providing increased levels of finance to the lower end of the market and ensure that this investment is also directed to well-located areas.
 - ◉ Ensuring that private housing developments are incentivised to include a proportion of affordable housing²⁶.
 - ◉ Supporting the growth of housing delivery in the gap market by addressing affordability constraints and reducing the cost of products so that they are made more affordable.
- ◉ Supporting municipalities in developing capital and operational financing strategies that will allow them to provide the bulk and link infrastructure required for large development.
- ◉ Introduce **mechanisms that would make land markets work more effectively for the poor**.
 - ◉ Require municipalities to improve their understanding of local sub-markets by examining how poor people access land, accommodation and business opportunities. They should then develop ways to support and regularise these processes to reduce the costs of accessing and trading land for housing and small enterprises.
 - ◉ Municipalities must have clear strategies and allocate budgets to open up well-located, affordable land for new development.
 - ◉ Municipalities should identify existing settlements that are not formally recognised, assess the possibility for upgrading the settlements and where appropriate, give legal recognition to, and upgrade these settlements.
 - ◉ Ensure that all state-funded houses transferred to beneficiaries have clear property rights attached, whether a title deed delivered to the beneficiary household, or a



clear rental agreement. Assist households in resolving other legal issues constraining their property rights such as the transfer of estates, property disputes and delays in title deed transfer.

- ◉ Review the eight year sales restriction on state-provided houses to find the correct balance between protecting property rights of vulnerable individuals and allowing for greater flexibility and locational choice.
- ◉ Recognising that funding issues often constrain municipalities from taking the bold steps needed to achieve spatial restructuring, integrate the flow of funding for spatial restructuring into a consolidated **national spatial restructuring fund** that would:²⁷
 - ◉ Be a primary instrument for the objectives of the national spatial framework by channelling funding into regions and localities according to the framework.
 - ◉ Provide national support for catalytic projects aimed at transforming spatial arrangements and providing practical content to the new vision at regional and local level.
 - ◉ Incentivise innovations in terms of spatial development.
 - ◉ Fund infrastructure that is targeted at spatial transformation and that is consistent with sustainability criteria.
 - ◉ Provide support for economic development

hubs, nodes and linkages to be developed in historically black townships.

- ◉ Support municipalities with the development of specific urban infrastructure interventions in support of spatial restructuring.
- ◉ As a matter of urgency, a review will be undertaken of the financial implications of spatial restructuring and the design of mechanisms to mitigate them through this fund.
- ◉ Introduce a **package of instruments to support the transition to environmental sustainability** that would:
 - ◉ Introduce sustainability criteria and environmental ratings that would be applied to all infrastructure investment and all development applications.
 - ◉ Introduce measures such as stepped tariffs and targeted penalties that would reduce the demand for electricity and water, cut water leakages, eliminate waste going to landfill, and generally discourage high-consumption lifestyles.
 - ◉ Progressively strengthen the energy-efficiency criteria set out in the South African National Standard 204 to achieve a zero-carbon building standard by 2030.
 - ◉ Progressively strengthen standards and instruments to deal with environmental hazards, risks and vulnerability.





- ⦿ Develop a policy framework to respond to the bottlenecks that create food insecurity in both urban and rural areas.
- ⦿ Develop a clear **enabling legal and institutional framework** across the spheres of government that will allow municipalities with the necessary capacity to introduce value-capture instruments. These would extract a portion of the additional value that accrues to a property as a result of investment by the state for the public benefit.²⁸
- ⦿ Recognise the role played by informal settlements and enhance the existing national programme for **upgrading informal settlements** by developing a range of tailored responses, including:
 - ⦿ Rapid assessment and appraisal of all informal settlements
 - ⦿ Mechanisms to recognise rights of residence and allow for incremental upgrade of tenure rights
 - ⦿ Minimum health and safety standards which would be progressively upgraded as regularised informal settlements are brought into the mainstream urban fabric
 - ⦿ Funding arrangements and programmes that would channel resources into community facilities, public infrastructure and public spaces, and not just into housing
 - ⦿ Dedicated capacity at local level for informal settlement upgrading²⁹.
- ⦿ Give support to **rural spatial development** by:
 - ⦿ Developing instruments to address the dense settlement development outside of formal urban areas.
 - ⦿ Developing a strategy to enhance the developmental role of small towns.
 - ⦿ Achieving spatial coordination by directing funding for service, infrastructure and

settlement development into designated rural development hubs.

- ⦿ Revising the land reform programme to incorporate the spatial dimension.
- ⦿ Supporting research into the functioning of local and regional food production systems to identify gaps and bottlenecks.
- ⦿ Give the necessary attention to implementation by:
 - ⦿ Creating a robust set of indicators as part of a spatial governance evaluation framework.
 - ⦿ Extending budgeting cycles for large capital investments beyond the three-year term of the Medium Term Expenditure Framework.
 - ⦿ Making full provision for project-preparation funding and specifications and ensuring that project funding is provided only once convincing project preparation has been concluded.

BUILDING CAPABILITIES

Transforming human settlements is a large and complex agenda requiring far-reaching policy changes and shifts in household, business and government practices. Planning for transformation happens within an uncertain context and requires foresight, resilience and versatility, as well as updated information and continually revised knowledge.

One of the most valuable contributions over the next five years is to build the capabilities for effective spatial decision-making and implementation. These capabilities are required in:

- ⦿ Local, provincial and national government
- ⦿ Educational and research institutions
- ⦿ The spatial professions such as planning, urban design and architecture
- ⦿ Society at large.

Capability is a broad concept. It includes the

institutional architecture, processes and resources needed for effective spatial governance, as well as the required knowledge sets, skills, learning networks, innovation capacity and leadership.

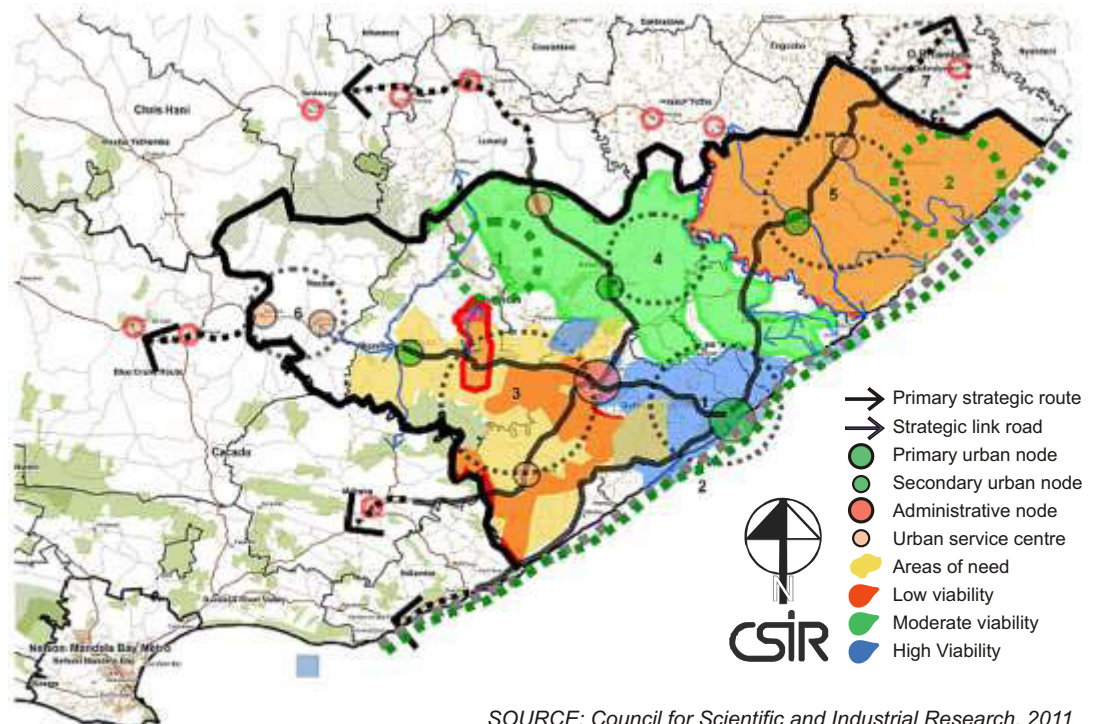
It will take time to create this capability, drawing on a fuller understanding of the limitations and incorporating the lessons of good international practice. The short-term priority is to make the existing system work better, through capacity building, institutional coordination and legislative changes. But at the same time the state must support the process of building a robust planning system. Accountability systems need to be strengthened to ensure that planning systems are responsive to external pressures for change.

To develop the necessary capabilities, the Commission recommends the following:

- **An urgent and comprehensive review of the national planning system.** The Spatial Planning and Land Use Management Act is a necessary response to the Constitutional Court judgement in the Development Facilitation Act case. However, further legislative and institutional reform will be required if the deficiencies in the national planning system are to be properly addressed, and more

comprehensive legislation should be produced within the next five years that should follow the proposed review. This broader reform should, for example, provide the platform for integration between spatial planning, transport planning and environmental management. It should also foster a much tighter integration of spatial planning and long-term infrastructure planning and finance regimes.

- **Improved spatial planning and coordination.** Spatial planning responsibilities in national government are scattered across several departments including Rural Development and Land Reform, Cooperative Governance and Traditional Affairs, Human Settlement, Transport, Environment Affairs and Trade and Industry. Strategic coordination should take place within the cluster system and in the Presidency, as discussed in chapter 13. This framework should also guide spatial planning and coordination. Areas for strategic coordination in this regard include the implementation of the national spatial framework and policy, resolving spatial conflicts and ensuring that the spatial outcomes of policies and programmes across government are aligned to national objectives. The strategic direction needs to



SOURCE: Council for Scientific and Industrial Research, 2011



be followed through with establishment of day-to-day working relationships towards agreed outcomes.

- The creation of a **national observatory for spatial data assembly and analysis**. This observatory would be informed by the success and experience of other observatories internationally, and at provincial and city-region scale in South Africa. It would collect, continually update and analyse data and other information relevant to spatial planning. The observatory could be linked to the proposed ministry or be located in one of the major research institutions in the country. Either way, it will have to be created via a legal framework that enables collecting, integrating and managing information from various sector departments and agencies.

- **Strengthen planning capabilities within local government** through the extension of existing initiatives³⁰, but also through institutional innovations that may include the regionalisation of planning and service delivery, or at least arrangements that allow for cross-border sharing of planning capacity. Rigorous implementation and monitoring of the Planning Profession Act is required as it would ensure proper capability and standards with regard to designing and interpreting spatial policies and strategies. It also relates to implementing land-use management, and the quality of development applications. Particular attention may need to be paid to land use management processes in areas under traditional governance.

- Develop a **capability framework for spatial governance** together with professional bodies, educational institutions and relevant government agencies. This framework should deal with strengthening the education and training of planners and other spatial professionals, promoting research

in the field, effective regulation of the professions, improving the quality of professional work, providing incentives for spatial innovation, continuing professional development, ongoing formative evaluation, expanding scarce skills in urban design, for example, developing communities of practice who develop and exchange knowledge, and enhancing public knowledge.

- Introduce **spatial compacts** from neighbourhood to city level as a means to build consensus over spatial futures and mediate spatial conflicts. Incentivise the development of spatial compacts by linking funding to the successful negotiation of the compacts.

- **Support and incentivise active citizens** in the field of spatial development through a range of interventions including properly funded, citizen-led neighbourhood vision and planning processes³¹; matching local funding with national funding³²; youth planning processes; public works programmes tailored to community building and local needs³³; funding support for micro-initiatives at local level; dialogue forums involving people from different national and cultural backgrounds; and renewed attention to the People's Housing Process. The message needs to be sent out that people's own efforts are important, and the state must assist with the resources needed for poor communities and civil society to participate in spatial governance.

- Require municipalities to provide as much information on local areas as possible on an open-access basis and **support citizen training in spatial competencies**.

CONCLUSION

In these proposals, the Commission offers a combination of strategic vision and pragmatic

incremental changes. It gives strong emphasis to developing the instruments and capabilities needed for the effective spatial governance of development. There is an urgent need for the government to get its system, instruments and incentives right. Active citizenship is a critical component of the mix. The government needs to provide the channels for ordinary citizens to influence decision-making and resource allocation for the future of their communities, towns and cities.

Spatial transformation is a long-term project. There is massive investment in fixed assets – in all kinds of infrastructure, as well as housing, factories and offices. Shifts in spatial form may proceed at a glacial pace in areas where development pressures are low, and somewhat faster in areas of economic dynamism and population in-migration. However, while spatial transformation is not a quick fix, it can

be effective if supported by strong policies, consistent implementation and political will. Future generations will benefit if development patterns begin to change now. New spatial arrangements could fundamentally transform job and livelihood prospects for the poor. Spatial transformation will reduce travel time and costs between home and work, and increase mobility for households to access better job and education opportunities. This in turn will reduce poverty and inequality.

The outcomes of spatial change may take decades to be realised fully, but a shift in direction can happen relatively quickly. These proposed interventions can be fully implemented in five years. Positive outcomes from these reforms should be evident within the period of the plan, providing the basis for real transformation in the rural and urban landscape over the subsequent decades.

NOTES

1. This refers to the changing distribution of economic activities and the shifting patterns of populations which responds in part to availability of economic opportunity.
2. With South Africa's average annual change in size of urban population (2010-2015) projected as 1.24 percent, compared to 2.34 for Botswana, 3.16 for Zambia, 3.31 for Namibia, 3.99 for Angola and 4.02 for Mozambique (United Nations Habitat's *State of African Cities - 2010* report).
3. This may include sustainable electricity generation and transmission, transporting and storing captured carbon, new transport technologies (networks for charging or fuelling vehicles using electricity, hydrogen or biofuels) and natural systems to handle storm water drainage and water recycling. It will also include more emphasis on the construction of houses and buildings that are more energy and water efficient.
4. For the purposes of presenting national statistics and for developing policy, it is necessary to provide some definition to the terms urban and rural. Currently the terms are used variably across government. Statistics South Africa has commenced a process of refining and clarifying terminology.
5. Wright G and Noble M (2009). *The South African Index of Multiple Deprivation 2007 at Municipal Level*. Report prepared for the Department of Social Development.
6. The Commission notes the valuable work currently being undertaken by the Institute for Poverty, Land and Agrarian Studies at the University of the Western Cape and the Centre for the Analysis of South African Social Policy at the University of Oxford in developing a multi-dimensional area typology that would assist in distinguishing places for the purposes of policy interventions.
7. Although the Traditional Leaders Governance Framework Acts of 2003 and 2009, read with the Municipal Systems Act of 2000, clarifies the responsibility of the Municipal Council in relation to land-use management in traditional areas, this is not reflected in the practice on the ground in many places.
8. Commonages, for example, offer advantages for job creation, farming incubators and welfare safety nets, but many are mismanaged, obsolete or controlled by relatively affluent groups.
9. 62 percent of South Africans own their own dwelling (Community Survey, 2007), although there is a considerable backlog in issuing title deeds (Urban Landmark, 2011).



10. South African Cities Network (2011). *Towards Resilient Cities: 2011 State of the Cities Report*. Johannesburg.
11. The Presidency (2011). *Development Indicators*.
12. The Commission acknowledges the insights provided by the Financial and Fiscal Commission, which has held public hearings on Housing Finance; Urban LandMark; the Monitoring and Evaluation Unit in the Presidency; the Department of Human Settlements; and various individuals.
13. The Mortgage Guarantee Fund and the revised Finance Linked Individual Subsidy Programme are important initial steps to direct further private funding into the lower end of the market.
14. Only 15 percent of households in South Africa have access to bond finance. About 60 percent qualify for subsidised houses, leaving a gap market of about 25 percent.
15. This has been emphasised in the rulings of the Constitutional Court, for example, where six out of the 12 rulings on socioeconomic rights by the Constitutional Court have been housing-related (The Socio-Economic Rights Institute of South Africa, 2011).
16. Financial and Fiscal Commission (2011). *Challenges and opportunities in Housing Finance in South Africa*. Available at <http://www.ffc.co.za/index.php/media-a-events/interactive/public-hearings/housing-finance.html> (accessed 15 March 2012).
17. These include Rural Development and Land Reform, Human Settlements, Cooperative Governance and Traditional Affairs, Economic Development and Environmental Affairs.
18. Cross, C (2010). Housing Delivery: Interphasing formal and informal. Presentation to the Department of Human Settlement planning workstream on 21 September 2010. Available at <http://stepsa.org/resources/shared-documents/dhs-presentation-re-plnn-workstream-v-6-22-sept>
19. This national conversation should be a collaborative venture between the Commission and other agents including the relevant government departments; agencies such as the South African Local Government Association and South African Cities Network; the private sector; and organisations of civil society including non-government organisations with a focus on human settlements, and initiatives such as Lead SA.
20. This will allow greater movement of people into spaces that optimise their opportunity for development and growth. It offers greater ownership and consideration of built environments, greater overall spatial efficiency, and with property value growth, an increased rates base that is essential for long-term sustainability.
21. These principles include supporting high-density mixed-use developments within walking distance of public transit stops, with high-quality public environments.
22. Targeted capital improvement budgets in transit-oriented zones could assist with the restructuring.
23. This may require giving consideration to alternatives to fixed-location subsidies such as housing vouchers or grants for purchasing building materials that would allow the beneficiaries to decide on the appropriate location for building.
24. Municipalities and the Department of Human Settlements (National and Provincial level) need to take joint responsibility.
25. A densification or restructuring subsidy or allowance could be considered.
26. The process initiated in 2007 to produce an inclusionary housing act needs to be concluded.
27. All existing funds allocated to built environment functions should be investigated with the view of consolidating them into the proposed national spatial restructuring funds.
28. Value-capture instruments can create opportunities to fund much needed infrastructure and to increase access by poor communities to well-located sites in the city. For more details, see Urban Landmark, available at: <http://www.urbanlandmark.org.za/research/x58.php> (accessed 4 May 2012).
29. The National Upgrading Support Programme has made significant progress recently in developing the framework for informal settlement upgrading. These initiatives should be supported and extended.
30. Such as the committee of the Human Settlements Minister and Members of the Executive Council, innovative institutional applications among delivery agencies and new initiatives like the Large Cities Support Programme.
31. Funding will be required to assist local communities in procuring professional planning and facilitation capacity.
32. This could be achieved by introducing a neighbourhood development component to the proposed national spatial fund building on the experience of National Treasury's Neighbourhood Development Partnership Grant.
33. This could happen in at least four areas: a) the economy of social care, b) green infrastructure, c) cultural services, and d) public facilities such as schools, clinics, roads, parks, community centres and libraries.