

**TOWNSHIP
RENEWAL**
SOURCEBOOK



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Township Renewal Sourcebook
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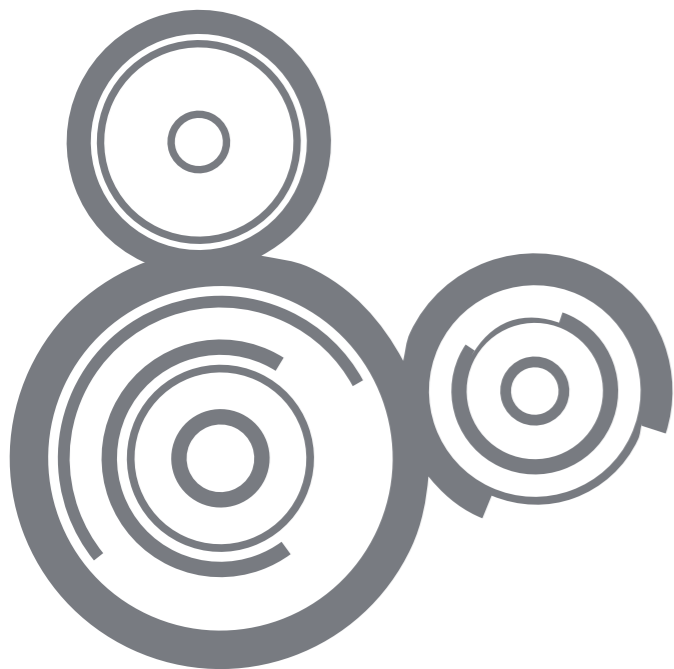
Packaging township development projects

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ACRONYMS

ABM	Area-based Initiatives
ABM	Area-based Management
BEE	Black Economic Empowerment
BOT	Build/Operate/Transfer
BSM	Business Sophistication Model
CBD	Central Business District
CGTA	Department of Corporate Governance and Traditional Affairs (ex DPLG)
CSIR	Council for Scientific and Industrial Research
DPLG	Department of Provincial and Local Government
GDP	Gross Domestic Product
HOV	High-Occupancy Vehicle
INK	Inanda, Ntuzuma and KwaMashu
KMTC	KwaMashu Town Centre
MPTC	Mitchells Plain Town Centre
MSP	Municipal Service Partnerships
NDP	Neighbourhood Development Programme
NDPG	Neighbourhood Development Partnership Grant
NQF	National Qualifications Framework
NSDP	National Spatial Development Perspective
RDP	Reconstruction and Development Programme
SACN	South African Cities Network
SIPP	Special Integrated Presidential Projects
UNISA	University of South Africa
URP	Urban Renewal Programme



FOREWORD

This Sourcebook is a product of the Training for Township Renewal Initiative (TTRI) – a joint project of the National Treasury, the Department of Provincial and Local Government and the South African Cities Network. The project has received assistance from the FinMark Trust, Urban Landmark and the Development Bank of Southern Africa.

The purpose of this initiative is to promote and support development and renewal in South Africa's townships, where some 40 per cent of the country's urban population resides. The initiative centres on training, helping to build local expertise to conceptualise, design and implement township development projects countrywide. The expected outcomes of the project are:

- A clear progression from the urban development strategy level of planning to the development of neighbourhood or precinct-level plans for the regeneration and restructuring of townships.
- The development of a pipeline of potential projects that are appropriate and feasible, and which can be funded by national government grants, private investors or municipalities.
- A larger pool of local project managers who can coordinate project partners, engage local communities, account to municipal councils and other funders, and project manage construction and urban management interventions.

The Township Renewal Sourcebook is the foundation material for all practitioners entering the TTRI programme; it will also be circulated more broadly among township development practitioners and trainers. While TTRI products are developed primarily for an audience of public-sector officials with post-matric qualification, the Sourcebook has been designed as a practical tool that is readily accessible to a non-technical audience.

The Sourcebook is presented in five modules:

- **MODULE 1:** Introducing the township renewal challenge, provides an overview of South Africa's urban landscape, summarises policies that promote socio-economic development in townships, and reviews strategic outcomes.
- **MODULE 2:** Unlocking township markets, provides a framework for identifying areas of economic intervention with a high potential for success, focusing on the labour, commercial, services and residential markets.
- **MODULE 3:** Restructuring the township physical environment, examines the range of public-sector physical interventions that can be applied to support development.
- **MODULE 4:** Packaging township development projects, reviews the key elements for the success of physical interventions in townships, as well as the preconditions for mobilising private-sector investment.
- **MODULE 5:** Improving urban management in townships, looks at the regulatory, operational and maintenance factors needed to support township development.

Several case studies are included in the Sourcebook. Over time, new case studies will be added, and existing ones updated, to ensure that the material presented in the Sourcebook draws on current best practice.

In addition, Powerpoint presentations on a handy flash drive provide an overview and synthesis of the content in each module and case study.

The TTRI project values any comments that you may have after completing this Sourcebook. You can reach us at: XXXXXXXXXXXXXXX

The Project Partners



INTRODUCING THE TOWNSHIP RENEWAL CHALLENGE

- 1.1 Introduction
- 1.2 Origins of South African townships
- 1.3 The urban landscape today
- 1.4 International experience in addressing exclusion areas
- 1.5 Township development policy in South Africa
- 1.6 Township renewal outcomes
- 1.7 Conclusion

1.1 INTRODUCTION

The purpose of this first module is to outline a broad understanding of the main challenges in township renewal, and the developmental outcomes that can be targeted in this context.

This module:

- Examines the historical origins of townships, and their inherited physical and social legacies.
- Reviews current conditions in South African townships.
- Touches on relevant international practice adopted to deal with similar renewal challenges.

- Discusses township renewal in relation to government policy and development priorities and programmes.

- Introduces broad outcomes for township renewal.

Given the complex and varied nature of developmental challenges in South African townships, this module focuses on key problems and highlights a systematic approach to renewal. As someone responsible for township renewal, you can anticipate that you will not be in control of addressing all the challenges, but will instead need to provide strategic guidance for priority programmes and projects to help leverage change.





1.2 ORIGINS OF SOUTH AFRICAN TOWNSHIPS

COLONIAL PLANNING

Townships were inspired by colonial town planning. While at home they are often considered a uniquely South African creation, townships are found in many African cities. The colonial planners intended to physically segregate three classes of people, which generally coincided with race:

- the white colonial elite
- the colonised middle-class made up of Indians and some Africans employed in the bureaucracy
- the urban majority of Africans.

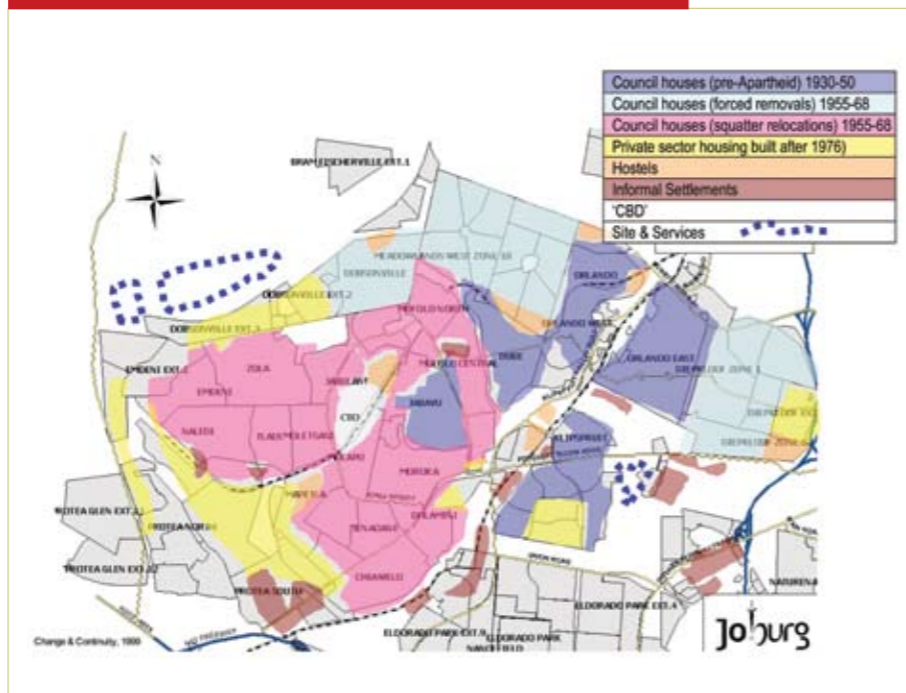
For the African working class, townships were planned some distance away from the colonial towns. In South Africa the first 'locations' were founded more than 100 years ago – the oldest existing one is New Brighton in Port Elizabeth, which was built in 1902-03. Between the two world wars, municipalities built a number of townships at the urban periphery, separated from the cities by green belts. Examples are Langa in Cape Town, Lamontville and Chesterville in Durban, and Meadowlands in Johannesburg.

APARTHEID TOWNSHIPS

Most large townships were built or significantly expanded by the apartheid government after 1950. Through the enforcement of the Group Areas Act (1950), accompanied by various elements of racially engineered town planning legislation, the government forced the entire non-white urban population to live in townships. Such legislation determined strict racial separation by stipulating that:

- 'Each race group should have its own consolidated residential area.

Township establishment and growth, Soweto



- 'Each residential group area should be separated by a strong physical 'buffer' such as a river or ridge, or an industrial or commercial area. Should buffers of this kind not be available, then an open space or 'buffer zone' was to be left between group areas.' (Smit 1989:103)

The figure shows how, over time, Soweto grew from a few small 'suburbs' to the township it is today. (Source: 'Change and Continuity', 1999. Adapted City of Johannesburg 2006)

These regulations, alongside massive housing programmes initiated to accommodate a growing urban working class, underpinned the creation of townships and shaped South African cities in the unique way that we see today.

For black (African, Indian and Coloured) South Africans, townships were areas of exclusion, control and containment, affecting every aspect of residents' lives. Most townships were linked to the city centre and industrial areas by a single road and possibly one railway line, which could easily be

blocked if residents began to organise protests against these conditions.

NEW PATTERNS

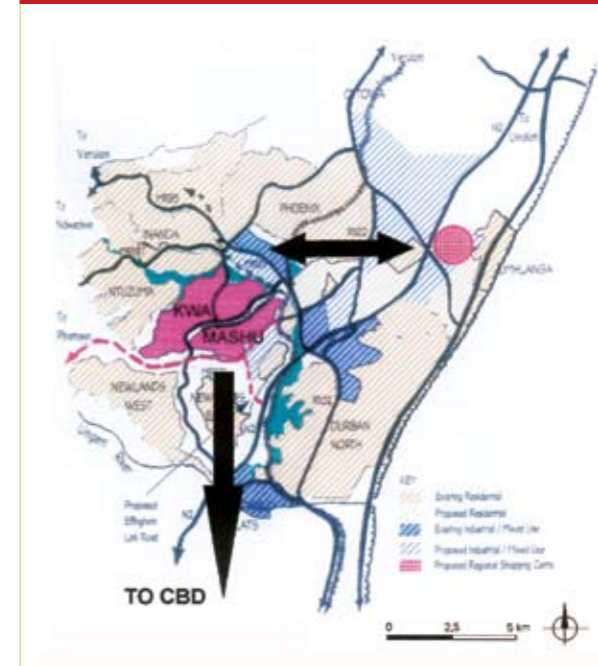
At the outset, the peripheral location of many townships and their limited transport links to the cities was the worst aspect of spatial exclusion – and most townships still face this problem. In some cases, however, cities have expanded so much that townships are no longer at the urban periphery. For example, Alexandra (Johannesburg) and Duncan Village (East London) are today extremely well located from the point of view of urban access.

In addition, new patterns of economic activity have developed, particularly since the early 1990s. In all large cities, new economic activity nodes have developed outside the historic central business districts. Today, many cities are 'multinodal', with economic activity and workplaces concentrated in several locations.

These structural changes affect townships in different ways. Many townships, especially those built in the 1970s and 1980s (e.g. Soshanguve in Pretoria, Mdantsane in East London and Botshabelo outside Bloemfontein) remain far away from work opportunities. Others find themselves close to new economic nodes (e.g. INK [Inanda, Ntuzuma and KwaMashu], which lies one freeway exit away from Umhlanga Ridge – the wealthy business/residential district of Durban).

But proximity to urban growth nodes has not resulted in integration or in visible development. The few townships that are relatively well-located have become overcrowded as they become the place of choice for new migrants into the cities, as is the case

INK and Umhlanga Ridge



The figure shows how close (5km) the residential conurbations of Inanda, Ntuzuma and KwaMashu (INK) are to Umhlanga while being quite far from the Durban CBD (20km). (Source: North Central Local Council 1998)

in Alexandra and Duncan Village. Many residents of INK have found jobs at Umhlanga Ridge, but getting there is difficult because Umhlanga Ridge was planned without public transport links to the townships. In the evenings hundreds of black workers wait at makeshift taxi ranks in the parking lot of the main shopping mall for transport.

Since the 1990s, urban townships, well-located or not, have undergone massive expansion as migrants from the rural areas have been drawn to the cities in search of work. The townships provide cheap rental housing or the opportunity to build a shack.

For apartheid's planners, cheap and efficient movement of labour to and from work opportunities was never a major factor in deciding on a new factory or a new settlement for the poor. This has left South Africa with a very expensive public transport system – costly for township residents to use and for the state to subsidise.

In the 1950s the layout of many townships was based on international



KwaMashu Master Plan, 1957



The 1957 KwaMashu Master Plan shows spaces for the commercial centre and nine sub-centres indicated in blue. From the beginning the planning model contradicted the function of townships as dormitory suburbs of the working class. Local economies could never develop because of low wages and large amounts of money leaving the townships to pay for rent, fees, and services. Few public and private facilities were developed in townships and large portions of the main and sub-centres remain vacant up to today. (Source: S. Godehart, 2006)

planning models then in vogue. Master plans for South African townships were often based on the British 'New Towns', which were generally planned as independent towns with their own economies. In this model, large town centres and generous sub-centres were planned to accommodate commercial and public facilities. Some of this thinking is still on display in areas such as KwaMashu.

But these virtually suburban planning models, with large vacant spaces and mainly freestanding houses, resulted in low residential densities and long travelling distances, contributing to transport problems for the great majority of township residents. One response to this was the development of the taxi industry, which boosted residents' mobility. Scattered spaza shops and other small service providers developed primarily as a result of growing unemployment, but were also a response to the inconvenience of long distances and the costs of transport. There are about 750 000 informal businesses located in townships, providing work for some 1.6 million people. (Ligthelm, 2006)



1.3 THE URBAN LANDSCAPE TODAY

Townships are an ever-present part of the urban landscape in South Africa. The typical city or town will contain a mix of the following elements:

- Core and frame (fringe/periphery)
- Decentralised commercial centres and suburbs
- Industrial areas
- Upper- and middle-income residential neighbourhoods
- Declining residential neighbourhoods
- Townships and post-apartheid additions.

Africa's urban population live in townships, and 20 per cent live in informal settlements and low-income housing estates. For example, 43 per cent of Johannesburg's residents live in Soweto alone, and a total of 73 per cent live in townships, informal areas and low-cost housing estates.

Emerging data indicates that townships are largely – but not exclusively – an urban challenge. A quarter (24.4 per cent or about 11.6 million) of South Africa's population of 47.8 million people live in the country's 76 largest townships (Township Database, NDP Unit, 2007).

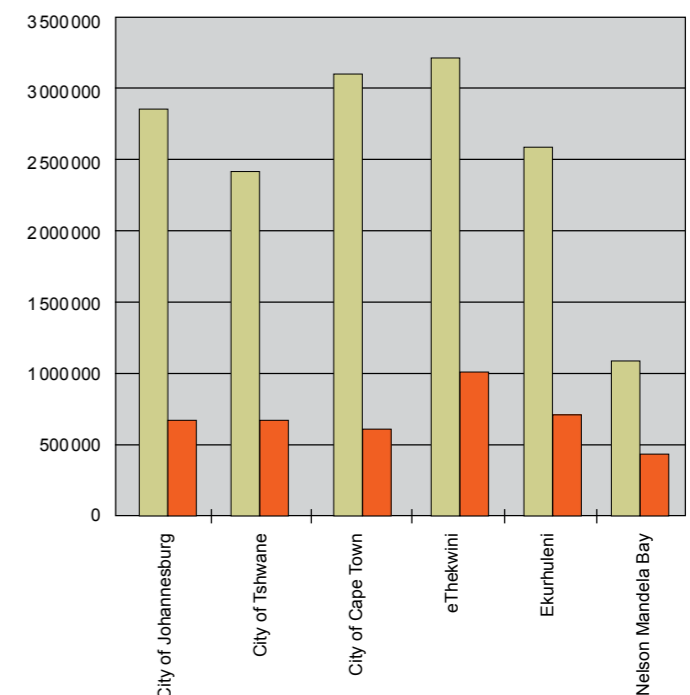
Townships are also likely to be home to the highest concentrations of poverty.

These elements are discussed in detail in Module 3.

Due to the historic social compression in racially segregated areas, old townships are socially, culturally and economically diverse. Many of them – especially larger townships – contain middle- and

According to a 2004 study by FinMark Trust, more than 40 per cent of South

Population and poverty in selected cities

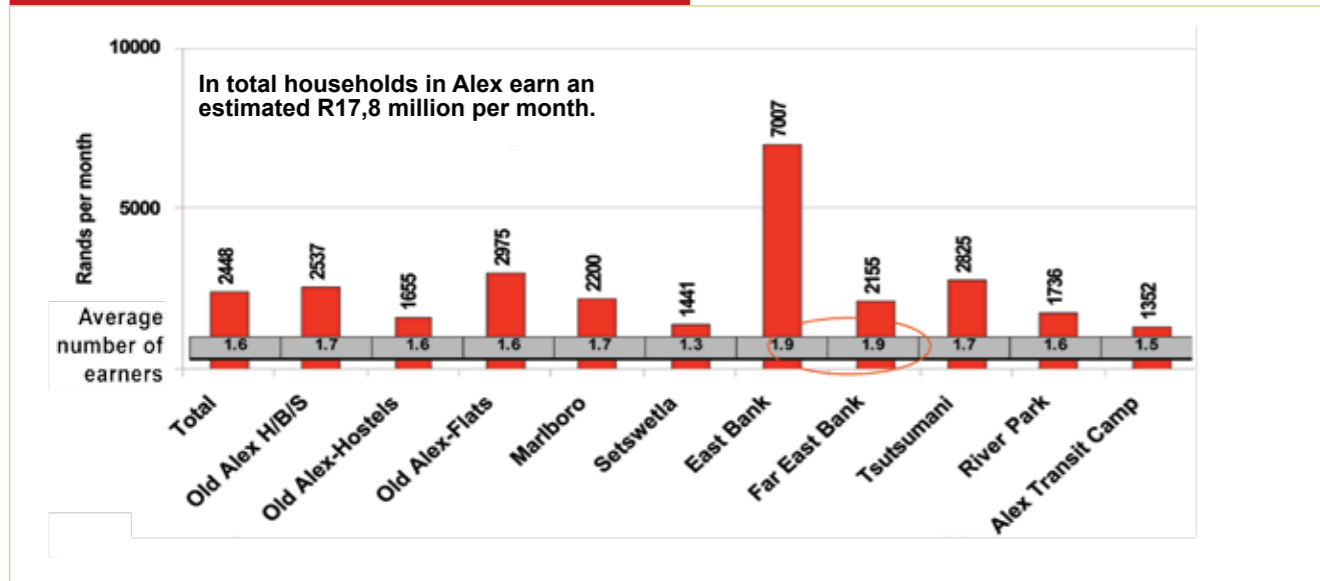


The graph shows the number of people in poverty in selected municipalities. This is defined as people living in households with monthly incomes under certain thresholds, depending on household size. For 2005, the thresholds varied between R893 for a 1-person household to R3 314 for an 8-person household. Only the metropolitan municipalities are shown, but the situation applies to smaller towns to an even higher degree. (Source: Global Insight: ReX Version 2.0p (305))

■ Population (2005)
■ Number of people in poverty (2005)



Poverty pockets within townships



The average household in Alex has 1.6 earners and an average income of R2 446 per month. Lowest incomes are in Transit Camp & Setswelta and highest in East Bank.

lower-income areas and scattered middle-income households. However, most township residents are poor and unemployment rates are very high. For example, figures for Soweto show that in 2004, 28 per cent of households had a monthly income below R800, and that 40 per cent of economically active people were unemployed (City of Johannesburg, 2005).

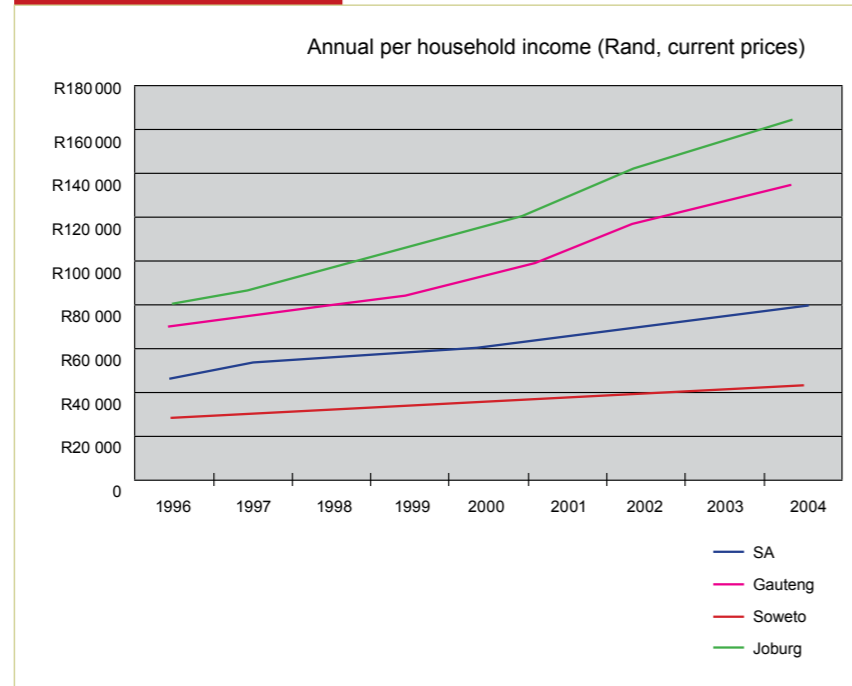
Income disparity is particularly evident when the economic data for a township is compared with the rest of the metropolitan area. These disparities are growing.

Clearly, the benefits of economic growth for township residents have been far below expectations. For many people, townships have become poverty traps.

POVERTY TRAPS

The disparities between townships and the rest of the urban system does not mean that townships are universally poor. Substantial differentiation does occur within townships, particularly between formal and informal, and established and new residents. The graph above, illustrates this reality.

Household incomes



Between 1996 and 2004 the average income of households in Soweto has grown very slowly compared to those of Johannesburg and of South Africa. In 1996 the average income in Johannesburg was about 2,5 times as high as in Soweto; in 2004 it was nearly four times as high. (Source: City of Johannesburg, derived from Global Insight, 2005)



1.4 INTERNATIONAL EXPERIENCE IN ADDRESSING EXCLUSION AREAS

Although the scale of exclusion characterising South African townships is vast, it is not unique to South Africa. Internationally, a considerable body of experience has been developed to address urban exclusion.

As the South African Cities Network (SACN) Urban Renewal Overview (2003) notes: 'internationally, residents in exclusion areas typically manifest low incomes but this is only one manifestation of their distress. The tendency for the poor to concentrate in poor quality private or social rented housing is inextricably linked to the shortage of local jobs, poor transport access to employment opportunities, the lack of social networks to access information on available jobs, lack

of educational qualifications and vocational skills among residents, the stigmatisation of residents from areas, and the development of cultures of poverty'. (p 68)

Many European programmes and projects address such forces of exclusion by applying the concept of 'inclusion'. As the SACN report notes, 'access to democratic and legal systems promotes civic integration, access to the labour market promotes economic integration, and access to welfare systems promotes social integration...'

Since exclusion is generally concentrated in specific areas, the international trend has been to focus inclusion initiatives in spatial





programmes known as area-based initiatives (ABIs). While there is a considerable difference between ABIs internationally, all have three core features: they are focused, area-oriented institutional mechanisms; they address a range of sectors; and they encourage 'joining up' mechanisms to get things done.

In European development practices, outcomes are generally presented in two categories:

- 'For place' outcomes target improved neighbourhoods and residential areas, public environments, new property investments and so on.
- 'For people' outcomes target the residents of an area and seek to enhance education levels, skills, ability to compete for jobs and so on.

Pursuit of these two sets of outcomes is not necessarily incompatible.

In fact, most recent practice in Europe targets both. However, planners need to be clear about what balance is being pursued (and why) from the outset. They also need to anticipate the longer-term effects of any interventions.

Gentrification, for example, is one area where the achievement of 'for place' outcomes can act against 'for people' outcomes. Public-sector initiatives to turn around an area by improving access, upgrading the public environment and stimulating property investment can attract wealthier groups of residents from further afield. In the process, as prices rise, 'yuppie' populations can displace lower-income residents to another poor neighbourhood.

The application of this conceptual distinction in township development planning is crucial, and is discussed in sections 1.5 and 1.6.



PRINCIPLES OF NATIONAL SPATIAL DEVELOPMENT

Government spending on fixed investment should be focused on places of economic growth and/or potential. This will play a role in attracting private-sector investment, stimulating sustainable economic activities, and creating employment opportunities.

The focus should be on people, not places, to address past and current social inequalities. Places of high levels of poverty with development potential should receive fixed capital investment.

In areas of low development potential and high levels of poverty, the development focus should be on providing social transfers, human resource development and labour market intelligence to capacitate people to access economic opportunities.

Future settlement and economic development opportunities should be channelled into activity corridors and nodes adjoining or linked to main growth centres. This will play a role in overcoming apartheid spatial distortions.

(Source: NSDP, 2003, adapted)

2. Improve housing and infrastructure by encouraging investment, increasing access to finance, maintaining safety and security, and alleviating environmental hazards.
3. Promote urban economic development to enhance the capacity of urban areas to alleviate poverty, increase economic and employment opportunities, and maximise the multiplier effect from implementing development programmes.
4. Create institutions for delivery, which will require transformation and capacity building at all levels of government, and clarity on roles and responsibilities.

The framework also highlights the importance of partnerships between government, the private sector and civil society. Moving away from the notion that township renewal is a challenge to be addressed by the state alone, it emphasises a broader mobilisation of resources and participants in township renewal. Despite this policy stance, in practice government has remained the key driver of township investment, with private investment remaining at the periphery.

THE NATIONAL SPATIAL DEVELOPMENT PERSPECTIVE

The National Spatial Development Perspective (NSDP), adopted in 2003 and updated in 2006, is South Africa's first set of national spatial guidelines. It analyses South Africa's spatial realities, and proposes principles to coordinate and guide policy implementation across government.

The NSDP emphasises that the focus of public fixed (capital) investment, beyond the obligation to provide basic services, should be in areas of economic potential. While identifying such potential is not a simple matter and can be somewhat subjective, critical analysis

of localities and the comparative advantages they offer needs to inform intervention and investment in townships. Areas of potential should be focal points for public investment that serve as a catalyst for broader growth and opportunity.

Many township areas have limited potential for economic development. Some settlements, for example, are in obvious decline, and it would be counterproductive to pour public capital into these areas. However, such areas cannot be ignored: investment in human capital can be catalytic in its own right, and infrastructure is needed to support delivery of social services. Relatively minor but well-planned adjustments in the way services are provided and located can unlock local economic opportunities without significant capital investment.

This application of the NSDP principles is mirrored in the conceptual distinction between the targeting of 'for place' and 'for people' outcomes. The conditions in any given township need to be carefully assessed for maximum developmental impact. Given that many townships are very large and internally differentiated in terms of economic opportunities, township renewal practitioners may need to apply different mixes of 'for place' and 'for people' interventions to different parts of a single township.

GOVERNMENT STRATEGY

Township regeneration also needs to be seen in the light of government's overarching mandate to reduce poverty and accelerate broad-based economic growth.

Government's *Towards a Ten Year Review* (2003) describes the vast gulf between the formal and informal economies in South Africa. On the one hand, the formal economy is advanced, based on skilled labour and

1.5 TOWNSHIP DEVELOPMENT POLICY IN SOUTH AFRICA

POLICY AND STRATEGY CONTEXT

South Africa does not have one policy that focuses on township renewal. Rather, the country has a set of overarching policies, underpinned by the democratic and developmental vision expressed in the Constitution. Sectoral policies such as those for housing, health, education and so on were intended to be the vehicles through which special attention would be given to areas that have suffered from discriminatory planning and wilful neglect under apartheid. In many cases, however, these sectoral policies have not lived up to that challenge.

URBAN DEVELOPMENT FRAMEWORK

The Urban Development Framework, developed in 1997, highlights the excluded nature of townships and informal settlements and stresses the need to 'connect' them to places of opportunity. It presents four key elements of township development:

1. Integrate the cities to negate apartheid-induced segregation, fragmentation and inequality. The focus is on upgrading informal settlements, reforming planning systems, and improving transportation and environmental management.



becoming more globally competitive; on the other, the informal economy is marginalised, lacks skills and is populated by unemployed workers or those who are unemployable in the formal sector. The vast majority of South Africans are still locked into the informal economy, and this is the country's central national development challenge. Township renewal programmes play an important role in overcoming this dichotomy. The informal economy, which dominates in township economic life, is characterised not only by economic poverty, but also by a lack of public amenities, social services, health care, educational facilities, and effective institutions for the maintenance of peace and order. These conditions tend to replicate themselves and make it difficult to attract significant private investment or to generate savings.

TOWNSHIP RENEWAL PROGRAMMES
SACN's *Urban Renewal Overview* (2003) presented urban renewal in three categories that are useful for planning interventions:

- Urban centre upgrades address inner-city areas that have experienced capital flight and decline.
- Informal settlement upgrades refer to large freestanding informal settlements, often located near the urban periphery.
- Exclusion areas suffer high levels of economic, social and political exclusion from the mainstream. There are two subcategories: areas that have been excluded by design, and areas that have been excluded by decline (e.g. Hillbrow in Johannesburg).

Townships mostly fall into the category of exclusion by design – a reference to apartheid spatial planning. They are generally old formal townships, and while they may often include some informal

areas, they are different from large freestanding informal settlements. They often accommodate populations with strong working-class roots, but currently have high levels of unemployment, social frustration and alienation (which often takes the form of gangsterism and crime) and decaying infrastructure.

Typically, formal housing stock in areas excluded by design is overcrowded and informal settlement often takes the form of backyard shacks for rental. There are also urgent needs for access to health services, education facilities, better sanitation and improved law enforcement. While these areas may have more developed social capital than large freestanding informal settlements, formal education levels are generally low, with a thin skills base. Such areas offer little in the way of economic opportunity: the levels of poverty and underdevelopment make it difficult for them to attract significant volumes of private capital and to generate savings.

As stated earlier, while South Africa does not have a specific policy on township renewal, there have been some high-level government initiatives in this area.

SPECIAL INTEGRATED PRESIDENTIAL PROJECTS

As part of the Reconstruction and Development Programme (RDP), the first democratic administration launched the Special Integrated Presidential Projects (SIPPs) within its first 100 days in office. Thirteen projects were selected, and were based on an integrated, multi-sectoral approach. The political intent of these projects was to quickly and visibly demonstrate government's commitment and capacity to improve the living conditions of its people. Independent evaluations judged the SIPPs as a success. Many of the lessons learnt from this initiative informed subsequent township interventions, and this Sourcebook has also drawn on this experience.



URBAN RENEWAL PROGRAMME

In 2001, government launched the Urban Renewal Programme (URP). The URP targeted eight urban nodes: Alexandra, Mitchells Plain, Khayelitsha, Inanda, KwaMashu, Mdantsane, Motherwell and Galeshewe. All these areas displayed common features: they were townships established under apartheid, experiencing high rates of poverty and crime, and deteriorating engineering infrastructure. The majority of residents had formal housing stock but there was also an informal housing component. All had very little in the

other authorities, and forms a large part of the practice-based materials used in this Sourcebook.

NEIGHBOURHOOD DEVELOPMENT PARTNERSHIP PROGRAMME

South Africa's townships, being home to a significant proportion of the population, form a vast reservoir of underutilised social and economic potential. In response to weak long-term planning for townships, as well as the less-than-optimal focus on investment in economic infrastructure in those areas, the National Treasury designed a conditional grant known as the Neighbourhood Development Partnership Programme (NDP).

The NDP, targeted at specific municipalities, recognises that strategic public-sector investment in community facilities can help draw in sustainable private-sector investment. The programme aims to encourage future-oriented township development; to kick-start township regeneration by creating a critical mass of commercial and community facilities; to create internal linkages within townships and/or between townships and economic centres; and to bring about environmental improvements.

The NDP works to stimulate and accelerate investment in poor, underserved residential township neighbourhoods by providing technical assistance and capital grant financing for municipal projects that have either a distinct private-sector element or an intention to achieve this.

As a pilot programme, the NDP has a strong learning and knowledge-sharing agenda. The intention is that experiences and knowledge gained through the programme will help government and the private sector to improve the balance between social and economic investment in all townships.



way of economic opportunity and public transport was poor. The resident populations in general had low education and skills levels.

While the primary objective of the URP is poverty alleviation and development, the manner in which it seeks to do this is through 'joined-up' governance that combines and coordinates resources from national, provincial and local levels.

The considerable experience generated in the URP continues to be documented by the Department of Provincial and Local Government and





1.6 TOWNSHIP RENEWAL OUTCOMES

The material presented up to this point provides a useful basis for identifying the range of outcomes that could form the focus of South African township renewal interventions, presented as 'for place' outcomes and 'for people' outcomes.

'FOR PLACE' OUTCOMES

'For place' outcomes aim to capture the economic potential in an area and its people, eliminate inherited physical constraints, and address relevant urban management issues.

Activating the economy

Currently, township economies are marginal and undiversified. For example, Soweto houses 43 per cent of Johannesburg's population, but contributes only 5 per cent to the city's gross geographic product. Economic activity in many townships is generally limited to retail (frequently informal), trade, transportation and government services.

Retail and services

According to several studies, township residents spend most of their disposable income outside the townships. The Soweto Retail Strategy found that in 2006, only 25 per cent of disposable income was spent in that township. The study considers the doubling of local spending to be a realistic projection if more attractive and cheaper shopping facilities are made available.

Currently, shopping malls or centres are being developed in many townships. Of these, the Maponya Mall in Soweto is the biggest and sets a high standard. Malls appear to satisfy the aspirations of residents for a choice of high-quality goods and an exciting shopping experience. Such developments may contribute to retaining existing, or attracting new, middle-income residents to the townships.

The Soweto Retail Strategy acknowledges the role of informal trade in the township economy. The strategy suggests a spread of retail across the township in a way that might benefit all residents. It notes that shopping centres at various nodes are not sufficient or adequately convenient to supply township residents, and that individual shops or small groups of shops and informal businesses also have a role to play.

A study in Soshanguve by the Bureau of Market Research (Unisa, 2006) found that large shopping malls can have a negative impact on informal retailers and, to a lesser degree, small formal shops near the malls. The Soweto Retail Strategy argues that a balance between shopping centres, local businesses and informal providers needs to be achieved. The study stresses that small businesses play a vital role in increasing local economic activity.

The level of economic activity can be measured by determining how often each Rand that comes into a certain area (e.g. through wages or pensions) circulates before it leaves the area. Where economy thrives, each



Crime and small business



The photograph shows two shops in a neighbourhood unit centre in KwaMashu. The owner of the store in front took over the shop in 1997 when the previous owner was shot dead while locking up one evening. The current owner has also been shot in an armed robbery but survived after some time in intensive care. The bullet holes are still visible in the shop. He has installed burglar bars, and razor wire to stop people entering through the roof. He also checks his shop every night at different times. Other shop owners said that they too sleep in their stores.

Rand typically circulates eight to 10 times, but in townships it circulates, on average, only 1.3 times (Business Day, 6 September 2006).

Often the lack of premises for small businesses is raised as a problem that hinders establishment of small enterprises. This is partly true but does not explain the large number of home-based businesses.

The main reasons that businesses operate from residential premises are costs and security. According to the Soweto Retail Strategy, large retailers consider crime in townships a manageable risk. Presumably, in shopping centres economies of scale allow for the installation of elaborate security systems. However, individual and small groups of shops are more exposed and their owners have little means to protect themselves, as demonstrated in the photograph on the left.

Residential markets

Under apartheid, Africans were not

allowed to own land in urban areas, but township houses could in principle be rented or owned. This policy has resulted in a legacy of different legal forms of ownership. Private letting and subletting has existed as a tenure option since the building of townships, although this practice was illegal under apartheid. Today, different (often informal) forms of tenure are common in townships – from letting out backyard space to build shacks, to letting out the complete property by absentee landlords.

Many township residents have invested significantly in their homes. Most had to do this out of their own pockets because until the late 90s banks did not operate in townships (redlining).

Despite media reports of 'buoyant' property markets in the better parts of townships, this market is less viable than expected. Banks have begun to provide bonds in townships, but selling and buying remains difficult because 'transferring properties is a long and tedious process that requires a lot of patience' (Mercury, 22 September 2005).

In a 2005 study, FinMark Trust found an extremely stable ownership structure in townships. None of the owners of old houses who were interviewed considered selling. To appreciate why, it is worth considering that most township houses are paid-up and are therefore an affordable, secure place to stay. They may constitute family homes that are often inherited, and the legal owners may feel obliged to keep the house for the benefit of the family. In addition, many use their properties to run businesses and/or to generate income by letting out rooms or backyard shacks. The study casts doubt on the idea that regularising tenure (ownership) arrangements will change the attitude of township residents towards their property as a

social – rather than a financial – asset. The study also suggests that more consideration should be given to rental forms of tenure.

Complicated legal issues also apply to non-residential properties. Even vacant sites in township centres and sub-centres are often difficult to buy or lease as the example in *No easy road to leasing* illustrates. The legal issues are particularly difficult to navigate for individuals and small local institutions.

With regard to housing, the emphasis has been on dealing with the backlog for lower-income houses, while commercial housing investment opportunities have often been ignored. Many townships have large areas around the town centres that cannot be developed solely as retail areas. They offer great prospects for small and large investors in the provision of infill and mixed-income housing. This will also help to attract new and retain existing, middle-income earners.

Module 2 of this Sourcebook will examine the issues related to the activation of township markets in more detail.

Remaking the physical infrastructure

Earlier, this module discussed the physical legacy that continues to disadvantage townships.

This legacy includes:

- peripheral location
- polarised city growth
- unidirectional transport flows
- poor transport connections between townships and new economic nodes
- dispersed and restricted movement
- low-density built form and overcrowding

Diversity of residential properties



These photographs show the diversity of housing stock in KwaMashu. Often the residential housing stock in old townships is quite diverse because residents have extended and improved their homes. Some have replaced the houses with new ones or even small blocks of flats. But there are also houses that have strongly deteriorated or have added backyard shacks.

- limited range and quality of social facilities
- limited range of economic infrastructure and services
- limited range of residential choice
- insecure or unsafe space
- lack of identity and 'sense of place'.

Module 3 of this Sourcebook will examine these problems in greater detail and identify interventions.

Module 4 examines how necessary inputs can be assembled and applied to execute the required physical interventions. Inputs refer to accessing the land, capital, human resources and legal authority to execute programmes and projects.

No easy road to leasing

In the case of Durban's townships many sites are privately owned. During the 1980s the then KwaZulu government gave away sites in sub-centres to individuals, presumably as political favours. Most of them never developed the land. Today it is often difficult to find the registered owners or their heirs. Accessing state land can also be difficult. In KwaMashu it took a community-based organisation, that had funding to build an art centre for youth, three years to secure a 10-year lease for a piece of state land in a neighbourhood centre that had been vacant for more than 45 years.

Managing the shebeen industry

A recent article (Business Report, 23 September 2007) reported the social problems typically associated with shebeens, such as drug trafficking and prostitution, but also stated the large number of people whose livelihoods depend on them. It estimated that 182 000 unlicensed shebeens and some 10 000 licensed bars operate in townships. Ligthelm (2006) estimates the number of shebeens at only 40 100, employing 96 600 people. Even according to this lower estimate, nearly three times the number of people work in shebeens than in the automotive assembly industry, which maintains about 35 000 jobs. The article does not take the argument further, but an obvious conclusion is that shebeens are here to stay and need to be managed.

Improving regulation, maintenance and operations

Until the mid-1970s all aspects of township life were strictly controlled. After the Soweto rebellion in 1976, the apartheid state focused on stamping out growing political resistance and petty controls gradually broke down. In the democratic era, much of the focus has been on capital investment and development – especially to reduce backlogs in service infrastructure and housing.

Urban management is a necessary complement to sustainable development. To date, however, urban management has simply not featured in townships. Many municipalities have not introduced or enforced regulations such as by-law and town planning schemes. Township residents complain about 'lawlessness', and want rules to be introduced and enforced. Municipalities are slowly beginning to introduce regulatory systems.

A study commissioned by FinMark Trust in Katlehong, Orlando East and Mamelodi found that home-based businesses operated on 14 per cent of all residential sites. While 30 per cent of these entrepreneurs are aware that their businesses do not comply with zoning regulations, another 40 per cent do not know whether their businesses comply. Research (Tipple and Kellet 2002) shows that most home-based enterprises do not have a negative effect in their neighbourhoods because of their small scale, but there are exceptions, as the story on shebeens illustrates.

Township renewal practitioners need to strike a balance between regulations that deal with nuisance, and serious land use conflicts, while allowing residents to make a living from informal economic activities.

Urban management is a complex mix of boosting managerial acumen,

and aligning people, plans and budgets. It needs to be more than councils urging everyone to be part of planning as a wish-list exercise, with the management of this promise being taken care of by the state. Urban management is also about fostering joint accountability by ensuring that people are also part of the delivery process. This may imply, for example, the accommodation of community-based organisations in government procurement systems.

The infrastructure in many townships is more than 50 years old and requires significant maintenance and upgrading, even as new infrastructure is built to deal with backlogs in service provision. Module 4 of this Sourcebook examines these challenges in greater detail and discusses strategies for urban management in townships.

'FOR PEOPLE' OUTCOMES

In township renewal, documenting people-centred initiatives has not yet received the same attention as place-centred initiatives. The challenges, however, are no less important and include:

- high levels of crime
- high rates of drug and alcohol abuse, and risky sexual behaviour
- low high school achievement levels for many scholars
- low vocational and life skills, and a lack of information about the labour market
- high levels of gangsterism and weak community support structures
- low levels of self esteem and widespread stigmatisation.

These problems contribute to the continuous outflow of upwardly mobile segments of the populace, which in turn depletes the human resource base.

1.7 CONCLUSION

The table below summarises key outcomes for township regeneration.

PHYSICAL	MARKETS /ECONOMIC	URBAN MANAGEMENT	SOCIAL
1. Reduced transport costs and times for commuters	1. Improved competitive position of workers and work seekers in regional labour markets	1. Vibrant, safe, regulated, well-managed and maintained public and private environments	1. Enhanced access to a range of regional social opportunities
2. Greater access to regional opportunities	2. Better performance and competitiveness of township businesses	2. Increased end-user/ community involvement in urban management	2. Elimination or co-option of gangsterism and the other exploitative structures
3. Reduced physical segregation/isolation from adjacent city/town	3. Optimal performance of township residential property markets	3. Higher equity standards in township services and public facilities	3. Increased number, range, capacity and connectivity of local community institutions
4. Increased access to facilities, goods and services in the township	4. Improved performance of retail and services market to benefit residents	4. Higher rates of social and economic returns from investment in township public infrastructure	4. Reduced outmigration of human capacity and role models
5. Enhanced intra-township mobility and accessibility		5. The quality of residential accommodation is improved	5. Greater capacity of adults and those in positions of authority to act effectively against risky and antisocial behaviour
6. Improved use of existing capital/ infrastructure assets			



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UNLOCKING TOWNSHIP MARKETS

- 2.1 Introduction
- 2.2 Improving the land market
- 2.3 Enhancing labour market competitiveness
- 2.4 Supporting residential markets
- 2.5 Commercial property markets and small business

2.1 INTRODUCTION

It is essential to consider township markets when planning for renewal and economic development. Planners and practitioners need to be aware of how interventions will affect different markets.

This module discusses economic development in townships and highlights the interlinked markets that operate within this setting. It focuses on how to enhance labour market competitiveness, and the role of functioning residential and commercial property markets. It also examines how public- and private-sector actions can improve market efficiency.

MAKING MARKETS WORK FOR THE POOR

A market is a set of arrangements through which buyers and sellers exchange goods, services or information. It is not only buyers and

sellers who operate in a market, but a range of people and institutions, including regulators, quality-control bodies and service providers.

Market institutions and social relations facilitate the exchange between buyers and sellers. In well-functioning markets, the costs involved in this exchange should be as low as possible. Markets consist of three principal components:

- An institutional foundation consisting of laws, rules, regulations and regulatory enforcement capacity
- Organisations that provide services, such as banks and financial institutions
- Support organisations such as audit, legal, IT and market research firms.





Well-established, functioning markets exhibit certainty and stability, while newer markets can be characterised by greater flux, with roles still being defined.

Resources are allocated through markets. In a theoretically 'perfect' market, characterised by ample competition and information, the market operates efficiently and generates growth. It is assumed that in such markets there are minimal costs associated with the exchange between buyers and sellers.

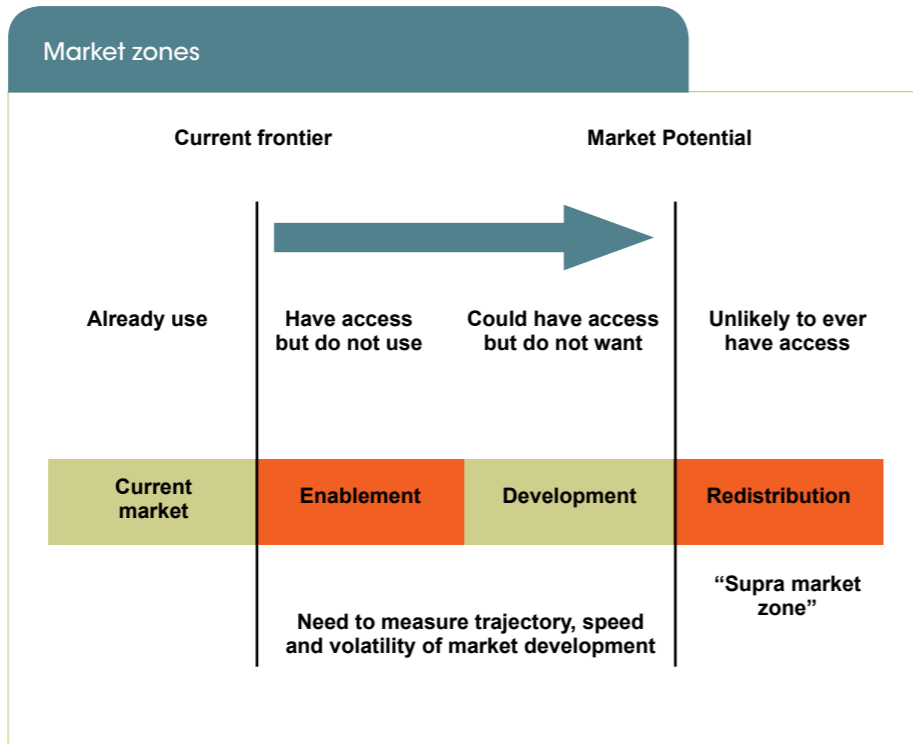
Perfect markets, of course, do not exist. In reality, buyers and sellers often lack information and trust, or are physically separated. The resources needed to bring buyers and sellers together are known as transaction costs. These costs are increased by regulatory requirements, such as license fees or levies.

More efficient markets have institutions that find ways of dealing with these costs by reducing risk, making information available, maintaining and enforcing standards, and protecting consumers.

The market on its own, however, cannot address the deeply rooted income, access and spatial inequalities that characterise South African townships. The market's inability to distribute resources efficiently is known as market failure. In such cases, state intervention is needed to deal with anti-competitive behaviour. When there is alignment between the state's operating and regulatory environment, and the market logic, pro-poor outcomes can be enhanced.

ACCESS FRONTIERS

The term 'access frontier' refers to the current maximum proportion of people in a society who could access



(Source: Porteous, 2004)

a product or service, given the current configuration of costs and market structure. Such frontiers are affected by regulatory and other considerations that influence what is supplied, at what price, and to which consumers.

This approach segments the market into four groups:

- those who use it now
- those who could have it but don't want it
- those who are within the reach of the market now and in the foreseeable future
- those beyond the reach of the market mainly because of limited income.

The access-frontier model identifies three zones based on current usage, and current and future access frontiers: a market enablement zone, a market development zone and a market redistribution zone, as shown in the figure above.

The figure on the left demonstrates how the access frontier needs to shift to expand the number of people served by the market.

How government can expand the access frontier

State regulation and investment can help to expand the access frontier. For example, people who own property and sell it in a registered sale are part of the current market. Owners who decide to sell their property without registering the sale (and therefore the title deed does not officially change hands) are trading informally, and are beyond the access frontier. Similarly, people who do not have title to the land they are living on are beyond the access frontier, and are forced to exchange the rights to their land informally.

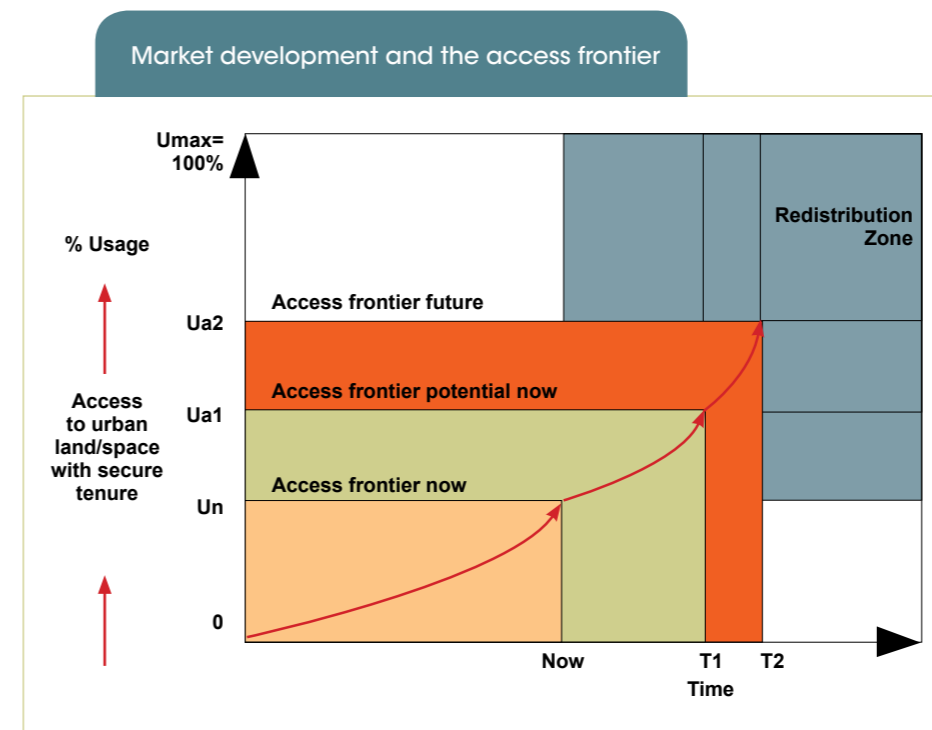
In 2006, government removed the transfer duty on property exchanges below R500 000. This reduced the transaction costs and extended the

access frontier. This highlights how state regulation can make it easier for people to register changes in ownership, as well as reducing the costs associated with such changes. The focus for township managers and government programmes is most often on the redistribution zone, also known as the 'supra-market' zone, where people do not have land, houses and urban services because they cannot afford them. They are beyond the reach of direct market solutions in the medium term.

While government investment in townships affects all market segments, it is the 'supra-market' zone where investment has the greatest impact. Such investment can draw in the private sector and extend the access frontier. For example, the South African Revenue Service's urban regeneration tax initiative incentivises investment in urban development zones.

To support development in township markets, the state needs to invest directly in urban infrastructure, good planning and skills; provide incentives where necessary; and promote effective regulation. Markets operating in an inclusive way, with proactive state support, have the potential to offer jobs, opportunities, goods, services and higher incomes to the poor. A market that works for the poor is one that expands the choices available and is accessible and appropriate.

This thinking is summarised in an approach known as 'Making Markets Work for the Poor', which aims to accelerate pro-poor growth by improving outcomes that matter to the poor in their roles as entrepreneurs, employees or consumers. It focuses on changing the structure and characteristics of markets to increase participation by the poor on terms that are of benefit to them.



(Source: Porteous, 2004)



TOWNSHIP MARKETS AND ECONOMIC DEVELOPMENT

The overall size of township markets depends on the following:

- The net income flows into townships, which consists primarily of the net wages of residents employed outside the township, welfare payments and net revenues earned by township enterprises from clients outside the township.
- The extent to which the income inflows are invested locally, or spent on locally produced and/or distributed goods and services.

Initiatives aimed at growing the size of the township market (market potential) should focus on increasing the net wages of residents employed outside the township, expanding the capacity of township enterprises to capture the investment and consumption spend of residents (and enterprises), and increase their share of markets outside the township. The following strategies suggest themselves as the main avenues for building the size of township markets.

- Expanding the number of township residents employed in the regional economy.
- Increasing net incomes earned either through reducing the costs of accessing employment (e.g. travel costs) or by supporting progression into higher-earning jobs.
- Retaining middle- and upper-income earners within the township, and attracting these income groups into the township.
- Expanding the capacity of township enterprises to provide goods and services needed by residents.

- Expanding the capacity of township enterprises to compete for external opportunities.
- Increasing the amount that residents invest locally.

There are four areas of intervention to achieve these strategies: land market interventions, labour market interventions, residential sector interventions and commercial sector interventions. These areas are discussed in greater detail in the sections that follow.

Township businesses usually face a number of problems, many of which are absent or less severe in other parts of the city. These include low incomes of local customers, lack of discounts from suppliers, high transport costs, lack of capital for equipment, unreliable or non-existent services, lack of suitable premises and credit facilities, cost and risks of crime and corruption, and little trust or cooperation between businesses.

To overcome these problems, and shift the access frontier, all forms of capital (human, natural, financial, physical and social) need to be boosted and used. The key to the success of township development strategies is addressing exclusion in a social, spatial and economic sense (including distance from markets, cost of inputs, education and skills, and supporting institutions).



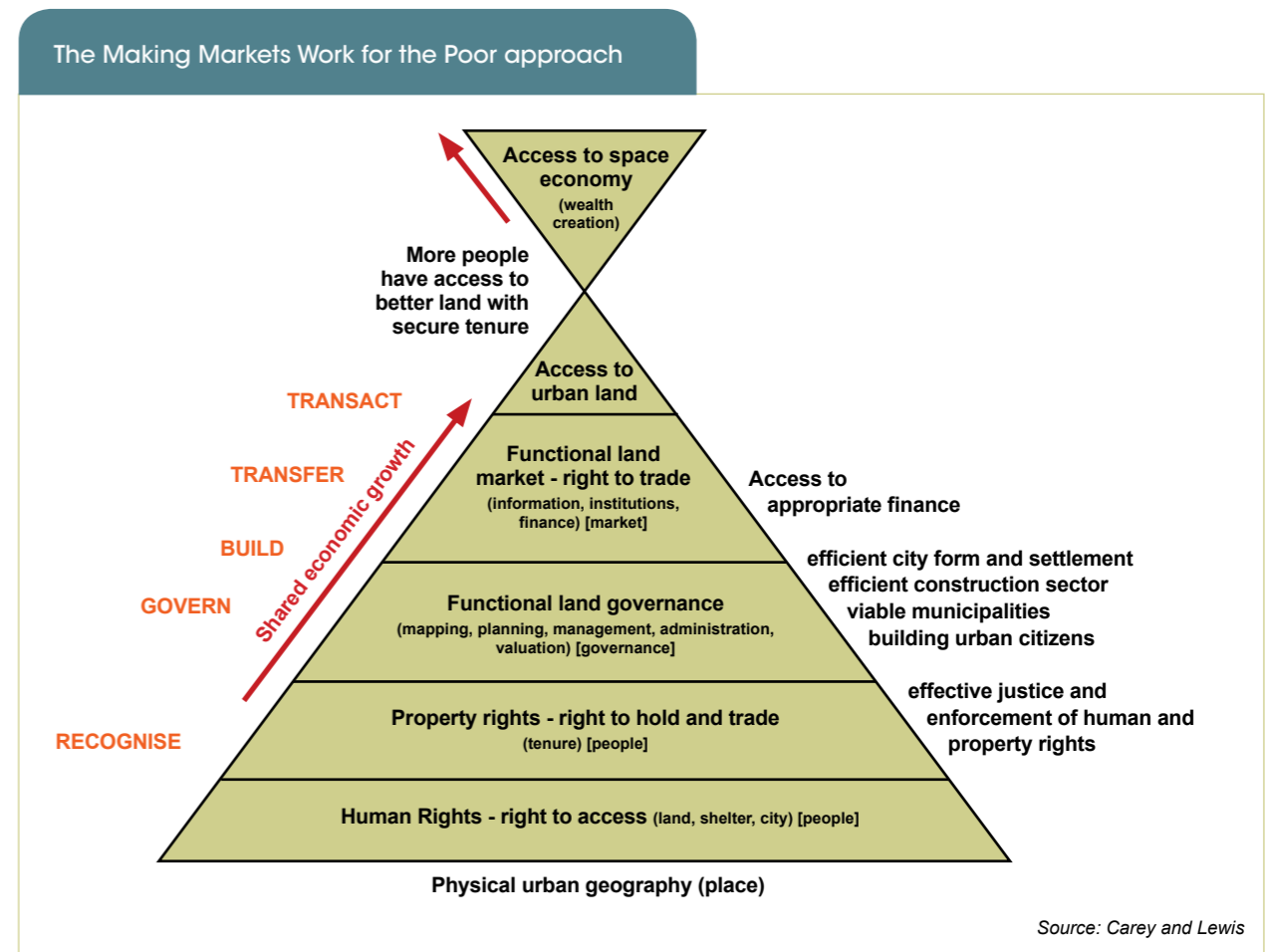
2.2 IMPROVING THE LAND MARKET

Markets do not operate in isolation. It would be unrealistic to expect the property market, for example, to operate well where there are no clear land and property rights, or where there are no state institutions to register land and transactions.

The land market in South Africa operates within the country's constitutional framework. The Bill of Rights guarantees existing property rights, while simultaneously charging the state with enabling equitable access to land. The Bill of Rights also promotes security of tenure, which includes rights to occupy, use and enjoy property; to restrict others from entry; to sell, buy, inherit, develop or

improve land; to use land productively; to rent and sublet land; to realise a return; and to access services and formal credit.

Government is responsible for land administration, which is necessary for a properly functioning land market. Beyond intervening to change the shape of the market, the public sector should also intervene through instruments that enhance knowledge, skills, relationships and information among potential market participants. In townships, the state can harness the power of the market and broaden access to urban land. Ultimately, this will lead to more poor people having access to better land, and greater





access to other markets (such as labour and capital markets).

A schematic representation of this approach as it applies to land is provided in the figure on the previous page.

How land is managed affects how socio-economic rights are realised, how well livelihoods are secured, the pattern of asset formation, the development of social networks, the strength of political power bases and the environmental sustainability of a city.

This implies effective urban planning is needed for a developmental state. For the poor, urban land is important in fighting poverty: it can be used as an asset and to generate wealth. Municipalities can play a role in the following areas:

- Planning and land use management: Municipalities can identify desired patterns of land use and allocate rights to use and develop urban land.
- Taxing land values: Local governments can generate revenue by taxing land through property rates.
- Land acquisition and disposal: Local governments have the power

to acquire and dispose of land that they own.

The state has a critical role to play in ensuring urban land markets function effectively and in a manner that works for the poor. National government must ensure that an institutional framework for land rights exists, and is administered efficiently, while local government must fulfil critical planning, and regulatory and enforcement functions relating both to transactions as well as to the enforcement of local regulations. All spheres of government need to ensure that policies and interventions are aligned, and work with the market.

Public interventions need to be market-enhancing and incentive-compatible. This involves designing interventions to address market failure. To do so may require introducing market-compatible incentives, simplified legislation, measures to support coherence and certainty, and for enhanced affordability at the lower end of the commercial residential market. This could be done through home-loan tax relief, the introduction of declining interest rates for low-end first time buyers, and greater incentives for employer-financed housing and accommodation schemes.

2.3 ENHANCING LABOUR MARKET COMPETITIVENESS

For township economic development to occur, it is important to increase the flow of money into, and circulating within, townships. One way to do that is through a well-functioning labour market and increased employment of township residents.

Townships usually have high levels of unemployment. For example, in Inanda, Ntuzuma and KwaMashu (INK) unemployment is at about 40 per cent, and about 120 000 jobs are needed. An increase in the number of jobs created both in and outside the township will increase the net flow of income into townships. This requires interventions at a national, provincial and local level to boost the regional economy and create additional jobs. The city's economy should be geared towards growth sectors to increase the total labour demand.

It is important that people living in townships are eligible for these jobs, by having the appropriate skills and experience. Residents should also have access to opportunities through improved physical infrastructure and increased information. Encouraging increased employment in cities requires a three-pronged approach:

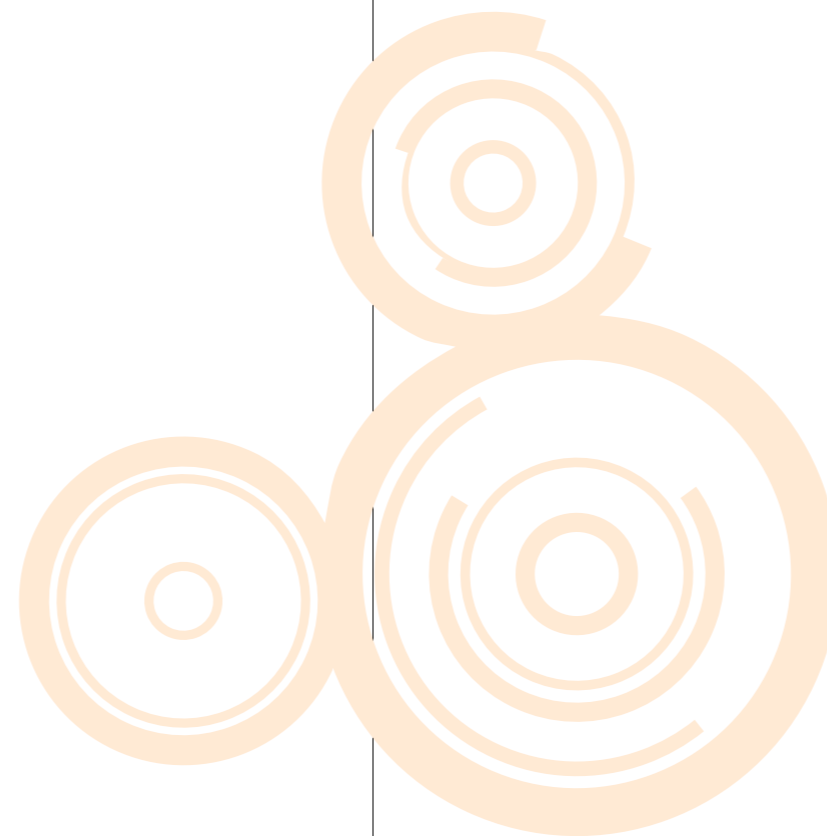
- Increasing the overall demand for labour and making township labour more attractive to increase its share of total city labour demand.
- Optimising labour supply by aligning skills of township labour pools with the city's economic growth sectors.
- Reducing transaction costs by facilitating information flows and providing cheap and efficient transportation between the township and the city.

One way of increasing the incomes of residents who are employed outside the township is through increasing the relative competitiveness of township labour. Many townships, such as INK, do not provide employees with the desired skills for growth sectors. Greater skills training, and retraining is needed to maintain competitiveness and ensure that township residents are employable.

To stimulate township labour markets, the economy both within the township and external to it need to be considered. Labour supply needs to be optimised by ensuring that available skills match labour demands, and to lower transaction costs by setting up local placement agencies and job-seeker databases.

There are a number of aspects to labour market competitiveness, relating to both individual workers and overall access. The general environment in which an individual worker operates is important. People need information and knowledge about available jobs, the required skills and means of acquiring such skills, and access to areas in which jobs are available. Enhancing labour market competitiveness needs to address both structural issues of access (transport and access to information), and individual issues such as skills, which are linked to the nature and quality of the entire education system.

An important aspect of the labour market is the informal sector. Many township workers are involved in informal employment, which is usually less secure than formal employment, and rarely provides opportunities for increasing qualifications and recognised skills. However, research has shown that formalisation is a key contributor to





employment generation and growth. Formalisation usually means that businesses are able to apply for loans, upgrade their infrastructure, and spend more time on marketing and promotions, leading to increased turnover and hiring more employees.

KEY COMPONENTS OF A SUCCESSFUL SYSTEM

There are several key aspects to enhancing the competitiveness of the labour market:

- Align skills of township labour with the city’s economic growth trajectory.
- Ease and facilitate information flows between labour pools and employers.
- Reduce costs, for example by focusing on more affordable transportation costs.
- Other aspects such as labour’s productivity and health.

Improving skills and qualifications

While there is greater demand for skills throughout the South African economy, most township residents remain largely unskilled. Improving labour’s competitiveness is strongly related to developing people’s skills and qualifications. This extends from pre-primary through to tertiary level.

Access to education, and the quality and relevance of training, including teachers’ qualifications are key, and providing bursaries and information on education opportunities can increase labour market competitiveness.

Economic growth sectors require workers who are flexible, adaptable and mobile, underlining the need to acquire and maintain skills throughout the course of their working life.

Education systems need to be revised to suit these changing conditions, creating opportunities for on-the-job training, mentorship, internships and apprenticeships.

To accommodate informal activities, limited finances and other constraints, it is important that skills development is conducted locally wherever possible. Part-time classes, for example, may be introduced.

Long term skills-related interventions should be about improving basic education and providing access to tertiary education to prepare residents for employment in the knowledge economy or value-added manufacturing industries.

Municipalities can assist workers to identify and access appropriate training to improve their ability to compete in the market. Provision of a database with current employment opportunities, and requirements can be used to develop skills-placement programmes for residents and existing municipal employees.

Local governments can play a role in increasing the relative competitiveness of township labour by developing or supporting interventions related to skills development, providing bursaries and scholarships to residents, and providing opportunities to increase work experience.

Municipalities can work with the private sector and tertiary institutions, particularly FET colleges, to develop programmes to address skills gaps, and with other spheres of government to develop or fund the necessary programmes. Procurement processes can be a useful tool to promote training and skills development by insisting that locals are employed and trained.

Skills development in south Durban

In the south Durban Basin, area based management programme, staff emphasise the importance of working with local industries to develop local skills to meet industry needs and address unemployment. These skills are also expected to help people start their own businesses.

A skills development agency at the Sizakala Customer Service Centre in the Umlazi Mega City has been established to help people find out about training courses. An opportunity exists for businesses, schools and training colleges to become involved in training initiatives.

Project Recruit is a skills development programme partnership that focuses on first-line maintenance for young people between the ages of 18-35. It aims to ensure that young people are equipped with skills required by most industries in the basin. At the end of the course, learners complete a portfolio that is evaluated by Merseta so that they can attain the 30 credits towards their NQF Level 3 Automotive Component Manufacturing and Assembly Qualification.

The South Durban Basin ABM Programme has worked closely with local industry role players to devise programmes to address the skills shortage. It has therefore developed a partnership with Mondi, a large industrial company in the area, to fund local learners to participate in the maths, science and technology programme. Mondi then sponsored two learners to pursue a career in a science-related field.



Facilitating information flows and reducing transaction costs

Labour’s competitiveness is linked to the ability to access jobs, skills and information. This includes physical access (transport) and virtual access (information technology).

The geographic isolation of townships increases the costs of searching for jobs, contributing to the continued inability to integrate labour and capital markets. Interventions to reduce transaction costs need to focus on reducing the amount households spend on transport by improving road and rail infrastructure and the public transport system, and promoting corridor development to improve accessibility and connectedness. These interventions are discussed in detail in Module 3.

In addition, ‘soft’ interventions – such as a database of employers and job-seekers, establishing local placement offices, liaising with employment agencies, increasing access to IT, training of SMMEs and providing career advice – can reduce transaction costs and increase knowledge of and access to work opportunities.

Other issues related to labour competitiveness

Although increased skills, access to information and job opportunities are the most obvious ways to increase labour market competitiveness, other factors such as the provision of adequate health care through clinics, hospitals, and HIV/AIDS education, can raise workers’ productivity.

The relative bargaining power of workers affects the market in a variety of ways. Better organised workers may be able to gain employment and improve their incomes more than less organised workers; on the other hand, employers may see high levels of labour organisation as a threat.

Municipalities can play a valuable role in facilitating greater labour competitiveness by increasing access to skills training and available jobs. The case study on page 30 shows how the labour-market competitiveness of township residents can be improved.



CASE STUDY: ADDRESSING LABOUR MARKET COMPETITIVENESS IN INK

Socioeconomic context

In 2001, the President identified 21 Presidential Poverty Nodes in rural and urban areas for development. INK is one such node, which is managed as one of eThekweni's five area-based management regions. INK lies about 20 km northeast of the Durban city centre. Unemployment and poverty are high, and education and skills levels are low. Most of INK's employed residents work outside the township.

INK's economy is dependent on that of eThekweni. A key development likely to affect commuting and employment patterns in INK is Bridge City, a new city centre on a 60 ha site situated between KwaMashu, Ntuzuma,

Inanda and Phoenix comprising supermarkets, civic buildings and spaces, mixed commercial, business and light industrial areas, and railway, bus and taxi terminuses.

INK is close to major movement routes, particularly the N2 and N3. However, by apartheid design, INK is not connected in a meaningful way to these urban systems, which are conduits for economic and social opportunity. As a result, INK has limited access to employment and retail services. Only 31 per cent of the labour force work in the area, and township residents spend a relatively high proportion of their monthly incomes on transport.

To overcome the relative spatial and social isolation of INK from the city, municipal officials have identified several areas

of intervention. These include establishing the Job Shop, supporting the furniture industry, and improving transport linkages to increase access to jobs and information.

The Job Shop

The Job Shop is a dedicated employment information centre for INK, connecting job seekers and job opportunities. It provides a database of current employment opportunities, uses this to design appropriate skills development programmes, and allows people to apply for available jobs. This entails conducting a skills audit to determine the type of skills and competencies needed, and to establish the existing skills of township workers.

The centre provides career counselling, training, access



to an employer database, technical support and mentorship opportunities. It is designed to operate in partnership with local organisations that can provide expertise and mobilise community members to register on the database. Logistical issues include setting up registration points and determining what interventions and assistance are appropriate and feasible. Compilation of the database is accompanied by an assessment of needs and referral to available opportunities with regards to bursaries and employment.

Ultimately, the database will provide township residents with relevant employment information, enhance labour competitiveness, and market the skills of INK residents more effectively to potential employers in the city as a whole. By 2008, 4 000 people were registered on the database.

Furniture skills development

INK ABM officials have developed a skills development programme targeted at the growing furniture industry. This is directly linked to the recent development of KwaMashu town centre and Bridge City, which will result in new housing in the area and increased demand for furniture. Key outcomes of the project are:

- technical and business skills provision for 60 people
- a business incubation programme targeting five existing survivalist businesses for two years
- existing business enterprise improvement and development (10-15 businesses)
- new venture creation (targeting five start-ups) for two years.

The furniture industry is seen as well suited to local labour: it is labour intensive and presents empowerment opportunities, has limited barriers to entry, is able to address a local need and relies on local inputs, is concentrated in the eThekweni municipality with a comparative advantage in KZN, and has high export potential.

Transport improvements

To build on current developments and growth trends, the municipality is developing initiatives not only to prepare INK residents for employment in the key growth sectors, but also to facilitate improved linkages to centres of opportunity such as the Dube Trade Port and north Durban development. These are discussed in the KwaMashu case study associated with Module 3 of this Sourcebook.



2.4 SUPPORTING RESIDENTIAL MARKETS

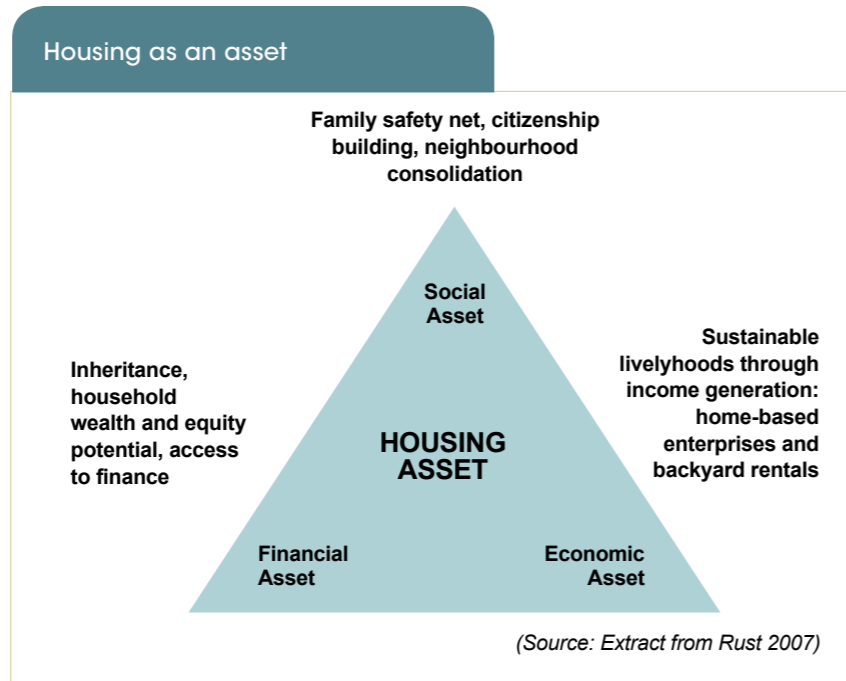
A well-functioning township housing market would embrace both commercial and social imperatives, with the latter supported by government. Market-related prices would be achieved in both market types, allowing for social and economic upward mobility. Lending institutions would be willing to provide credit for the trading of properties, housing improvements and for supporting home-based enterprises. There would be sufficient stock for trading.

However, South Africa's economic and spatial legacies have combined to block such developments.

UNDERSTANDING FINANCIALLY AND SOCIALLY DOMINATED MARKETS

To determine the role of residential markets and economic development, it is important to understand how these markets operate within the township areas. The formal market is generally inaccessible to the poor as a result of high land values, land regulations that protect former-white areas and high costs of accessing land linked to the need for specialist skills and legal costs.

Recent research has shown that land markets do operate outside traditional formal areas (such as in informal settlements, RDP projects, backyard shacks and traditional authority areas), but that in these cases social relations are more dominant than financial relations. The operations of this market are far from disorganised or dysfunctional, and transactions are highly responsive to state action (such as shack registration). So there is a complex system of land transactions – some in which land is regarded as a financial asset, and is formally recognised by the state and law, and



others in which forms of social and community recognition are more prominent.

UNDERSTANDING HOUSING AS AN ASSET

The Breaking New Ground policy, launched by the then Department of Housing in 2004, introduced the notion of housing as an asset and a means for wealth creation and empowerment. As shown in the figure above, urban poor housing has three components: it is a social asset, a productive or economic asset, and a financial asset.

Social asset

This component ensures that poor households have a family safety net, a sense of citizenship and a sense of belonging to the city.

Financial asset

This becomes relevant when a household wants to improve its housing situation by selling the current

'Poor people save...but they hold these resources in defective forms: houses built on land whose ownership rights are not adequately recorded and unincorporated businesses with undefined liability... Because the rights to these possessions are not adequately documented, these assets cannot readily be turned into capital, cannot be traded outside of narrow, local circles where people know and trust each other, cannot be used as collateral for a loan, and cannot be used as a share against an investment.'

(Hernando de Soto 2000)



home to move up the housing ladder. The price obtained for the current house determines a household's affordability level for the next home. To realise housing as a financial asset, key elements need to be in place such as:

- A functioning secondary property market and solid linkages between the primary and the secondary property markets.
- Sufficient, affordable housing stock for the target market.
- Affordable mortgage finance.
- Mortgage lenders willing and able to cater for the lower end of the market.

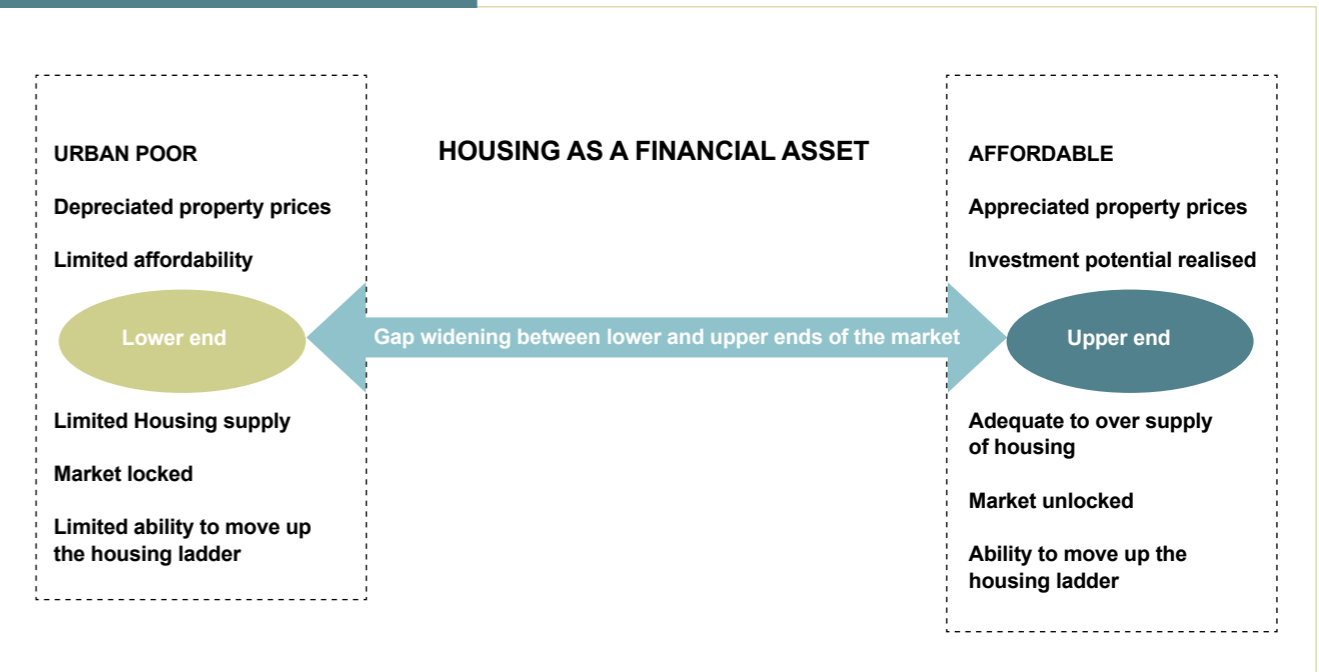
There has been a substantial depreciation in the value of RDP houses while middle- and upper-income housing has increased in value. This has created a widening gap between the upper- and lower-

ends of the housing market. At the upper end of the market, the investment potential is thus being realised; at the lower end, it is not.

Consequently, fewer families living in RDP housing are able to climb the housing ladder, with less than 10 per cent of South African households being able to buy an average affordable house. At the lower end, few households sell their properties, decreasing the supply of housing and thereby locking the market. In the market below R200 000, less than 17 339 units were delivered in 2005. Moreover, 53 per cent of households in the so-called 'equity market' are ineligible for mortgage finance.

Research undertaken by FinMark found that the investment potential of housing that is being found at the top end of the property market is not being realised at the bottom end. So when low to moderate income earners invest in their housing by improving

The investment potential of housing





fittings, extending, and so on, they cannot rely on realising a return on this investment at some later point of sale. Consequently, the incentive to invest in quality improvements in that market is diminished. This undermines the potential for neighbourhood gentrification and further reinforces the split between rich and poor. The constraints to selling and buying within this segment of the market also undermines household mobility and access to higher priced markets – more broadly, undermining South Africa’s expectations for integrated communities and the intention for broad-based black economic empowerment.

Government directly influences

the possible value attainable for a property through the provision of social and other services, levels of upgrading, the efficiency of transport networks etc.

Economic asset

This refers to the income-earning potential of the house and the extent to which it can contribute towards sustainable livelihoods. Income can be derived through a number of means, such as the rental of accommodation or home-based enterprises. A number of the characteristics typically associated with township housing, blocks efficient functioning of the residential property market, and asset realisation, as shown in the table below.



REALISING RESIDENTIAL PROPERTY POTENTIAL

The decisions and actions taken by township managers will have both a direct and indirect impact on the residential housing market. Actions can strengthen or weaken rights to land. Township managers, along with the municipality, can influence the following:

- The location of informal settlements.
- The level of legitimacy of the informal settlement, such as shack number, upgrading, extent and type of services provided.
- Other off site activities, such as the provision of public amenities.
- The link between informal settlements and the RDP housing developments.
- Demolition of shacks, affecting supply in the socially dominated housing market.

Access to urban infrastructure is pivotal for the integration of the urban poor into cities and the creation of differentiated markets. Research has found that without sufficient access, many beneficiaries are no better off in RDP housing than in informal settlements. The inability to differentiate their land and housing from others reduces the ability to realise a difference in value.

When working in the poorer and more vulnerable areas of cities, it is important to understand and acknowledge that land markets exist in a number of different forms. Interventions may need to:

- Recognise socially dominated land markets through legal reform, reform of practice at a municipal level within existing legal frameworks or awareness raising.
- Support the role of informal settlements and recognise the risks

of ill-considered eradication of such communities.

- Develop social interventions that support poor people’s access to land.
- Recognise how the financially dominated land market depends on the socially dominated market, and develop ways of promoting integration to increase access by the poor.
- Support greater urban land market differentiation through public investment.

Other research has highlighted the need for a land audit to identify vacant and underused land, the need to improve access to relevant information to communities, issues around high-density inner-city housing, and the need to enhance and expand the housing subsidy scheme. Indicators of a market that is working for the poor include increasing tenure security, increasing access to livelihoods, increasing access to broader opportunities, increasing scale of supply, increasing equity, decreasing risks and costs of exchange, and the resolution of disputes.

Recognition involves developing proposals for enhancement of this market, building on its strengths and addressing its limitations. An important corollary of this is the need for integration of the two markets (socially dominated and financially dominated). For example, although socially dominated markets tend to work well in the short term, in the longer term the poor tend to become trapped into poor locations, without access to alternatives. An emphasis on integration, rather than eradication, has important policy consequences. Specifically, proposals should recognise socially dominated land markets, achieve better integration between financially and socially

HOUSING TYPE	ECONOMIC ASSET	FINANCIAL ASSET	SOCIAL ASSET
Old 51/9 housing stock	Limiting town planning regulations	Access to finance Limited housing stock for trading	Family safety net Citizenship building
RDP housing	Limiting town planning regulations	Access to finance Limited housing stock for trading May not be formally sold due to state imposed 10-year ban on trading Commonly traded below market related or construction price	Family safety net Citizenship building Requires social network No formal tenure given when traded Limited stock
Informal settlements	Location Vulnerable to demolition	No formal financing mechanism Price determined in social negotiations Limited stock for trading	Insecurity of tenure Requires social network for access Location Informal settlement eradication programmes
Gap housing	Town planning regulations	Access to finance Limited housing stock for trading	Location Family safety net Citizenship building



dominated land markets, achieve better performing socially dominated land markets; and implement other reforms that address the manner in which the financially dominated land markets operate.

Finally, the income generating or economic aspect of housing as an asset requires greater understanding and support. This would include actions such as zoning rights, improving access to markets and appropriately targeted support programmes.

CASE STUDIES: UNDERSTANDING THE SOCIALLY DOMINATED HOUSING MARKET

Township managers and planners should be aware of the intricacies of socially dominated residential markets, as highlighted in several recent studies.

Research undertaken in several small towns examined the extent to which an informal land market existed. Where such a market existed, particularly in Ingquza Hill/Lusikisiki and Emakhazeni/Dullstroom, it was found to operate differently for different types of housing. Officials and councillors were generally unaware of whether and how informal land markets operate, and tended to deny that they exist. Despite this, in some cases mechanisms have been put in place by the municipality to try to prevent informal land transactions, such as the yellow card system in Rustenburg, and similar processes in Sasolburg. In Ingquza Hill home owners use their homes as collateral to borrow from loan sharks, which works against the goals of RDP housing and the need to encourage investment in homes. This was in contrast to Pietermaritzburg, where home owners used their homes as collateral to rise up the property ladder.

An issue raised in several cases (particularly Sasolburg and

Pietermaritzburg) was the need to educate current and potential home owners on how the market operates, what their rights and responsibilities are, and what processes are involved in acquiring land and a house.

Facilitating such education and related communication is a potential role for local government.

Of key significance is the proportion of homes that are regarded as formal. Obviously, only those homes that are formal are able to be transacted in the formal market, whereas informal homes are forced to be traded informally. This potentially represents a very high proportion of transactions that are not being recognised by authorities, with a concomitant loss of potential property rates income. It is crucial that municipalities develop a greater understanding of how land transactions take place in the informal market.

The table on page 37 summarises a number of case studies that have examined characteristics of the socially dominated housing markets. Overall, the following key findings emerge from this research:

- Socially dominated markets are active in both informal settlements and RDP housing developments, confirming that land markets are not absent in the poorer parts of cities.
- In every five years, an average of 26 per cent of households in shack settlements exchanged houses.
- In RDP housing, while there is a state limitation on the resale of houses for five years, some 11 per cent of households were transacting, with – 6 per cent seen as sales – average house prices of between R5 750 and R17 000 – almost all off-register, title deeds not officially changing hands – state officials often called in to witness.



Summary of case studies

AREA	HOUSING TYPE	DESCRIPTION OF AREA	TRANSACTION CHARACTERISTICS	AVERAGE RATE OF EXCHANGE
Delft, Cape Town	RDP	<ul style="list-style-type: none"> • Occupants mainly from informal settlements • Perceived lack of control of how land is being used, such as uncontrolled trading on main roads • Provision of low-income housing in Cape Town has not kept pace with demand, resulting in growth of backyard shacks • Municipality has failed to maintain services adequately 	<ul style="list-style-type: none"> • Socially dominated market • Housing supply is starting to differentiate by tenure type • Only 14% of the RDP housing stock has been traded in the last 5 years • Houses trade well below construction cost 	R17 000
Kingsway, Ekurhuleni	RDP	<ul style="list-style-type: none"> • 2 500 RDP units – households relocated from informal settlements • Largely youthful 	<ul style="list-style-type: none"> • Socially dominated market • Only 11% of RDP houses have been traded in the last 5 years • Trade well below construction cost 	R15 000
Old Dunbar, eThekweni	RDP	<ul style="list-style-type: none"> • Old Dunbar area is part of Cato Manor which was settled informally in the late 1980s/early 1990s • Allocation of formal houses commenced in 1998 	<ul style="list-style-type: none"> • Socially dominated market • Only 8% of RDP houses have been traded in the last 5 years • Trade well below construction cost 	R5 750
Nkanani Cape Town	Informal settlements	<ul style="list-style-type: none"> • Located adjacent to Khayelitsha • Started settling the area in 2003 • Started as 30 shacks – while threatened, the municipality took no action • Area has grown substantially 	<ul style="list-style-type: none"> • Socially dominated market • 16% have traded shack houses 	R1 350
Somalia, Ekurhuleni	Informal settlements	<ul style="list-style-type: none"> • Land is privately owned • Households came from Vosloorus, farms, Transkei, Lesotho, Free State and Malawi • Due to the growth of the area, community leaders now allocate plots • Settlement is close to employment and town 	<ul style="list-style-type: none"> • Socially dominated market • 38% of shacks have been traded • Possibly traded below construction cost 	R50
Blackburn Village eThekweni	Informal settlements	<ul style="list-style-type: none"> • Established more than 20 years ago by Indian families • Community now a mix of Indian and African • Currently about 900 households 	<ul style="list-style-type: none"> • Socially dominated market • 24% of shacks have been traded • Possibly traded below construction cost 	R590



- In these markets, social relations dominate as opposed to the rules of supply and demand mediated by price.
- Social networks are pivotal in gaining access.
- Many people feel that it is inappropriate to make a profit from the sale of the house that they received free from the state.
- While the average transaction cost is often far lower than the construction cost, some households do transact on the basis of price rather than social values, particularly when improvements have been made.
- Government policy has failed to recognise the existence of socially dominated markets.
- Transaction agreements may be verbal or a formal affidavit.
- There is a link between informal settlements and RDP housing, with the former representing a reception area for accessing state housing projects.
- The state is present in socially dominated land markets in the following manner:
 - urban policy and practices
 - land selected for development
 - registration of shacks, leading to the perception of a right to future development.

Housing and income generation

Housing provides an important platform for residents to become entrepreneurs. Not only are households able to generate an

SMALL-SCALE LANDLORDS	HOME-BASED ENTERPRISES
Small-scale landlords are delivering at scale: An estimated 1.85 million households (15% of South African households) rent accommodation provided by small-scale landlords. 60% of this (1.1 million households) is provided on the property of owners, in either formal or informal backyard dwellings.	Home-based enterprises are significant contributors to local economies: An estimated 355 000 home-based enterprises generate about R476 million per month. They operate in residential areas, enhancing access to services and products for low-income households, and contributing to the development of sustainable human settlements.
Small-scale landlords are offering well located, affordable rental housing for low-income earners: The average income of their tenants is only R1 800 per month, lower than is targeted by the state-subsidised social housing programme.	The home is an important asset for entrepreneurs: Most township entrepreneurs operate from home, reducing costs and risks.
Small-scale landlords are income-earning enterprises: The sector generates over R5 billion annually. The majority of landlords are otherwise unemployed, and often elderly women with little other income.	Many home-based enterprises are entrepreneurial: Just under half (42%) of such enterprises in townships were the first to undertake the business in their area. Only one third (32-33%) of such enterprises surveyed said they would accept offers of permanent employment.
There is potential for growth: Demand for stock is high and over 62% of landlords in townships said that it was easy to find tenants. Township landlords report that vacancy is effectively zero. However, this potential for growth is not being realised.	There is potential for growth: Most home-based enterprises want to expand. Many feel that their businesses are growing. This represents an untapped opportunity for unemployed South Africans.

income – they can also assist with the provision of affordable rental income for other low-income households. The meaning of the house is therefore different for lower-income township residents – it serves as a means of generating income, usually either through rental derived from backyard shacks or second dwellings, through home-based enterprises (such as spaza or phone shops), or through urban agriculture. It is important that this is understood and acknowledged in planning and related by-laws and their enforcement, so that the revenue-generating aspects of houses are supported in ways that are acceptable. The table on the right outlines the key research findings in more detail.

Comparative studies of Ulundi, Lusikisiki, Dullstroom, Rustenburg, Pietermaritzburg, and Sasolburg

revealed the following in terms of the value of housing as a revenue-generating asset:

- In most cases there are backyard shacks. In Rustenburg and Pietermaritzburg, officials indicated that the number of planning applications for second dwellings (in the case of the former) or 'servants' quarters' (in the latter) have increased significantly. These are therefore legal buildings, although their use is not as anticipated as they are rented out to supplement mortgage repayments. In other cases such as Dullstroom, backyard shacks add to the value of properties.
- Urban agriculture was evident in many municipalities, some in formal houses in the centre of town, such as in Ulundi and Edendale in Pietermaritzburg, and in informal settlements such as Ash Road, Pietermaritzburg. The development and promotion of urban agriculture can have important benefits for people's livelihoods. It would be useful for municipalities to investigate this, to ensure that policies are developed to manage and support such practices where appropriate.

- Home-based enterprises appear to be flourishing in many towns and municipalities, particularly outside former white towns. In most cases there is no clear regulatory policy, nor capacity to enforce existing regulations. The distinction between how policy is applied to former white areas versus former black areas is linked to the lack of clear land use management systems in many former black areas, and needs to be addressed.

The photographs, left, highlight the aspects mentioned above.

Home-based enterprises in Phokeng, Rustenburg: tuck shop and phone shop



Ulundi: Bed and breakfast establishment



Rustenburg: Thlabane proper – backyard shacks





2.5 COMMERCIAL PROPERTY MARKETS AND SMALL BUSINESS

This section examines the roles of the commercial market and small businesses in fostering township economic development.

During apartheid, township areas were predominantly dormitory areas without access to formal commercial activities. The landscape has been changing since 1994. Many shopping centres have been built or are under construction, and investors are considering all aspects of the commercial market – including offices, industrial facilities and hotels.

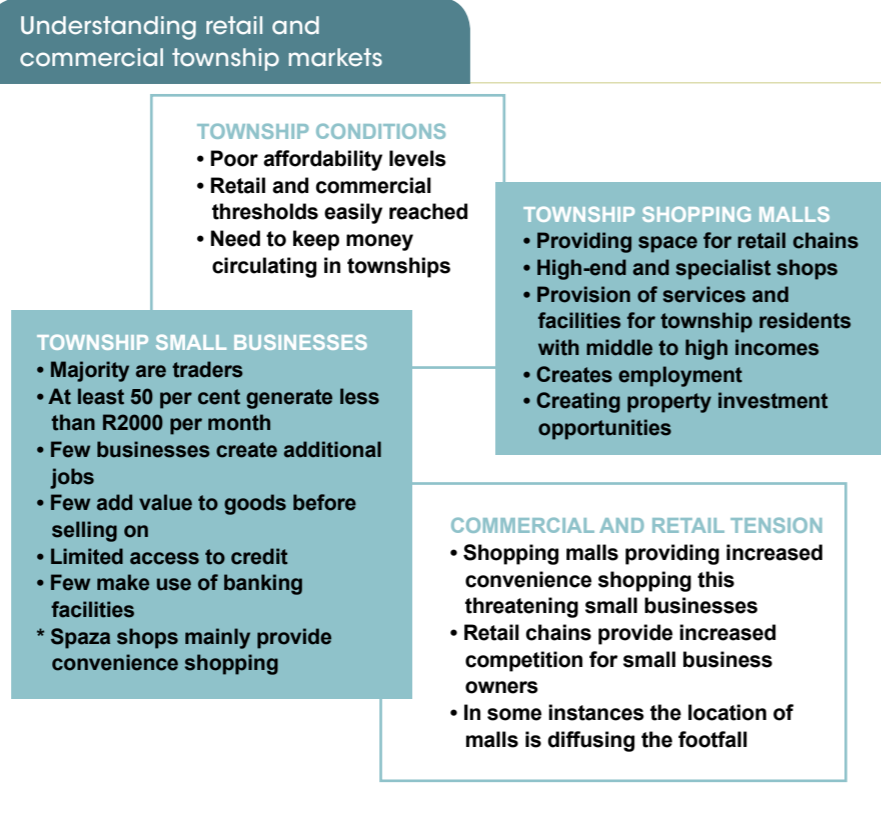
There is also evidence of a focus on mixed-use developments. As one observer notes, the ‘commercial property market will form part of the township built environment in the future.’

At the same time, small businesses perform a vital role in townships by providing employment, competition and innovation. In the South African context, they also help to reduce the overconcentration of economic power.

To achieve economic growth in townships, practitioners need to attract large-scale commercial developments, while ensuring that such developments do not choke off opportunities for small businesses. The diagram on the right illustrates this tension.

UNDERSTANDING THE CONSTRAINTS FACING SMALL BUSINESS

Small business is a key contributor to faster economic growth. Yet research indicates that government-led initiatives have to date not been very successful. Progress in this area will require a more sophisticated understanding of the small-business market for more focused interventions. In Gauteng in 2006, there were 1 053 818 small businesses, with about 1 in



6 adults operating within this market. The Finscope study developed a business sophistication model (BSM) with seven business types ranging from BSM 1 to BSM 7. The former are small informal businesses, the latter sophisticated formal entities. The baseline characteristics are shown in the table on the right.

The key findings from the Finscope study are as follows:

- Youth own more than half of all small businesses in Gauteng.
- Income generated from the small business is the only source of income for 78% of those surveyed. Income generated in BSM1 and BSM2 falls below the poverty line.

BSM Analysis

SEGMENT	DESCRIPTION	CHARACTERISTICS	ACCESS TO FINANCE	EXPERIENCE WITH BANKS
BSM 1	Informal businesses - 99% Unregistered individuals - 1% Registered businesses - 0%	<ul style="list-style-type: none"> • Stall traders • Operate on a footpath • No ownership of facilities in business • Some high school education • Employees: 0.1 • Annual turnover R9 113 • 79% unbanked (personal) 	<ul style="list-style-type: none"> • Do banking personally • Travel over an hour to bank by taxi • Current bank selected through advertising and convenient location • Don't need a business account - use personal account • Receive communication from bank in branch - would prefer telephonic communication 	<ul style="list-style-type: none"> • Hard to open a bank account • Manage fine without a bank account
BSM 2	Informal businesses - 92% Unregistered individuals - 7% Registered businesses - 1%	<ul style="list-style-type: none"> • Stall traders • Operate on a footpath • Have a cell phone • Some high school education • Employees 0.14 • Annual turnover R10 723 • 64% unbanked (personal) 	<ul style="list-style-type: none"> • Travel between 30 minutes to 1 hour to bank • Do not qualify for business account • Small penetration of business account - Post Bank • Selected current bank as they were prepared to open an account 	<ul style="list-style-type: none"> • Hard to open a bank account • Like to switch bank accounts but not sure if I'd be accepted
BSM 3	Informal businesses - 74% Unregistered individuals - 18% Registered businesses - 8%	<ul style="list-style-type: none"> • Sale of goods • Home-based business • Electricity in business • Some high school education • Employees 0.23 • Annual turnover: R16 793 • 62% unbanked (personal) 	<ul style="list-style-type: none"> • Travel to the bank by taxi or walk (monthly) • Bank recommended by friend • Reason for no business bank account: "my income isn't high enough" 	<ul style="list-style-type: none"> • Manage fine without a bank account
BSM 4	Informal businesses - 64% Unregistered individuals - 24% Registered businesses - 12%	<ul style="list-style-type: none"> • Unregistered individuals • Home-based business • Hot running water • Matric • Employees: 0.47 • Annual turnover: R24 710 • 47% banked (business) 	<ul style="list-style-type: none"> • Travel to bank by taxi, approximately twice a month • Get statements at the branch • No business bank account - income is irregular • Selected current bank because of its advertising • Current communication by bank is in branch 	<ul style="list-style-type: none"> • Banks give you too much credit and get you into financial trouble • Banks are not understanding if you cannot make your repayments
BSM 5	Informal businesses - 58% Unregistered individuals - 29% Registered businesses - 13%	<ul style="list-style-type: none"> • Unregistered individuals/sole proprietors • Home-based business • Landline telephone • Matric • Employees: 0.85 • Annual turnover: R27 841 • 64% banked (business) 	<ul style="list-style-type: none"> • Travel to bank by taxi • Use branch for inter-account transfers, for payments and balance statements • Bank currently communicates by cellphone 	<ul style="list-style-type: none"> • I have a good relationship with people at my bank and they are very helpful • When I need help about financial or business matters I usually ask my bank



SEGMENT	DESCRIPTION	CHARACTERISTICS	ACCESS TO FINANCE	EXPERIENCE WITH BANKS
BSM 6	Informal businesses - 30% Unregistered individuals - 41% Registered businesses - 29%	<ul style="list-style-type: none"> • Unregistered individuals/sole proprietors • Home-based business • Computers • Post-matric qualification • Employees: 1.78 • Annual turnover: R66 597 • 81% banked (business) 	<ul style="list-style-type: none"> • Go to the bank by car; travel less than 10 minutes to the bank • Use current account • cheque deposits at ATM • Bank currently communicates by cellphone • Can bank daily • Selected the bank for business as used it previously 	<ul style="list-style-type: none"> • When I need help about financial or business matters I usually ask my bank • I have a good relationship with people at my bank and they are very helpful • The bank has products and services for people like me
BSM 7	Informal businesses - 1% Unregistered individuals - 5% Registered businesses - 94%	<ul style="list-style-type: none"> • Close Corporations/partnerships • Office block • Shop • Credit card machine • Post-matric qualification • Employees: 8.88 • Annual turnover: R463 747 • 97% banked (business) 	<ul style="list-style-type: none"> • Travel to bank in own car weekly - takes less than 10 minutes • Prefer e-mail communication with bank • Have a business loan, credit card, overdraft facility • Use Internet banking 	<ul style="list-style-type: none"> • The bank has products and services for people like me • When I need help with financial or business matters I usually ask my bank • Bank charges are very high • Have a good relationship with bank staff

- Very few small businesses add value to the products, which are then sold on.
 - About two-thirds of small businesses are traders.
 - There are 10 times more service businesses than manufacturing businesses. Finscope suggests that the latter requires more capital for startup which is commonly not available.
 - About 69 per cent of small businesses are operated from home and 70 per cent do not create jobs.
 - Small businesses perform an important function in making "the poor a little less poor" with about half generating R1 300 and R2 000 per month, and one-fifth earning between R750 and R900 per month. The life of these small businesses is seen as precarious.
 - Credit extensions to survivalist businesses are extremely low and about 41 per cent remain unbanked. Finscope noted that access to finance remains one of the most critical hindrances to the further development of the informal sector. The research demonstrates that the main source of financial borrowing is from family and friends.
 - Most small business do not keep financial records, preventing them from being legally compliant and/or scaling up to access wider markets and capital.
- It is clear that small businesses require support. This should include appropriate policy and regulation; inclusion in planning, infrastructure and services; settlement design to accommodate and stimulate the emergence of small business;



appropriate financial products; and support to increase linkages to marketing, networks and so on. An important aspect of this support is the way the property market functions for the commercial sector.

MICRO AND MACRO-ECONOMIC INFLUENCES ON PROPERTY MARKETS

In examining the township commercial property market, it is important to understand how potential investors will reach a decision. There are two broad areas of influence:

- Micro influences include considerations such as the attractiveness of a node from a retailer's or service provider's perspective. Generally, an investor selects a site or location that will be most profitable. Based on the principles linked to the demand for land, retailers are willing to pay higher prices for a site with optimal exposure to shoppers. Conversely, lower rents are then paid for less attractive sites.
- Macro influences include general conditions in the economy, such as GDP growth or contraction, inflation and so on. Such factors imply increased or reduced demand for rentals resulting in higher/lower rental demanded by developers; interest rates, which can reduce the rate of return for investors; the capitalisation rate; property prices increasing more rapidly than building costs, leading to an increased supply; oversupply and the associated decline in rentals and property values; or a combination of any of these.

The challenge for local government is to ensure that a node offers the necessary attributes to attract a particular user to a particular site. The constraints to township retail development – which negatively affect the commercial property market – include:

- Crime
- Unstructured and unmanaged street vendors
- Limited banking facilities
- Limited business management skills among entrepreneurs
- Difficulties with rental space (poor building maintenance, low rental take-up, high rents)
- Long queues at retail outlets.

Developers tend to distrust the ability of local government structures to ensure proper management and maintenance. Consequently, they are reluctant to invest as the proposed development is perceived to be high risk. Often, it may require the municipality to demonstrate its commitment to an area by undertaking catalytic projects such as improving the management of traffic, civic plaza development, improved public transport networks and facilities, directional signage, upgrading avenues, street-scaping, park development and management.

Currently, most urban regeneration incentives are funded by national government grants, which are in turn driven by sector imperatives. This results in administrative and project planning complexities and makes it difficult to achieve locally specific and appropriate outcomes.

INTERVENTIONS TO RELEASE THE POTENTIAL OF COMMERCIAL PROPERTY MARKETS

To realise the potential of township commercial property markets, practitioners need to consider a range of options, including providing reliable information to potential developers, urban regeneration and upgrading, offering incentives, undertaking a property market and retail market



analysis, and organising existing business. Such interventions need to offset the competitive advantages of CBDs and suburban business centres, providing investors with clear market advantages.

In developing the formal commercial and retail sector in the townships, care must also be taken to secure the interests and the growth potential of small businesses. This is a difficult balance to achieve. Providing relevant information and incentives is important to large developers. However, mechanisms need to be put in place to ensure that the benefits of these incentives are passed

on to the consumer or existing small business, and do not merely increase the profits accruing to the developer. By facilitating easier registration of businesses, making more affordable premises available, and lowering the transaction costs associated with conducting business in townships, municipalities can play a significant role in supporting small businesses and advancing the access frontier. This can be complemented through increased training, improved access to credit, maximising BEE opportunities, and supporting partnerships between big and small businesses.



CASE STUDY: MDANTSANE URBAN REGENERATION INITIATIVE

Mdantsane township lies 20 km from East London. Established in the 1950s, it has a current population estimated at 175 000. Despite high poverty and unemployment, the area has a growing middle class mainly due to the return of better earners such as government officials, leading to changes in the rental property market.

While much of the land in Mdantsane has remained undeveloped, commercial developments have been established over time. There are three main commercial sites: Kuyasa Shopping Centre, Mdantsane Mall and Shoprite Centre. These are surrounded by taxi ranks and a number of informal traders, which has resulted in a high footfall in the area.

Before the implementation of the projects linked to the Mdantsane Urban Regeneration Initiative, the trade, service and retail industries structured their services for a low-income market. While the Mdantsane Town Centre was the core location for commercial activity, there were no upmarket chains.

The facilities were in a poor state of repair and many residents preferred to do their shopping in Beacon Bay, the East London CBD and the Vincent Park Shopping Centre.

In October 2003, the Buffalo City Municipality launched the Mdantsane Urban Renewal Programme. The programme addressed factors affecting both markets and people's daily lives, including safety concerns, lack of public amenities and congestion. Several catalytic projects have been undertaken to provide signs of visible improvement in the commercial sector and commercial property. Three key projects are the Mdantsane City shopping complex, the upgrading of the CBD, and a strategic commercial project at Mount Ruth intended to support the upgrade of the railway system.

The Mdantsane City shopping complex is 4 km from the Mdantsane CBD along the main access road. It provides about 36 000m² of shopping facilities, the second-largest such complex in the Eastern Cape. The 95 tenant stores are middle- to high-end brands targeting the emerging middle class.

The CBD revitalisation programme aims to stimulate local economic development by providing an environment that is more attractive and conducive to business and property investment. The vacant land within the CBD, most of which is owned by the municipality, is to be developed to increase the commercial density, growing the footfall and smoothing taxi traffic flows.

The site selected for the Mdantsane City Mall, 4 km from the CBD, was apparently the result of political pressure and the availability of land. Buffalo City's planners and the Mdantsane Urban Renewal Programme do not appear to have been consulted. Moreover, construction was well underway before it was included into the spatial plan for the area. While a decision was taken to retain the CBD as the main transport hub, there has been a concern that the reduction of commercial concentration in the CBD may negatively affect both the area and the new centre owing to the lower footfall. However, the success of the Mdantsane Mall attests to the need and the threshold that exists in the immediate area and broader sub-region.

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RESTRUCTURING THE TOWNSHIP PHYSICAL ENVIRONMENT

- 3.1 Introduction
- 3.2 Improving spatial advantage
- 3.3 Improving the built environment and public spaces
- 3.4 Conclusion



3.1 INTRODUCTION

The previous module of this Sourcebook, Unlocking township markets, identified a range of methods to promote economic activity in townships. A crucial consideration in planning such interventions is deciding where such actions should take place. This module provides township development practitioners with a framework to identify where physical investment should be located.

SOUTH AFRICA'S URBAN SYSTEM
Townships form an integral part of the South African urban system. The typical city or town contains a mix of the following elements:

- Core and frame (fringe/periphery): This comprises the historical central business district, the immediately surrounding old industrial and residential areas (core), and the





supporting transport and movement networks (frame). Traditionally, these networks focus on and reinforce the centre. The fringe, or periphery, is newer development associated with the city or town, but which lies outside the network of business, residential and other development associated with the core.

- Decentralised commercial centres and suburbs: Over the past several decades, as settlements grew and expanded (aided by the expansion of cars and construction of freeways), new centres have sprung up, shifting the focus of commercial activity from the core to a range of new commercial centres and precincts.

- Industrial areas: These comprise of a mix of new and old industrial areas where the focus is on manufacturing. These are important employment centres.

- Upper- and middle-income residential neighbourhoods: These generally well-served, well-maintained areas are also located near jobs, shopping centres and amenities. While these areas have remained predominantly white since the end of apartheid, this is changing. Some of the new residential developments around Gauteng since 1990, for example, are far more diverse.

- Declining residential neighbourhoods: Generally these are older neighbourhoods associated with or close to the core or centre. With the decline of traditional cores, so too have the residential neighbourhoods abutting them tended to decline as residents and businesses move to what are perceived as more attractive suburban locations.

- Townships and post-apartheid additions: Townships are usually located outside the urban core and can be formal or informal. They are generally far from places of economic activity and employment. Townships were planned as 'labour pools' that would be separate from the rest of the city while remaining economically dependant. These townships were (and in many cases still are) untouched by the economic forces driving city development. As a result they are:

- poorly resourced in terms of social and community services
- characterised by single-function residential development (dormitory towns)
- separated from the rest of the city by buffer strips, railway lines or industrial areas.

New, low-cost housing projects and informal settlements are often located next to these townships, perpetuating apartheid spatial planning.

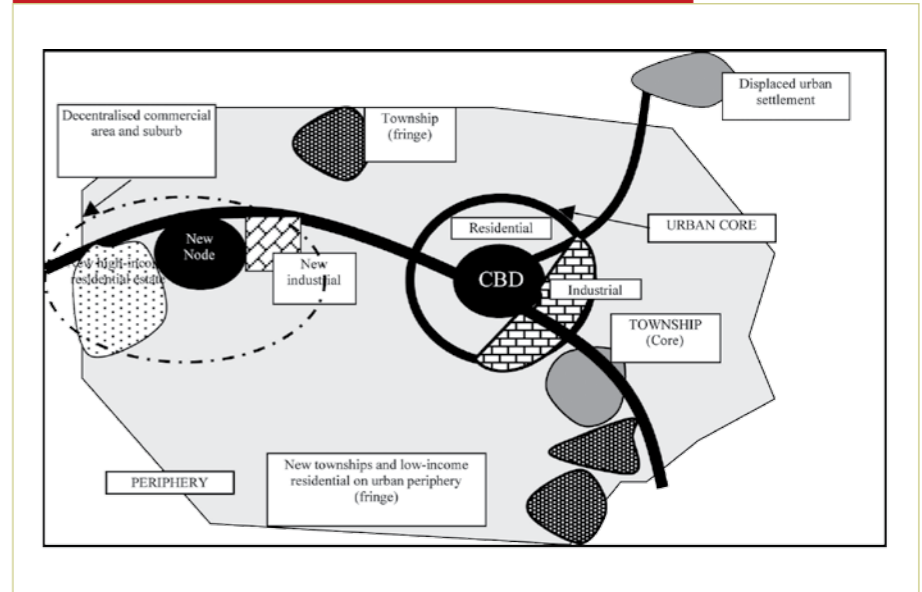
The two figures on page 49 show typical elements of a South African city or town setup and typical elements of a rural setup.

This module discusses township development from a spatial ('locational') perspective, and from the point of view of the built environment.

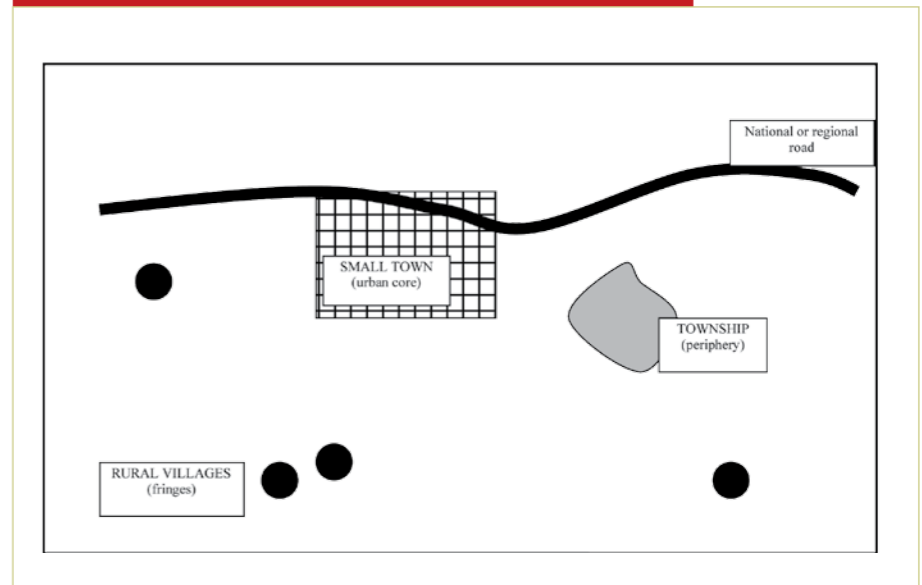
The location of a township relative to the economic system on which it depends is crucial. Interventions in this category are things that can be done outside the township, but which improve its advantages relative to the broader economic system (or relationship to the local town in a rural context). Examples include developing new economic hubs and corridors that bring jobs and opportunities closer to



Typical elements of a South African city or town setup



Typical elements of a South African rural setup



(Source: MCA Planners)

the township residents, or upgrading road linkages. The built environment, including public spaces, is the other primary focus of this module. Physical interventions in this category relate to things that can be done inside the township to improve its economy as a whole. Examples

include strengthening economic nodes within the township, or addressing the way in which the movement of people improves the viability of business locations. These interventions would remain the same in principle whether in a large township in a metropolitan area, or a small rural township.



3.2 IMPROVING SPATIAL ADVANTAGE

COMMON PROBLEMS

Peripheral location

Townships, especially old 'homeland' settlements, are typically located far from jobs, facilities and services. They are often sited on the urban periphery or a few kilometres outside the town. These 'dormitory settlements' were designed as places for people to live and supply labour, with few of the services and facilities needed for communities to grow and develop. Access to work and shopping is expensive and time-consuming due to long distances and poor public transport.

In some cases, the expansion of cities and towns has overtaken a township's peripheral location and absorbed it into the urban area (Alexandra is an example). While this shift can help to improve a township's spatial advantage, it is not enough, on its own, to improve the quality of life of the residents.

Polarised urban growth

Development trends since 1994 have tended to reinforce apartheid settlement patterns. Turok (2001), notes the continuing trend for economic activity in decentralising centres to resist locating in immediate proximity to predominantly low-income areas. As a result new urban nodes or decentralised suburban centres – such as Sandton and Centurion in Gauteng, or even towns such as Worcester, with its new mall – are still developed some distance from townships.

Perpetuating this pattern is the trend to locate middle- and high-income residential developments far from townships. As a result, the infill of spaces around townships is dominated by low-income groups. This in turn creates low-income 'buffers' that become progressively larger as migration to the cities grows. This polarised growth pattern serves to keep township residents trapped

CATEGORISATION OF TOWNSHIPS WITHIN A GEOGRAPHICAL TYPOLOGY OF SETTLEMENTS

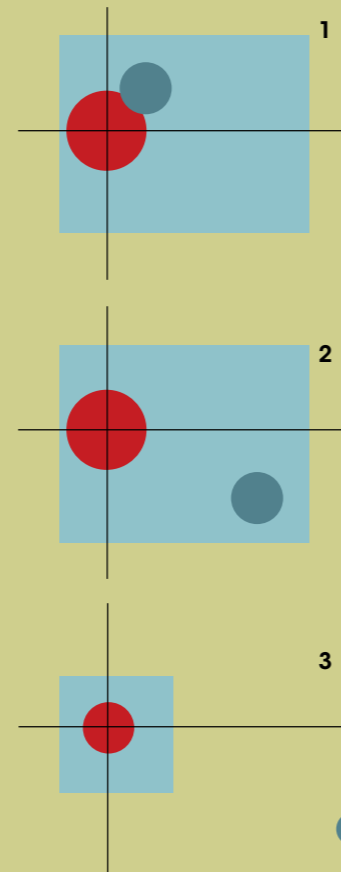
The CSIR differentiates settlement types in terms of their geographical location, classifying them into broad categories and sub-types (see CSIR 2002). Townships feature prominently across the broad categories reflecting a range of different types (see adjoining figure). The broad types include:

- 1. Urban core:** These townships are located close to the traditional city core or business area and are generally characterised by high dwelling-unit densities and high levels of economic activity. They may be formal or informal, but are close to areas of formal employment and economic growth (e.g. Alexandra in Johannesburg, Galeshewe in Kimberley, Cato Manor in Durban).
- 2. Urban fringe:** These townships are located outside the urban core and can be formal or informal. While still within the city or town, they are on its fringes, and far from places of economic growth and centres of employment (e.g. Soweto in Johannesburg, Khayelitsha in Cape Town, Nduli outside Ceres, Zolani near Ashton).
- 3. Displaced urban and/or rural settlement types:** These townships are located outside of, and long distances from, urban areas and centres of economic growth and employment. They can include displaced, formally planned, mass-built townships (e.g.

Botshabelo in the Free State, Winterveld in Tshwane), peri-urban informal settlements (e.g. Loskop in KwaZulu-Natal) and former 'homeland' towns that may be part of planned industrial decentralisation areas (e.g. Bhisho and Mmabatho).

The range varies greatly according to context.

Township settlement typology



(Source: MCA Planners for TTRI)



in locations where long-distance travel is necessary to access economic and social opportunities. Ivory Park in Midrand is an example of this pattern. Similarly, the development of high-income areas in Fourways leapfrogged Ivory Park and focused on Centurion and to the west of the N1 freeway. Ivory Park has continued to grow, while the area surrounding it has declined.

Unidirectional transport flows

Many people who live in townships travel to cities and towns every day for work or education. This results in a highly inefficient system where public transport (trains, buses and taxis) are full in one direction and empty on return.

Poor transport connections between townships and new economic nodes

Many townships were developed at a time when economic activity was concentrated in the urban core, and public transport was designed accordingly. Since the 1970s cities and larger towns have seen a shift towards multinodal growth (e.g. the Claremont node in Cape Town). While many of these new centres are accessible to private vehicles, they are effectively off the public transport grid. To access these centres, township residents are required to make multiple connections. Such journeys are typically expensive and lengthy. It is not uncommon, for example, for workers to travel two hours each way to and from their workplace. Furthermore, public transport is often unreliable and frequently unsafe, especially outside normal working hours, aggravating the unsatisfactory state of affairs.

STRATEGIES FOR IMPROVING SPATIAL ADVANTAGE

In responding to the four broad problems outlined above, the central aim of township interventions is to improve spatial advantage. In such instances the very least the intervention

should achieve is to reduce the friction of distance (the cost and time of travelling) between the township and jobs, services and amenities. Where there are locational advantages (e.g. proximity to a new growth area, an industrial area or a major amenity) these should be exploited, and investment should seek to reinforce such advantages through stronger transport linkages or infill growth.

Strategy 1: Channel urban growth into areas that strengthen advantage

Channelling or directing development is a long-term strategy. At the outset, this requires working with the agencies responsible for the location and direction of urban expansion to do the following:

- Promote the establishment of new economic centres or nodes in locations that achieve at least one of the following three conditions:
 - Position new growth on (or next to) the primary movement channels between the township and the main existing economic nodes (preferably as close to the township as possible), especially where this cannot be located within the township.
 - Locate new growth, or develop existing opportunities, at points that extend the main movement channel through (or adjacent to) the township.
 - Locate growth at points that create new movement corridors between an existing economic node and a new one that traverses the township.

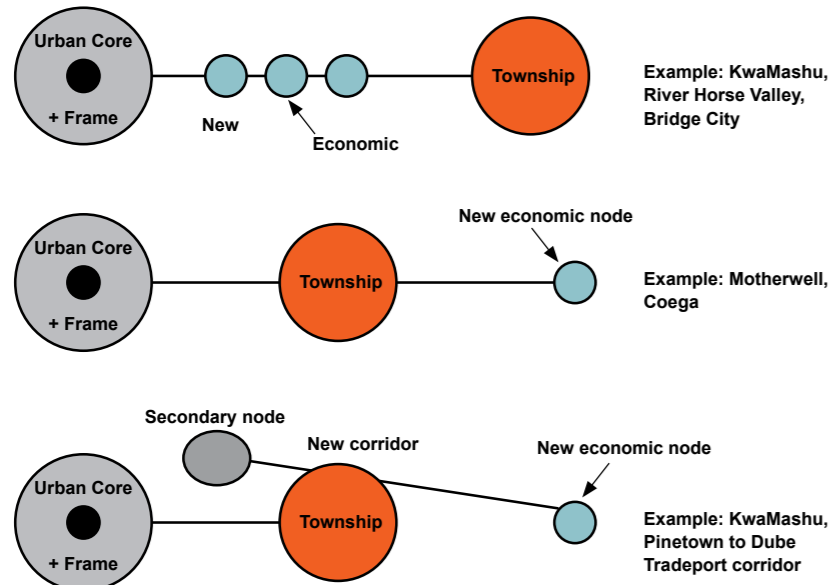
The diagram on page 52 illustrates these potential growth channels.

In addition to this, it would be important to:

- Challenge processes that enable the location of exclusively low-income housing estates on



Urban growth channels



(Source: MCA Planners for TTRI)



greenfield land next to townships. Developments that accommodate a broader range of income groups should be encouraged.

- Attract high-order facilities and activities into nodes adjacent to the township (e.g. Bridge City).
- The movement routes themselves can help to 'knit' the township into the broader urban fabric by developing them as multimodal, integrated and mixed-use development corridors. For example, the Wetton-Landsdowne Road and the Klipfontein corridors in Cape Town have been planned in this way. Methods to reinforce such corridors include:
 - Promoting the location of high-order social infrastructure (such as district hospitals, courts, and tertiary educational institutions) along these corridors, especially where such facilities cannot be located in the township.
 - Promoting the location of higher-density and mixed-income residential development near the corridors.

Such interventions will help to mitigate peripheral location, reduce lengthy commuting times, increase the range of opportunities accessible to township residents and cut down on unidirectional traffic flows.

The types of public-sector interventions needed to establish corridors of this type include:

- city spatial planning frameworks, growth management strategies and development control instruments
- public-sector capital investment instruments (discussed in Module 4)
- inclusionary housing instruments and policies.

Strategy 2: Improve transport linkages

As noted above, inadequate public transport inhibits choice and economic opportunity for township residents and enterprises. A strategy to address these constraints should seek to achieve some combination of the following four factors:

1. Increasing the number and capacity of movement links between the

township and surrounding areas (particularly nodes).

2. Increasing the number of connections between the township and the regional movement systems through additional off-ramps, intersections, public transport stops and so on.
3. Ensuring that mass-based transport innovation (such as bus rapid transit systems or high-occupancy vehicle [HOV] lanes) is applied in ways that enhance the mobility of township residents and enterprises (e.g. the HOV lane between Khayelitsha and Cape Town CBD)

4. Improving the safety, reliability, affordability and extent of the existing public transport network.

The types of public-sector interventions required to secure such enhancement to the transport network include:

- public transport planning and systems development
- roads planning and design
- intersection planning and design
- public transport management and coordination.

3.3 IMPROVING THE BUILT ENVIRONMENT AND PUBLIC SPACES

COMMON PROBLEMS

Dispersed and restricted movement

Township suburbs have often been developed as residential 'cells'. These cells are frequently surrounded by big freeways, industrial areas and/or vacant land, and access is often limited to one or two roads. The movement structure and road network within townships is often illogical and hard to follow. Roads loop around or suddenly reach a dead end and visitors can easily get lost. In such a pattern, to walk between homes, schools, shops and public transport nodes means following a very specific, familiar route.

Low-density built form and overcrowding

The overall population density of many townships is low, despite the small size of residential plots. This is the result of the combination of many large, unused open spaces (the result of inappropriate planning) and

the absence of a range of available housing types (such as row-housing).

Lack of range and quality of social facilities

Townships are characterised by poor-quality social facilities, typically located at the geographical 'centre' of a neighbourhood. This means they are not easily visible and often located away from the main roads or routes, restricting both community access and choices between facilities (e.g. schools). High-order social facilities designed to serve areas wider than the township itself (such as tertiary education facilities, magistrate's courts) are frequently developed outside townships because of concerns about their accessibility to users from other areas.

Limited range of economic infrastructure and services

Townships are characterised by home-based and low-order informal trading





enterprises. In recent years more high-order retail centres (e.g. Khayelitsha and Soweto) have emerged. Between these two extremes, there are limited retail, commercial and light industrial facilities, even where demand would appear to justify their development. This lag is partly the result of factors such as crime or land availability – as well as regulatory constraints, which are discussed in Module 4. It also reflects the consequences of dispersed movement patterns that reduce the concentration of demand.

Limited range of residential choice

A standard housing type has been applied in townships since their inception, from '51/9s' to the typical 'RDP house' (houses associated with government's Reconstruction and Development Programme). As a result townships comprise predominantly the same housing type (interspersed with hostels, backyard rental and informal settlement). Along with the lack of investment in the public environment, this contributes to a monotonous landscape. This form of development does not accommodate upwardly mobile groups, household splitting and lifecycle changes.

Insecure or unsafe space

Township public spaces were not designed with public safety in mind. Frequently, no one can see what is happening in such spaces, barring those who occupy them at a given moment. There is no surveillance of public areas. Open space is not managed or looked after. There are no facilities along movement routes to generate high levels and long hours of public usage, which would help to make them safe throughout the day and night.

Lack of identity and 'sense of place'

Because of the standard size and design of houses, townships often lack

immediate distinguishing physical characteristics. It is quite easy to confuse one area with another, or even one township with another. The challenge is to create something special and unique about each community, reinforcing civic pride, helping each area to develop an identity or 'sense of place'. Planners talk about the importance of structure, differentiation and 'legibility', meaning the importance of locating and making buildings in a way that people know where they are and how to find their way around.

STRATEGIES FOR IMPROVING THE BUILT ENVIRONMENT

In townships, the key focus is to create a physical environment that will support economic growth and development. In doing so the objectives are to:

- enhance the ease of movement within the township, and between township and town
- extend the mix and improve the concentration of land uses and activities that can be accommodated in the township
- improve the capacity of land, infrastructure and buildings to adapt to different uses over time.

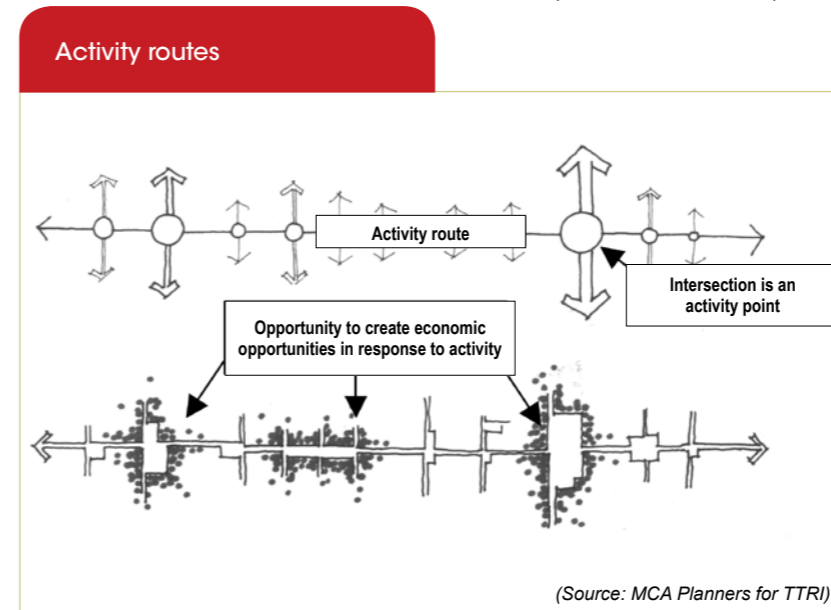
The following five types of intervention aim to realise these objectives.

Strategy 1: Identify, plan and promote activity routes

In recent years urban planning has focused on how to effectively integrate townships into the mainstream of city economies, to promote both access to the opportunities that exist in core areas and investment in townships. One of the key ideas that has emerged is the notion of using the integrating power of a movement route as a restructuring element. The



term activity route is used to describe the reinforcing relationship between a route (and public transport) and adjacent land uses. There is a symbiotic relationship



An activity route is a continuous route that connects main nodes or centres, and along which public transport runs. Along its length it will be intersected by other routes. At these intersection points opportunities exist for nodes to develop in response to the stopping and starting of traffic, and the higher traffic volumes at the intersection.

between a movement route and the land uses along it. Wherever there are people travelling, there is a need for goods and services. By designing movement routes in a way that recognises this relationship, people will be able to access shops and other businesses. Having shops, goods and services along a route also implies that people have choices about where they can start and stop travel as it suits them. This is the idea behind an activity route.

The road hierarchy¹ takes into account the link status and place status of a street. The link status refers to the street's significance in the road network (in other words, its classification in the hierarchy), while the place status refers to the significance of the street section as an urban place (in other words its place

in the nodal hierarchy). The link status stays constant over the length of the street, whereas the place status will differ along the route. In other words, a road with a bus lane will stay that way along its length (link status), but along the way there may be more shops and businesses in some areas – for example where another bus route crosses – creating place status change.

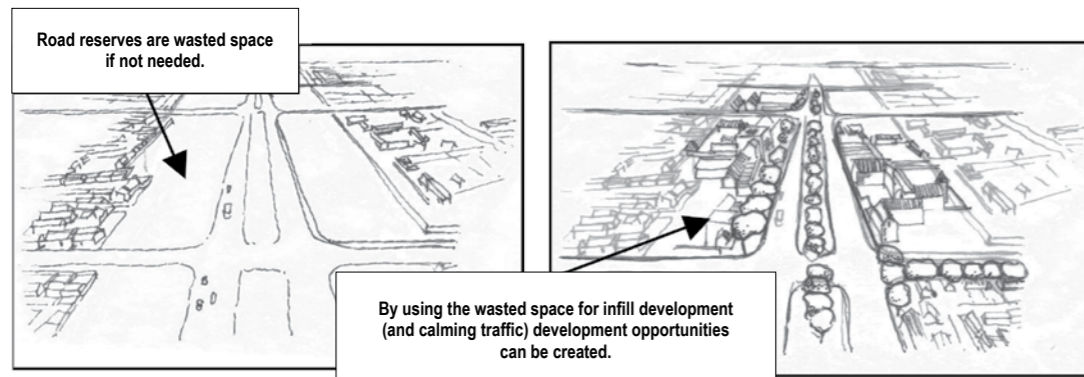
The following types of public-sector interventions are required to develop activity routes:

- Rationalisation of road reserves: The wide spaces frequently kept open alongside township roads need to be eliminated. These spaces were built into planning – the roads were 'over-scaled' to accommodate future growth. This extra space, however, is rarely used (or used for dumping), and contributes to poor road safety. Cars and taxis often speed along these routes, resulting in a high number of accidents causing injury or death to pedestrians. Calmer streets, with opportunities for economic development, are needed. This can be achieved through the development of infill housing, pedestrian-oriented spaces and businesses on the open land next to the routes, creating better-quality, safer environments. This is illustrated on the next page.
- Redesign of roads within the road reserves: Townships are commonly over-scaled and designed to favour mobility (vehicles) over accessibility (pedestrians). To create the preconditions for an activity route, sections of the road, particularly within existing and emerging nodes, may need to be redesigned, prioritising the development of pedestrian

¹ Based on the hierarchy established by Stephen Marshall in *Building on Buchanan: Evolving Road Hierarchy for Today's Streets-Oriented Design Agenda*



Filling in open land along road reserves



(Source: MCA Planners for TTRI)

infrastructure (e.g. traffic-calming measures such as road narrowing and changes in paving levels, wider pavements for pedestrians, bicycle paths).

- Landscaping and 'street furniture': Landscaping performs a dual role. First, it makes the physical environment look better, which in turn improves the potential for investment. Second, it improves legibility by highlighting higher-order streets through a common theme or urban language, such as planting the same type of tree or, or using the same paving along the routes.

- Public transport: Public transport should run along activity routes. This may require investment in public transport infrastructure and facilities (e.g. dedicated bus lanes and bus stops). Higher-order public transport facilities should be concentrated at areas with the highest level of accessibility (nodes and intersections).

Strategy 2: Establish a hierarchy of nodes associated with activity routes

Urban nodes are points of concentrated activity and land use. They include commercial developments (retail, offices), housing

developments (often higher density), public space and facilities. They are usually best located at points of the highest accessibility, where many different routes and types of transport come together, and along the activity routes described above.

These nodes should be well serviced by public transport and easy to get to. Improvements in access (e.g. better taxi ranks, improved bus terminuses) can result in more opportunities for businesses, leading to greater activity, which in turn attracts more people. In short, they can promote a positive cycle of growth and investment.

The size of a node (planned or existing) depends on its location and accessibility. Studying the location of an area relative to transport routes provides clues on where to locate social facilities, types of housing, public spaces and private-sector investment. Businesses or activities that need many people to support them (high threshold) will want to be in the best locations to 'catch' them (and will be prepared to pay higher prices to do so). These will be the larger nodes with the higher-order activities (magistrate's courts or major supermarkets, for example). Not all nodes can be higher-order nodes, and not all businesses need lots of people – just fewer people

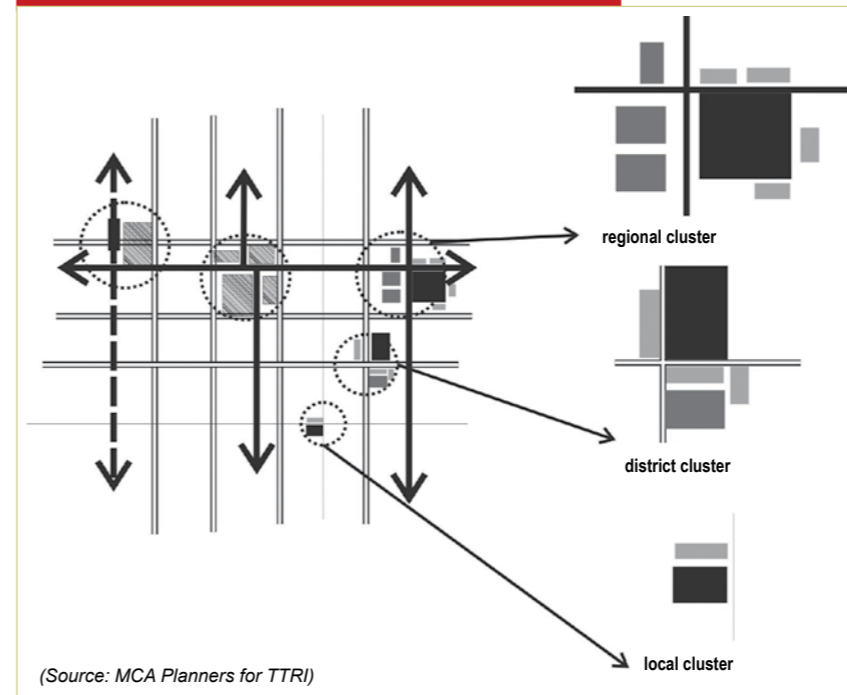
Planned activity route



(Source: NDP, courtesy of Nelson Mandela Bay metropolitan municipality, Fountain Road, 2007)

making regular purchases, like buying bread. A range of different-sized nodes will evolve along an activity route depending on locational advantages and development opportunities.

Clustering public facilities



(Source: MCA Planners for TTRI)

One of the biggest challenges in developing an activity route is to make the land accessible to businesses through a fair and formalised system. This requires a planning framework. The framework should look at land availability and provide guidance on how the land can be developed. Doing this and encouraging the hierarchy of nodes to develop would:

- Extend the range and quality of social facilities and public places.
- Address the problem of low-density built form by providing a wider mix of housing types, focusing higher-

density development in higher-order nodes and along activity streets.

- Support development of economic infrastructure and services by expanding investment opportunities for local businesses, in conjunction with releasing public land for this purpose.
- Contribute to safer public spaces by promoting continuous activity along activity routes.
- Develop 'sense of place' through investment in the public environment and encouraging variety in built forms.

The public-sector interventions required to establish nodes within township systems typically include:

- Transportation-related interventions: The use of modal split points (places where people change from one type of transport to another), intersections and terminuses (where main public transport routes end and/or turn around – such as the town centre).
- Clustering public facilities: Grouping such facilities by category can assist in planning. The categories depend on the size of the area that a facility serves and the degree of exposure or accessibility that they require. Rather than providing numerous single facilities, social facilities should be clustered at activity nodes, near associated public transport and in areas of strong pedestrian movement. (See diagram above)
- Reinforcing nodes with high-density residential development: Higher-density housing types should be used to reinforce nodes and activity streets. This creates a sense of enclosure and thresholds to support public transport and enhance economic potential. (See diagram on page 58)



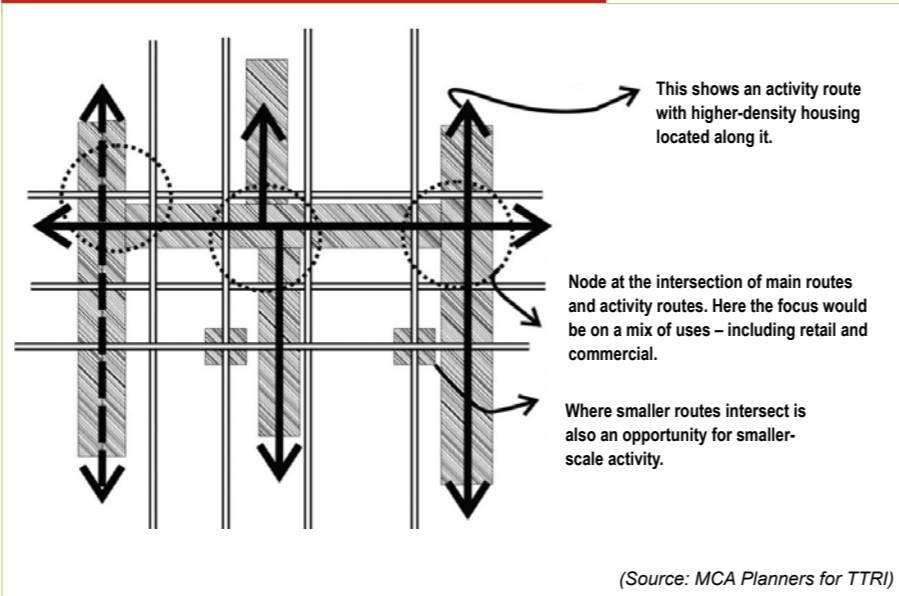
- Reinforcing the node with appropriate economic infrastructure: The identification and planning of the node should be done in consultation with the relevant government departments (e.g. transport, health, home affairs, social services). Over time, they should be encouraged to locate their facilities in the nodes and along the routes. This will build the economic infrastructure. Land should also be released for the private sector to invest in and develop.
- Public space infrastructure provision: Municipalities need to plan and budget for investment in nodes and activity streets. Such funding is typically provided through the Neighbourhood Development Partnership Programme, and covers such things as street lighting, greening and landscaping, street furniture, public ablutions and public spaces. This leads to the next strategy.

Strategy 3: Improve the quality of public spaces

There has been little investment to create new public, open spaces in townships. Moreover, existing open spaces have not been adequately maintained, with the justification that this is neither affordable nor as important as the provision of basic services.

Yet urban public spaces (streets, squares, promenades and green spaces) act as an extension of the housing unit, providing space for social and economic activity, especially for people living in overcrowded conditions and when the housing unit is too small for all the household's needs. When the quality of public spaces is good, it gives a sense of confidence and permanence; when poor, it creates a sterile environment, regardless of the quality of individual buildings.

Reinforcing nodes



The types of public-sector interventions required to establish functional open space systems include:

- Establishing an integrated open space system: Open space needs to form part of a broader system. The development of isolated pockets of open space should be avoided. As a broad guideline, open space should be located in areas where there is substantial public investment in community facilities, environmental upgrade and public transport; in areas of high-intensity formal or informal commercial activity; and be integrated with community facilities through interventions such as taking down fences and walls.
- Establishing a hierarchy of spaces: Public spaces should be part of a citywide network or hierarchy of spaces, concentrated in strategic focus areas defined in the spatial development framework, or identified in the analysis of the township. The strategic focus areas are areas of substantial public/private investment and high-intensity

Open space system



A system of open space linking the station to schools and sports facilities, thereby providing a visible, safe pedestrian route.
(Source: City of Cape Town: Presentation of Harare, Khayelitsha, Site C)

informal/formal commercial activity. Higher-order public spaces should be located in highly exposed, accessible areas of the city.

- Applying key design principles: The basic design principles of scale and enclosure must be applied to the size of the space in relation to its use and the surrounding urban structures. Generally, higher-order public spaces are larger (e.g. a town square), while local public space (e.g. neighbourhood pocket park) are smaller and more intimate. Enclosure refers to the sense of definition, comfort and safety experienced by the user of a public space.

Strategy 4: Promote residential infill

A strategy of promoting residential infill with different housing and tenure types can be applied in areas of vacant or under-utilised land, in existing residential areas with redevelopment potential, and in areas no longer required for public purposes. This strategy can:

- Attract and retain middle- and upper-income residents by providing quality and variety of housing.

- Create inward property investment opportunities for township residents and enterprises.
- Promote community safety by eliminating dead spaces and promoting surveillance.
- Improve thresholds for economic and social services.

Public-sector interventions typically associated with strategies of this type include:

- Providing a range of housing types: The Department of Human Settlements Breaking New Ground policy document states: 'There is also a need to stimulate the supply of a more diverse set of housing environments and settlement types through greater choice of housing types, densities, location, tenure options, housing credit, and delivery routes (e.g. self-help, mutual self-help, contractor supply etc.)' Alternative housing types should be developed to create identity and diversity in the residential environment, and to meet the varying needs of township residents.

- Releasing land for development by the private sector: One of the main hindrances to private-sector investment in townships is the fact that most land is publicly owned and not available for private development. By identifying land that is not required for other purposes, and having it surveyed and (if necessary) subdivided, it can then be released through a tender process. Private investors can purchase and develop this land.

Strategy 5: Crime prevention through environmental design

The cookie-cutter approach to township housing layout and





design has resulted in a sterile built environment without many distinguishing features. In many cases, these environments create the preconditions to protect criminal activity. Such features include:

- Narrow sidewalks and pathways with little or no surveillance.
- Wide open spaces or undeveloped sites, often hidden from the view of surrounding areas.
- Bushes or recesses that obscure the line of sight.
- Vacant and abandoned facilities.

Public-sector interventions typically associated with addressing the safety of the township built environment include:

- Urban design interventions that promote passive surveillance, ensuring that there are 'eyes on the street' and ensuring a direct line of sight.
- Promoting functional public spaces, eliminating vacant or underused spaces and developing spaces for frequent, all-day use.
- Installing lighting to reduce opportunities for crime.
- Promoting pedestrian-friendly neighbourhoods that increase security by virtue of greater foot traffic.

3.4 CONCLUSION

This module has discussed the two categories of broad intervention to support township development and integration.

The first category is things that can be done to improve the advantages of townships relative to the economic system in which they are located. Key interventions include better transport linkages to economic centres, infill development, and promoting new economic development in close proximity to the township.

The second category is things that can be done within the township to improve the built environment and make it work better to support economic and human activity. Here the module focused on activity routes, nodes, infill development, quality of urban spaces, improving

design to create safer areas and steps to enhance the uniqueness of the township.

The broad principles discussed above would apply to a township in a large metropolitan area as well as a township in a rural location. The nature and scale of the interventions would change, but not the underlying principles.

There are, however, no quick fixes to township development. Change in the built environment takes time. Urban development practitioners must be patient. In this context, a clear and well motivated development framework can act as a guide over the long term to ensure that decisions continue to reinforce earlier development directions. Urban management is critical, and this is the subject of Module 5.



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PACKAGING TOWNSHIP DEVELOPMENT PROJECTS

- 4.1 Introduction
- 4.2 Mobilising municipal inputs
- 4.3 Mobilising provincial and national inputs
- 4.4 Mobilising private-sector investment in township development
- 4.5 Conclusion

4.1 INTRODUCTION

Module 3 identified a set of intervention strategies that target the physical transformation of township environments. This module will examine how the inputs for successful township development projects can be mobilised and managed through the course of a project.

Any physical intervention project – be it the establishment of a node, an activity spine or improving an open space system – need four inputs to be mobilised and applied:

1. Land
2. Capital
3. Human resources and skills
4. Statutory approvals and authorisations

To secure these inputs, a fifth condition is required: leadership. Someone needs to drive the complex processes of mobilising and applying these inputs. This is generally the function of the project manager.





This module is written to help project managers/township renewal practitioners explore the processes of mobilising and applying the necessary requirements for success.

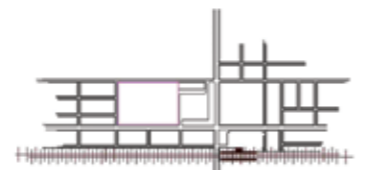
The required inputs will be sourced from the municipality, provincial and national departments, and the private sector (including non-profit groups). The distribution of inputs between institutions in these three sectors often pose the biggest challenge to township project managers.

In most urban renewal environments, including townships, the majority of physical development projects require public-sector intervention in parallel to private investment. So, for example, studies of the successful URP anchor projects (DPLG 2009) demonstrate the success of interventions where the municipality assembles the land input and secures the requisite statutory approvals; as public and municipal capital investment in facilities and the public environment starts the investment ball rolling, this attracts additional private-sector investment, which, in turn, creates opportunities for smaller-scale private investment.

The diagram on the right illustrates this sequence in the context of a nodal development project.

Sections 4.2 and 4.3 of this module examine input challenges and approaches for the public-sector component of a project. Section 4.4 looks at approaches to mobilising private-sector input.

How to develop a node



Road layout, railway and station



Public buildings, bus / taxi rank and some landscaping



Public buildings, commercial, high-density residential, medium density residential, informal trading, school, urban park and landscaping



Residential - all densities, landscaping

Elements of a sustainable and liveable settlement

Step 1: Identify node

Usually located at an intersection or interchange with some evidence of critical potential.

Step 2: Initial public investment

The first step to investment should be a public space around which public and private facilities can be clustered. The scale or size of the public space will depend on the position of the node within the hierarchy. Once the public sector has invested in a node the private sector is more likely to respond. The initial investment in the public environment should take this into account and ensure that visible improvements, such as landscaping, are made.

Step 3: Consolidation

The consolidation phase includes the first round of private-sector investment and a second round of public-sector investment. Public-sector investment should take the form of public facilities and buildings, high- and medium-density housing (GAP and social housing) and improvements to or expansion of landscaping and public space. Meanwhile, private-sector development is likely to come in the form of commercial or retail development and, in some cases, housing.

(Western Cape provincial government (2007), Settlement Restructuring: An Explanatory Manual. MCA Planners)

(Source: MCA Planners)

4.2 MOBILISING MUNICIPAL INPUTS

CHALLENGES

In any township development project the municipality will usually command the following project inputs:

- Land falling within the public environment such as road reserves, public open spaces and allied access and services servitudes. In many cases vacant land set aside for social infrastructure will also vest with the municipality.
- Existing capital assets, including most elements of the engineering and social infrastructure, such as community halls and recreation facilities.
- The finance necessary to modify, extend or install municipal infrastructure will be sourced from (or accessed through) municipal budgets.
- Human resources and skills to oversee design and construction, maintenance and continuing operation of infrastructure will generally be found in municipal departments.
- Statutory approvals and authorisations.

element in the overall package does not have allocated funds. In other cases, political processes introduce 'pork barrel' projects – where spending is intended to benefit the constituents of a specific politician in the hope of future electoral or financial returns for that individual. This may result in capital investment required by the project being redirected to another area on political instruction.

- Silo-based standards: Line departments are typically required to spread their resources. In response they have developed standardised approaches to delivery that allow them to achieve the vertical efficiencies they need to provide their function over a wide domain. In some cases, standardised solutions may impede the achievement of a project objective, and new solutions need to be agreed to by the line departments.
- Synchronising approvals: Many projects are slowed down due to inordinate delays in obtaining required statutory approvals. This is frequently experienced in environmental approvals, procurement requirements, planning and land legal authorisations.

Project managers frequently experience three challenges when mobilising and applying project inputs commanded by the municipality:

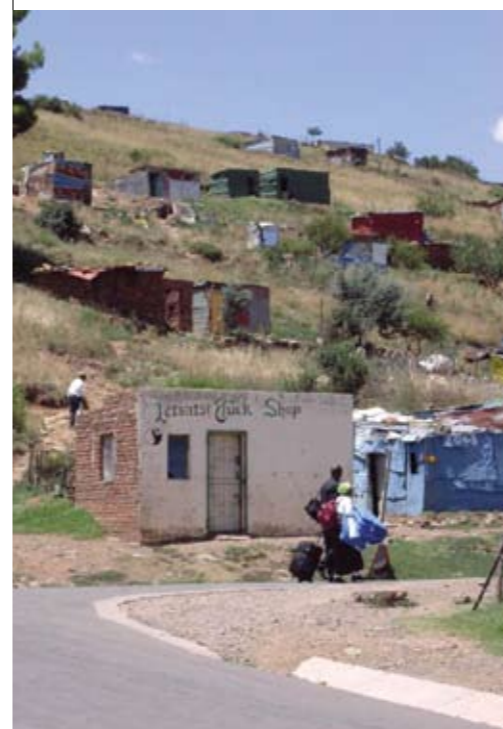
- Sourcing the municipal budgets needed for infrastructure. Since the allocation of municipal budgets typically occurs in an environment of contesting priorities, and various line departments may apply different criteria for prioritisation, project managers frequently encounter situations where a key municipal

Case studies show that project managers typically use the five techniques described below to overcome these problems.

TECHNIQUES TO ADDRESS MUNICIPAL INPUT CHALLENGES

Inclusive planning

Successful project managers emphasise that one key to success is to ensure that plans for township development are assembled in a way that ensures 'buy-in' by political leaders and senior line department





officials. In addition, they emphasise the need to ensure that project plans are consistent with other municipal plans (e.g. integrated development plans) and realistically quantify municipal resource requirements and timeframes (both capital expenditure and future operational costs).

Leveraging and gearing

Project managers frequently cite the use of leveraging and gearing arguments to secure the necessary commitment of inputs. Success depends on the project manager being able to quantify the short- and long-term contributions of the other project stakeholders in a convincing way, and to demonstrate the extent to which one investment serves to gear a much larger investment. Some project managers also cite using the conditionalities applied by other project stakeholders to leverage municipal inputs.

Political support

Securing higher-level political leadership support, and obtaining the buy-in of political champions for the 'crowding-in of investment' concept and its associated benefits, is cited by most project managers as a key element of success. This can also help to counter 'pork-barrelling' tendencies.

Early legal compliance planning

It is extremely difficult to negotiate the complex web of requirements and legislation. To prevent major conflicts, delays and stoppages, the following is recommended:

- addressing compliance issues from the very beginning of the project development process
- recruiting the best possible legal expertise at the beginning of the project process



- doing the necessary and legal compliance planning and programming up front, and synchronising other components of the project with this component

Systems to synchronise and integrate municipal inputs

Practice reviews such as DPLG (2006) reveal that a wide variety of approaches have been used to secure the required synchronisation and integration of municipal inputs, including:

- using existing municipal structures and procedures
- design and development briefs (Cato Manor)
- special area-based coordinating structures (INK area-based management)

The five basic ingredients of success:

1. Agreement on priority
2. Buy-in to a plan/ common objectives
3. Good people
4. The project manager's access to line department management
5. Communication/ proximity/teamwork



4.3 MOBILISING PROVINCIAL AND NATIONAL INPUTS

CHALLENGES

While much of the public-sector land, capital, human resources and approvals required for township development projects are under municipal authority, national and provincial government command a number of key project inputs. These may include important public infrastructure, such as police stations, health facilities, schools, courts, social welfare services and home affairs facilities. In addition, national and provincial authorities frequently control access to vacant and/or underutilised facilities that need to be redeveloped as part of township renewal.

The challenges associated with input mobilisation at this level mirror the problems described in Section 4.2 related to budget prioritisation, 'silo-based' operations and approval synchronisation.

TECHNIQUES TO ADDRESS PROVINCIAL AND/OR NATIONAL INPUT MOBILISATION CHALLENGES

Special project status or prioritisation

Research on Urban Renewal Programme (URP) projects demonstrates some success in the mobilisation of national and provincial government support. These studies confirm that the requirement for line departments to assign budgeting priority to these urban development nodes, and report on their contribution to development programmes, was at least partially successful. Similarly, projects given priority status in municipal integrated development plans and provincial growth and development strategies will be better placed to secure the requisite inputs.

Shared vision and plan

For projects falling outside the URP, securing national and provincial support is likely to be a longer and more onerous task. In such cases the process of input mobilisation usually starts with identifying key departments at an early stage and drawing them into project planning. Baskin (2007) notes that 'building a shared vision, a simple plan, and plausible and agreed objectives are key ingredients for success, and the tendency for silo-based thinking needs to be balanced by developing an understanding about how specific sectors of intervention can contribute to the broader township based outcomes – and vice versa.'

Some project managers also suggest a parallel process targeting key public agencies to establish their decision-making cycles, identify their investment decision-makers and to sell the project benefits directly to these decision-makers. In this respect, securing the understanding and support of senior politicians is frequently cited as important.

Legal compliance planning and establishing mechanisms for synchronising interventions

The key approaches here are identical to those used for the legal compliance and synchronisation challenges in municipalities found in Section 4.2.



4.4 MOBILISING PRIVATE-SECTOR INVESTMENT IN TOWNSHIP DEVELOPMENT

BACKGROUND

Private-sector investment in township development projects can be pursued from a wide array of sources, ranging from large institutional investors to the small individual investors who are converting part of a house into business premises. Generating opportunities for a range of private investments at different scales is one of the challenges of development project design, but as the suburban examples in the photos on the right illustrate, large institutional investment projects such as a shopping centre can create the platform for associated smaller-scale investment in the surrounding neighbourhood.

Creating opportunities for capital formation by township residents, and rechanneling some consumption expenditure and externally placed savings into local investment opportunities, are key economic objectives of township development. It follows that the creation of small and medium-scale property investment opportunities should be maximised. Module 2 notes that investment opportunities of this sort will be located mainly in the retail, general commercial and residential sectors.

To understand how development projects can succeed in catalysing private investment, it is useful to discuss the basics of how private property investment typically works. Private-sector investment decisions are typically based on the interplay of four variables: understandability, risk, profitability and timing. These factors are discussed below.

UNDERSTANDABILITY

The subjective factors related to the perception of risk are major

determinants of whether a potential property investment even reaches the feasibility study stage.

To most private investors, unfamiliar or uncharted environments are frequently equated with risk, and there is a tendency to 'follow the pack', sticking to familiar and tested areas. Similarly, untried property investment models are perceived to be risky. The tendency is to want to duplicate a successful model. Until recently, for example, there was an aversion to township-based shopping centres. After a few pioneers demonstrated success, there was a subsequent flurry of such developments.

RISK

Since property investments are typically based on long-term return periods and because fixed investment cannot simply be packed up and moved elsewhere, sound investment decisions are based on an assessment of the risks involved and a calculation of the trade-off between risk and profitability.

Pre-investment risk assessments generally cover issues such as:

- Crime: What will the trends be? Will the authorities be able to manage it?
- Neighbourhood: Will investors be able to strike up a cooperative relationship with organisations in the neighbourhood?
- Regulation and development control: Will the authorities be willing and able to regulate illegal uses in the surrounding areas? Will the authorities be likely to create a whole new set of rights just down the road and flood the market?



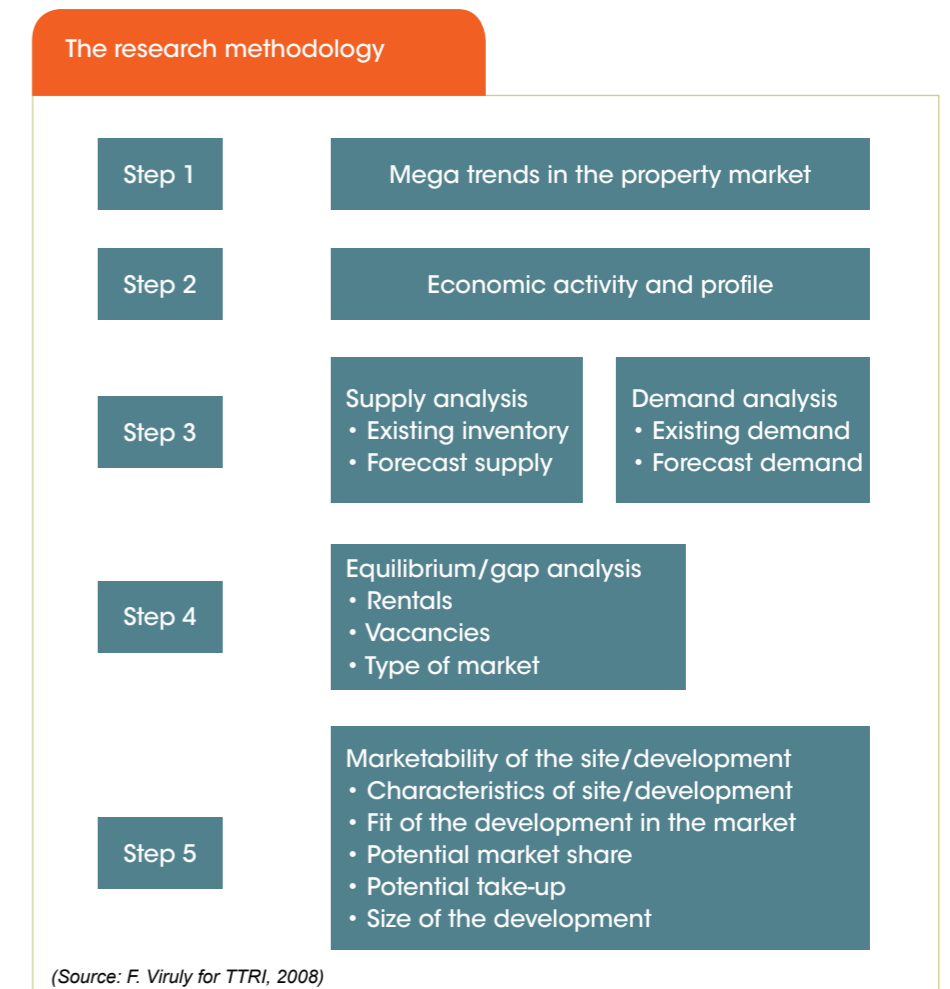
- Maintenance and operation: Will the authorities be able to support, maintain and operate the public spaces and infrastructure around the property? For example, maintaining the water, electricity and sanitation systems, repairing the pavements, fixing the traffic lights, removing the rubbish and mowing the verges?
- What will the land cost?
- What are the building costs?
- What is the cost of capital needed to develop the facility?
- What will it earn? Net income returns will depend on:
 - rental rates and vacancy assumptions
 - running costs (maintenance, rates and utility charges)

PROFITABILITY

The profitability calculation is typically based on the following questions:

- What will it cost to develop the facility for rental?

The following chart shows a typical research process followed to investigate the feasibility of a property investment.





TIMING

Property investments generally follow the business cycle through boom, recession and recovery, as shown in the 'investment clock' below.

Cycles can vary in duration and may be different for the residential, retail and industrial segments of the market.

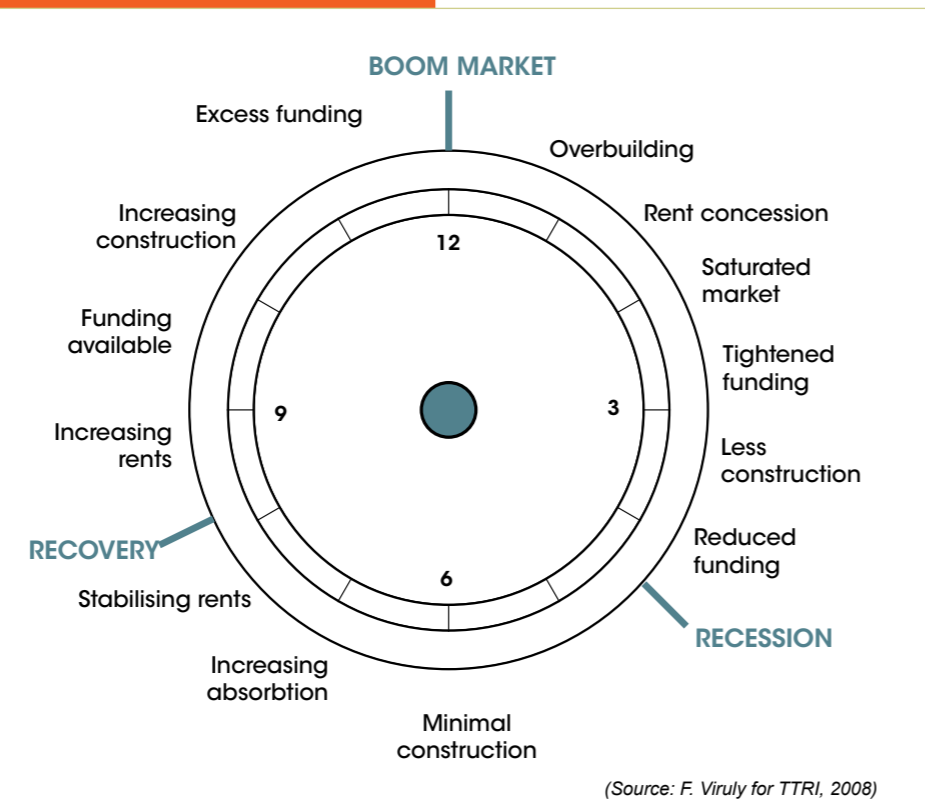
Partnerships

Ralph Hamann and Fleur Boulogne of the University of Cape Town defined two broad categories of partnerships: implementation partnerships and innovation (or rule-setting) partnerships.

Implementation partnerships are focused on achieving relatively clearly defined, measurable objectives, and have formal institutional arrangements. Innovation partnerships are comparatively informal collaborations that seek to address more open-ended social problems. Sometimes partnerships take the form of a combination of these types. Many township renewal projects involve complex, multi-stakeholder partnerships that are usually a hybrid of these types of partnerships. Project planning partnerships that define project priorities and outcomes can be classified as rule-setting partnerships. On the other hand, project implementation partnerships, like City Improvement District partnerships or infrastructure PPPs, need to be managed in a formal way with binding agreements, a clear definition of roles and responsibilities, assignment of risk, outputs with timeframes, and expected impacts. In managing multi-stakeholder partnerships, township renewal practitioners should be aware of the following risks:

- There is a danger that partnerships can allow companies or interest-groups undue influence over political agenda setting and decision-making,

The investment clock



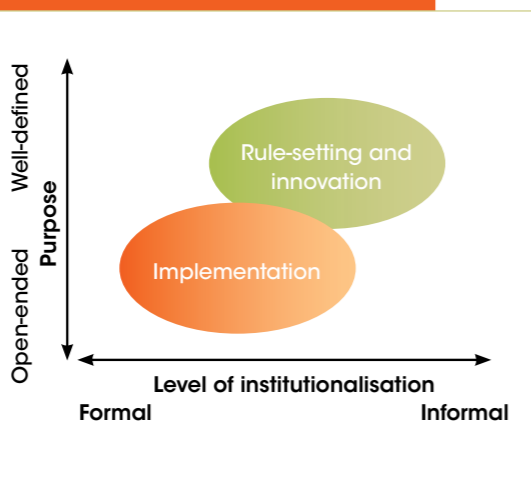
which can entrench elite influence over governance at the expense of representative democracy.

- Partnerships can dilute competition with partnership members enjoying unfair advantages, including reputation benefits, access to

markets and influence over governance.

- The proliferation of partnerships that focus on 'quick wins' as solutions, may undermine a more coordinated and long-term response to township development challenges.

The ideal partnership types



Source: R Hamman and F Boulogne

OVERCOMING KEY CHALLENGES TO MOBILISE PRIVATE CAPITAL INVESTMENT

The following table summarises techniques to resolve the four main variables.

VARIABLE	TECHNIQUE	KEY TASKS FOR PROJECT MANAGERS
Understandability	Build a shared vision and plan	<ul style="list-style-type: none"> • Establish a working partnership at the outset. • Base projections on realistic, quantifiable outcomes. • Address why businesses would want to invest in the area. • Develop data-backed understanding of the area's potential, competitive advantages, whether markets work, etc. • Draft basic communications strategy. • Describe markets and opportunities in the targeted areas in a prospectus format.
Risk	Reduce risk perception	<ul style="list-style-type: none"> • Take steps to enhance safety and security. • Show public sector's capacity to broker binding agreements with local stakeholders. • Ensure credibility, consistency and predictability of public processes (e.g. tender processes, statutory approvals). • Ensure sound land use management systems, effective by-laws, effective enforcement agencies. • Maintain and operate public spaces and infrastructure near the investment.
Profitability	Support profitability of the desired investment	<ul style="list-style-type: none"> • Pay attention to pricing of public land and structure of payment terms. • Secure bulk infrastructure provision (e.g. roads, storm water systems). • Secure complementary private investments to draw in additional capital.
Timing	Get the timing right	<ul style="list-style-type: none"> • Be aware of the cyclical stages of investment in the specific environment, and design components accordingly. - For example, a recession period can be used for land assembly, securing statutory clearances up front, market research, preparing the investment offering etc. - A pre-recovery period can be used to execute communications with the private sector, engage investors in planning, prepare offerings for the market.





4.5 CONCLUSION

There are no simple solutions for leveraging the project inputs required for the success of township development projects. In most cases, such projects require long planning and implementation periods, the involvement of numerous agencies, and ample persistence and skill.

At the centre of all the successful case studies is a project manager, frequently supported by a project team, committed to seeing the project through to the end. If such leadership cannot be secured, the project will probably fail and should not even be attempted.

'If a platform for investment is to be built, it will require a vision that is rooted in the realities of the area and the budget, and a set of logical interventions aimed at enhancing the functionality and desirability of the area. Most important, it requires alignment of different levels of government and government agencies, and a consensus and partnership with the private sector and (often competing) interest groups within the community.'
(G. Reid 2007)



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5.1 THE IMPORTANCE OF URBAN MANAGEMENT

IMPROVING URBAN MANAGEMENT IN TOWNSHIPS



Managing the regulation, maintenance and operation of infrastructure and the public environment is essential to the success of township regeneration initiatives.

In Module 2, for example, we noted that issues such as crime, unregulated trading and non-performing infrastructure impede the operation of enterprises and markets, preventing townships and their residents from achieving their economic potential.

In Module 4, we learnt that private-sector investors consider regulation and the management of public spaces to be critical factors in how they allocate capital. In other words, good management of public spaces can be

a make or break factor in investment. While considerable variance exists, most observers will agree that a defining feature of South African townships is the frequency and severity of problems associated with lack of urban management, as the above images illustrate.

This module explores the urban management challenge. It defines urban management, reviews its specific functions, explores the historical origins of the present management deficit in townships and isolates the factors that inhibit effective urban management today. The module concludes by exploring ways to confront the urban management challenge.

- 5.1** The importance of urban management
- 5.2** Origins of urban management breakdowns in townships
- 5.3** Intervening to improve urban management
- 5.4** Conclusion



WHAT IS URBAN MANAGEMENT?

Urban management, broadly defined, is about government’s responsibility for the planning, development and day-to-day operations of a city. As we will see, however, effective urban management requires the involvement of private-sector and community organisations.

Virtually all neighbourhoods in South Africa – and indeed, the world over – have certain urban management needs. Effective urban management can be reduced to two domains applicable to private spaces and three applying to public spaces. Lack of attention to any one of these five domains can, and often does, lead to decay.

The two primary functions of urban management in relation to private spaces are to:

- Demarcate and regulate private spaces: This includes ensuring that private spaces are adequately defined and recorded in a way that creates certainty for occupants and reduces the prospects for inter-occupant conflict. It supports the protection of privacy, safety and exclusivity that is ordinarily exercised by the occupants of private spaces. It also covers defining and enforcing rules to maximise positive externalities and to minimise negative externalities.
- Service private spaces with connections to essential public utilities such as water and electricity, ensure that payment is made for such services, and consistently maintain this infrastructure in serviceable condition.

If these functions are not adequately executed, private capital formation in townships is impeded, and individual home or shop owners do

not see much point in maintaining or upgrading their premises. Of course, the extent to which this happens will vary from township to township, and even between neighbourhoods in townships; but a common net result is that the bankable assets of many working-class residents and owners of enterprises are prevented from reaching their potential.

The three primary functions of effective urban management in public spaces are to:

- Regulate public spaces: Ensure that such spaces are indeed public, in the sense that the public in general may use them at their discretion, and will not be deterred by crime or the abuse of such spaces by sectional interests.
- Improve and maintain public spaces and infrastructure: Enhance public spaces by delivering facilities to these areas to make them more attractive, enjoyable and useful to people in adjacent areas. This includes maintaining the quality and operations of public goods in public spaces, such as sidewalks, roads or parks.
- Govern public spaces: Combine government, private and community inputs into the governance and sense of ownership of such spaces. This will support higher levels of integration of effort in public space maintenance and enhancement. It will also allow the parties to reach consensus about priority capital improvements and maintenance, and how such maintenance will be carried out.

When these functions are not adequately executed, public spaces become increasingly dysfunctional.



‘Township practitioners frequently report that township citizens are asking for enforcement, and for the state to take charge of creating a clean and safe environment, but that the public sector seems unable to address the vast challenges implied and that “overwhelmed by demand we do nothing.” (B. Leon, 2007)

As a result:

- There is contestation over ‘ownership’ of the spaces (or selected portions of them) by warring groups such as competing taxi associations, traders or gangs.
- There may be complete appropriation of a public space by a specific interest group.
- The space may lie ‘dead’ and be a liability to municipal officials while performing no service to communities.
- Capital formation is impeded in adjacent private spaces, with exposure to such spaces being seen as more of a disadvantage than an advantage.

5.2 ORIGINS OF URBAN MANAGEMENT BREAKDOWNS IN TOWNSHIPS

Before seeking solutions, it is important to understand the reasons for the lack of good urban management in townships.

HISTORICAL FACTORS

Some of today’s urban management problems can be traced back to the initial construction of townships. In some cases, the technologies used were inadequate, and have subsequently collapsed. A broader problem, however, has been the neglect of necessary maintenance and repairs to public infrastructure. This problem became more acute after 1976 when the apartheid state focused mainly on stamping out political protest and strictly controlling the lives of township residents, rather than maintaining basic services.

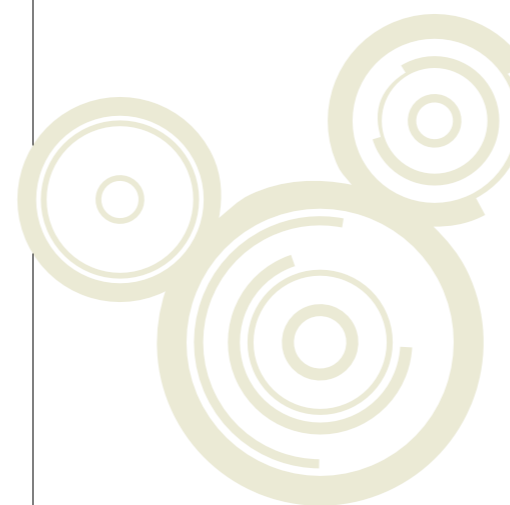
A more fundamental problem, of course, was apartheid itself – a system in which by design, most local government income went into maintaining a high quality of public environment for a small portion of the population. Township infrastructure investments were premised on the

ability to control the growth of these townships, with little provision for expansion.

In many cases this neglect was compounded during the township uprisings that spread throughout the country between 1976 and the early 1990s, as communities deliberately targeted public facilities as part of campaigns of resistance against apartheid.

The net result was that the post-1994 democratic local administrations inherited township infrastructure that was old, decaying and unable to accommodate growing populations.

The capacity of local government to address this inherited backlog has in turn been constrained by two other factors: first, the demanding process of navigating post-1994 institutional transformation, and second, the need to extend service delivery to other urban areas, particularly new housing developments and informal settlements that have expanded on the wave of rapid urbanisation.





CURRENT FACTORS

Historical legacies aside, a set of contemporary factors continues to inhibit urban management improvements in townships.

Insufficient resource commitment

In most cases, the budgeting for township management functions is done on a 'historical projection' basis and this leads to a perpetuation of underestimating (and inadequate budgeting) for operating expenses.

Inadequate allocation for operating expenses is often compounded by a propensity to focus public-sector expenditure on new capital projects (usually public infrastructure elements such as sports complexes, halls etc.) which in turn demand additional funds to operate and maintain. As a result, if the total allocation for operating expenses to a township is not increased to match the additional maintenance and operation costs required by new projects, new public-sector capital expenditure can actually exacerbate resource scarcity and force authorities to reduce the standards of urban management in the older parts of the township.

Failure to integrate public-sector initiatives

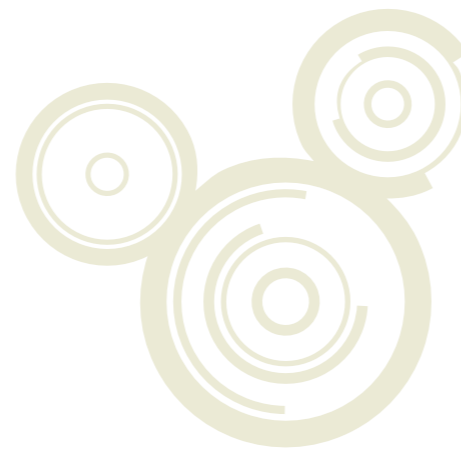
Another factor inhibiting effective urban management is the failure to establish management systems and processes needed to ensure that various departmental functions work together to deliver services. Effective execution of urban management functions in townships requires an array of municipal, provincial and national government functions to be combined and coordinated, as shown in the following table.

FUNCTION	INSTITUTIONS EXECUTING THE FUNCTION
Demarcation and regulation of private spaces	Municipal health, planning and building control departments; South African Police Service (SAPS) and municipal police; liquor licensing boards; provincial planning authorities
Servicing of private space	Municipal water, roads, sanitation and electricity departments; Eskom, Telkom, postal services
Regulation of public spaces	SAPS and municipal police; municipal transportation regulatory authorities; informal trade management; recreation and health departments; education authorities
Delivery, maintenance and governance of public spaces and infrastructure	Municipal water, roads, sanitation, electricity, parks & recreation; informal trade management and health departments; transportation authorities; education authorities; SAPS; national departments operating facilities in townships (e.g. Health, Social Development, Home Affairs and Justice)

Integrating the public sector for effective urban management

The distribution of functions between a large array of different institutions – each with its own internal systems, budgets and priorities – creates a significant institutional challenge. Township renewal practitioners typically encounter a host of problems associated with the integration of public-sector resources.

There is no shortage of service providers in terms of urban management service delivery, but rather the issue is one of the lack of coordination of the different inputs into urban management. There are some overlaps, and some gaps. In some instances, there may be a mismatch between the type of urban management service required from that available. Also, the various service providers operate in a silo environment. There is no clear common prioritisation of areas requiring more intense effort. In a sense, there are many cocktails but no barman!
(L. Pernegger, 2006)



THE LIMITS OF COMMAND-AND-CONTROL AND LAISSEZ-FAIRE MODELS

Given the scale of the township urban management challenge relative to municipal urban management capacity, approaches based on a traditional 'control and command-based' mode (where the public sector commands and other sectors passively wait for state delivery) are likely to fail. Instead the mobilisation of the capacity and of groups outside government is needed and this requires the adoption of 'negotiated ways of enforcing bylaws and partnership-based approaches'.

A shift in management style is required to bring about effective governance of public places in townships. This shift requires that urban management goes beyond the classic notion of participatory urban planning. It involves joint actions with end users of public amenities and services. Most importantly it includes them in their effective involvement in the implementation, operation and maintenance of public facilities.

In a study done on Warwick Avenue, it was noted that the adoption of either the enforcement or the laissez-faire management approach by public authorities (or the swing from one of these approaches to the other) undermines the ability of the public authority to form effective partnerships with the groups whose collaboration is essential to achieving the effective management of public space.

Planning and regulatory system inadequacy

An array of weaknesses in the planning and regulatory systems of government, include:

- Ambivalence in public-sector responses to formal and informal processes.

- Failure to connect municipal strategic policy planning with regulatory systems.
- The legislative and regulatory framework is in a mess and/or is negatively framed.
- The regulatory framework is often ignored and dismissed by groups.

In the study of informal trade in Warwick Avenue, it was noted that a set of planning failures contributed to the municipality's difficulty in adapting to the reality of informal traders occupying public spaces, such as the pavements.

The original planning did not anticipate and allow for such uses, nor were planning frameworks subsequently modified. These inadequacies were compounded by planning that did not realistically respond to the dynamics of pedestrian movement.

As a result, convenient pedestrian routes intrude through open spaces. Having not been anticipated, no infrastructural or management attention is assigned to these routes, as a result they are notoriously unsafe and host opportunistic locations for spontaneous informal economy activity'.

These planning failures laid the basis for a catch-22 problem: a lack of public infrastructure needed by the users of the public spaces, since to provide the necessary infrastructure would imply acting in contravention of the existing land use plan. The facilities required in response to informal trade in a public space, including waste disposal, are not provided at the right place because they do not form part of an approved land use plan.



5.3 INTERVENING TO IMPROVE URBAN MANAGEMENT

This section reviews a range of responses that have been adopted by township practitioners to overcome the urban management problems discussed above. It discusses how to determine priorities, approaches to secure the required resources and ways to institutionalise improvements.

SELECTING PRIORITY POINTS OF INTERVENTION

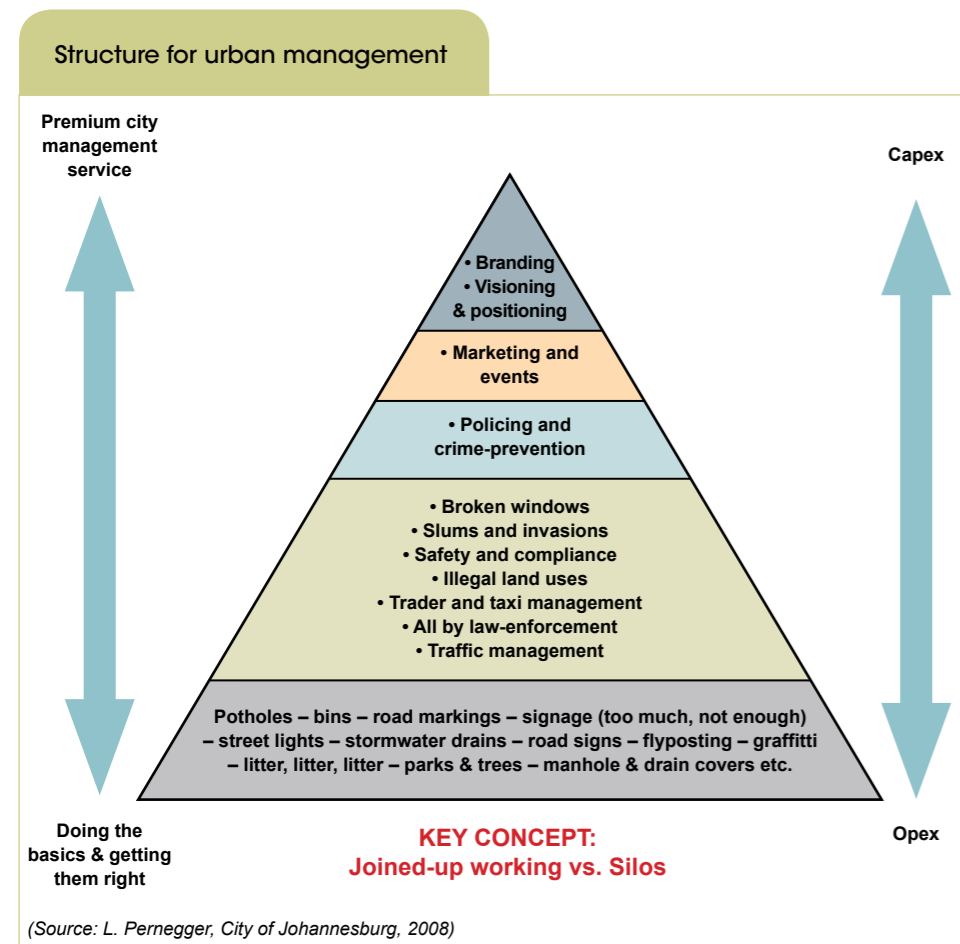
To avoid being paralysed by the vast scope of the township urban management challenge, which requires sustained effort over a long period of time, practitioners need to carefully select the starting points for intervention. This means choosing the

right priorities and getting the greatest impact for a given level of effort.

An assessment of case studies suggests that project managers have adopted a combination of the following approaches in selecting their urban management starting points.

Focus on getting the basics right

Many township development practitioners emphasise that it is important to focus initially on getting the basics right and progress from there to higher levels of urban management. This is shown in the illustration below.



The bottom level of urban management consists of simple maintenance issues such as cleaning of stormwater channels, fixing potholes and removing litter. The second level deals with the enforcement of bylaws such as illegal dumping and informal trading. The third level is about policing and crime prevention. The highest levels are concerned with place marketing the managed area to outsiders.

As one moves from 'getting the basics right' to offering 'a premium service', it is likely that operational budgets will require augmentation of capital items. Working effectively across silos is also a key ingredient for successful urban management.



on informal trader management, while the approach in the Violence Prevention through Urban Upgrading Programme (www.vpuu.org) was to focus on crime. The basis for the selection of focus needs to be rationally and empirically grounded – and informed by the particular conditions applying to the township in question. Once authority has been asserted over one of the most entrenched and fundamental issues, it becomes much easier to assert authority and achieve success elsewhere.

Value for money and leverage

How should township renewal managers select priority interventions? Priorities should be chosen on the basis of which interventions offer the greatest 'bang for the buck', or maximum value-for-money. Initially, this can be assessed in one of two ways:

- expected direct social returns (e.g. improvements in services to the poor)
- expected direct economic returns (and possibly later, indirect social returns) such as increased investment in the area, council revenues and so on

Another way of selecting priorities is to compare the leverage effects of different interventions. In some cases, public-sector operating expenditure can stimulate ancillary operating or capital expenditure, which may be either desirable or undesirable. Where such expenditure is desirable the original operating expenditure is seen to be 'leveraging' investment; where it is undesirable, terms such as 'unsustainable knock-on effects' usually come into play.

For example, consider the introduction of new crime-prevention measures. If such measures increase investor

Spatial focus

A number of the township development initiatives with an urban management component have a spatial focal point or area as their initial starting point. In Mitchells Plain and Khayelitsha, for example, urban renewal programmes focus on specific nodes and precincts.

The logic for the selection of such initial focus areas can be based on factors such as the assessed density of economic opportunity, intensity of movement (e.g. footfall) or intensity of problem indicators (e.g. crime). Such approaches allow for the consolidation of urban management improvements and create the platform for cascading successes into other areas over time.

Issue focus

Another approach is to focus on a specific issue. The Warwick Avenue initiative, for example, focused particularly (but not exclusively)





confidence, leading to the establishment of a shopping centre in an area that investors might not have previously considered – and later the shopping centre owners also decide to add to the crime-fighting effort by dovetailing their private security efforts with those of SAPS – the original investment has been leveraged for good effect.

There is little local empirical evidence on which types of urban management interventions yield the optimum value for money and leverage effects. However, evidence from the UK's New Deal for Communities Programme suggests that crime-reduction interventions yielded the highest returns in the communities assessed.

Most township renewal interventions reviewed adopt an amalgam of these prioritisation approaches. For example, the Violence Prevention through Urban Upgrading Initiative in Khayelitsha focuses on crime-targeted interventions in priority locations.

STRATEGIES FOR SECURING THE NECESSARY RESOURCES

In the context of severe resource and capacity constraints, and an environment of competing priorities, how is it possible to raise the level of urban management in townships? A review of South African practice to date shows that township renewal practitioners have adopted a mix of four methods for securing the resources needed for improved management.

Strategy 1: Obtain value for money and efficiency gains

Given the scarcity of public-sector operational resources, obtaining value for money is crucial. The starting point for strategies of this type is to identify areas where public urban management resources are being wasted. Examples

might include maintenance and security costs for a public facility that is not being used, or spending to maintain vacant, unused land that could be sold to private investors.

Another possible course of action is to seek efficiency gains. Many commentators (e.g. Pernegger, 2006) emphasise the need to minimise the duplication of effort that occurs when different departments function as 'silos'. Multipurpose centres, for example, can provide not only greater efficiency for township residents, but also lead to substantial savings in operating expenditure (e.g. shared security and grounds maintenance) for the line departments involved.

Strategy 2: Increase the allocation of public resources

A complementary strategy to the one discussed above is to seek to secure increased resource allocation to urban management functions. It may be preferable to assemble township operating budgets from scratch, focusing on identifying urban management needs and assembling the township operating expenditure from this base.

The value for money and leveraging assessments discussed earlier can also support increased operating expenditure allocations on specific priorities. In the KwaMashu Town Centre, for example, a study on financing the required urban management improvements investigated the available options and documented evidence in support of the argument that increased municipal operating expenditure allocations were pivotal to improving the management of this commercial node.

In some cases, private-sector investors in a development may specify urban management preconditions. This can



HOW TO SECURE THE NECESSARY RESOURCES

STRATEGY 1:
Obtain value for money and efficiency gains

STRATEGY 2:
Increase the allocation of public resources

STRATEGY 3:
Capture complementary revenue streams

STRATEGY 4:
Mobilise urban management partnerships

serve to mobilise additional operating expenditure allocations, since the municipal treasury will usually be keen to secure the revenue associated with such investments.

Strategy 3: Capture complementary revenue streams

A third mechanism for securing additional resources is to use public assets to generate revenue streams, which in turn are used to fund supplementary urban management activities. In strategies of this type, sustainable revenue streams are generated by the development of local public assets, such as the leasing of public land or facilities. All or part of this revenue can subsequently be allocated to improve urban management. The scope and potential of this strategy is frequently wide, as is evident from the Mitchells Plain case study.

Strategy 4: Mobilise urban management partnerships

In this approach, the resources of actors in the private sector, nongovernmental organisations and community groups are mobilised into effective area-based public management partnerships. (Note that this approach should be distinguished from the various forms of outsourcing of urban management functions to the private sector, cooperatives and community-based organisations.) The case study material reveals that many different stakeholder constituencies have been mobilised into such partnerships, including:

- property owners
- informal traders
- small businesses
- taxi operators

- sports clubs
- community groupings
- and church or religious groups.

The supplementary resources successfully mobilised from these constituencies include financial contributions, supplementary services, supplementary management and 'sweat equity'.

Synthesis of resource strategies

The case studies provided with this Sourcebook generally contain a mix of the four approaches discussed above, varying according to specific requirements. Township practitioners seeking to achieve urban management improvements will need to consider and assess all four strategies and identify the mix that is appropriate in a given context.

INSTITUTIONALISING URBAN MANAGEMENT PERFORMANCE

Township urban management is a complex, multidimensional field requiring long-term efforts from a wide range of actors in the public, private and community sectors. Durable institutional arrangements for improved urban management performance in any township need to involve:

- the municipal, provincial and national government departments responsible for aspects of urban management
- private-sector operators and users
- community-sector partners

The Mitchells Plain case study represents one approach to institutionalising urban management arrangements in a township.



IMPLEMENTING URBAN MANAGEMENT

Once the required resources have been secured, choices need to be made about the institutional mechanisms through which the urban management interventions are to be applied. Direct execution of such functions by the municipality itself is one option. The White Paper on Municipal Service Partnerships (MSPs) (2000) identifies five other generic options for the delivery of municipal services, and notes that if 'they are well structured and properly implemented, MSP arrangements can lead to significant improvements in the efficiency of service delivery. Greater efficiency means that significantly more services can be delivered while still remaining within the council's overall budget limits.'

The White Paper lists the options as follows:

- **Service contract:** The service provider receives a fee from the council to manage a particular aspect of a municipal service. Service contracts are usually short-term (one to three years). Examples include repair and maintenance, or billing and collection functions. Evidence suggests that this type of arrangement is a starting point for involving community-based and non governmental organisations in municipal service provision. Other arrangements are considered as capacity and experience are developed over time.
- **Management contract:** The service provider is responsible for the overall management of all aspects of a municipal service, but without the responsibility to finance the operating, maintenance, repair, or capital costs of the service. Management contracts are typically for three to



five years. Management contracts typically specify the payment of a fixed fee plus a variable component, the latter being payable when the contractor meets or exceeds specified performance targets. The service provider normally does not assume the risk for collecting tariffs from residents; however, high collection rates could be a trigger for incentive payments to the service provider. An example may be contracting the management of a water utility.

- **Lease:** The service provider is responsible for the overall management of a municipal service, and the council's operating assets are leased to the contractor. The service provider is responsible for operating, repairing, and maintaining those assets. In some cases, the service provider may

be responsible for collecting tariffs from residents and assume the related collection risk. The service provider pays the council rent for the facilities, which may include a component that varies with revenues. Generally, the service provider is not responsible for new capital investments or for replacement of the leased assets. Leases are typically for eight to 15 years. Examples include the lease of a municipal market, port or water system.

- **Build/operate/transfer (BOT):** The service provider undertakes to design, build, manage, operate, maintain, and repair, at its own expense, a facility to be used for the delivery of a municipal service. The council becomes the owner of the facility at the end of the contract. BOT agreements may be used to develop new facilities or expand existing ones. In the latter case, the service provider assumes the responsibility for operating and maintaining the existing facility, but may or may not (depending on the contract) assume responsibility for any replacement or improvement of the facility. A BOT agreement typically requires the council to pay the service provider a fee (which may

include performance incentives) for the services provided, leaving responsibility for tariff collection with the council.

- **Concession:** The service provider undertakes the management, operation, repair, maintenance, replacement, design, construction, and financing of a municipal service facility or system. The service provider often assumes responsibility for managing, operating, repairing and maintenance of related existing facilities. The contractor collects and retains all service tariffs, assumes the collection risk, and pays the council a concession fee (sometimes including a component that varies with revenue). The municipality remains the owner of any existing facilities operated by the concessionaire, and the ownership of any new facilities constructed by the concessionaire is transferred to the municipality at the end of the concession period.

The appropriate choice depends on specific conditions in a township, including the scope of the urban management intervention(s), municipal capacity and the capabilities of potential partner agencies.





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5.4 CONCLUSION

Improving urban management is a crucial precondition for developing South African townships. While the urban management deficit in these areas has deep historical roots, an array of contemporary problems also needs to be overcome if improvements are to be realised.

This requires intervention at a number of levels, including the regulation and servicing of private space, and the governance, regulation, servicing and maintenance of public space. The constraints to improvements in these fields include resource scarcity, institutional complexity, an overemphasis on capital expenditure, regulatory complexity and inappropriate urban management styles.

Given resource constraints it is crucial to identify correct priorities at the outset. Urban management improvements hinge on the unlocking of resources and this requires innovation. Typically interventions at this level entail an amalgam of mobilising additional operating expenditure, achieving more value for money, tapping new revenue streams and establishing partnerships to expand the range of development contributors.

Since urban management requires sustained effort over the long term, institutionalising such arrangements is key to success. A number of South African examples show how this can be done.

