

INEQUALITY AND ECONOMIC MARGINALISATION

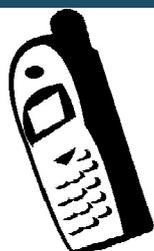


**Governance and governability:
What are the challenges for an inclusive city**

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For Urban LandMark**

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ABOUT THIS RESEARCH

The 2007 Annual Report of the Accelerated Shared Growth Initiative of South Africa (AsgiSA) identified a need to focus on what was then called ‘the second economy’, and on mechanisms to ensure shared growth reaches the margins of the economy. The Second Economy Strategy Project was initiated in this context. It reported to the AsgiSA High Level Task Team in the Presidency, but was located outside government in TIPS.

A review of the performance of government programmes targeting the second economy was completed in early 2008. The project then commissioned research and engaged with practitioners and policymakers inside and outside government. A strategic framework and headline strategies arising from this process were approved by Cabinet in January 2009, and form part of the AsgiSA Annual Report tabled on 16 April 2009.

In South Africa, people with access to wealth experience the country as a developed modern economy, while the poorest still struggle to access even the most basic services. In this context of high inequality, the idea that South Africa has ‘two economies’ can seem intuitively correct, and has informed approaches that assume there is a structural disconnection between the two economies. The research and analysis conducted as part of the Second Economy Strategy Project highlighted instead the extent to which this high inequality is an outcome of common processes, with wealth and poverty in South Africa connected and interdependent in a range of complex ways. The different emphasis in this analysis leads to different strategic outcomes.

Instead of using the analytical prism of ‘two economies’, the strategy process placed the emphasis on the role of structural inequality in the South African economy, focused on three crucial legacies of history:

- The structure of the economy: its impacts on unemployment and local economic development, including competition issues, small enterprise, the informal sector, value chains and labour markets.
- Spatial inequality: the legacy of the 1913 Land Act, bantustans and apartheid cities, and the impacts of recent policies, looking at rural development, skewed agriculture patterns, and the scope for payment for environmental services to create rural employment.
- Inequality in the development of human capital: including education and health.

TIPS’s work around inequality and economic marginalisation is built on the outcomes of this strategy process.

The research undertaken under the auspices of the Second Economy Strategy Project continues to be relevant today as government explores policy options to reduce inequality and bring people out of the margins of the economy. This report forms part of that research.

A list of the research completed is available at the end of this report. Copies are available on the TIPS website: www.tips.org.za.

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1. INTRODUCTION

In discussing the relationship between governance and inclusivity this paper's central argument is that unless there is an ability to build a responsive government at all spheres than there is no connection between the two. The ability of the state to respond to the citizenry requires that it can match the supply of goods and services to their political, social, and economic demands. The demand supply paradigm is interpreted in its broadest sense in that markets and its accompanying transactions are always present, the debate is how they are organised. The nature and aptness of the supply has to be based on a more nuanced understanding of demand. This understanding has to take into account the various markets that operate, particularly within the urban context and more often than not are spatially defined. Although demand and supply mechanisms range over a continuum from the formal to the informal, the need to put in place rules and (urban) management arrangements that have a sufficient consensus both within and outside of government is essential and must be based on public, private and civil society partnerships. This means while it is essential to have responsive mechanisms to ensure governance, i.e. the maximum participation possible, it is also imperative that there is governability which means the ability to ensure that rules that are agreed to are implemented. It must also be pointed out that the state has limits in its ability to respond, manage, fund, or control. It does have the responsibility to manage the myriad risks associated co-ordination, capacity, and corruption. Therefore the ability to make development work requires the development of social cohesion through the support of the organisations of civil society, not only as voices of advocacy, but partners in development and governance. This partnership, however, must have a clear delineation of roles and responsibilities.

In making this case this polemic deals with following issue:

- The Nature of the State
- Formality and Informality
- Governance and Governability
 - Which has the sub themes of:
 - Managing the risk in housing
 - Managing supply and demand

2. THE TENSIONS OF GOVERNANCE AND GOVERNABILITY

The nature of the State

In discussing inclusivity often the arguments relate primarily either to listening to or more importantly incorporating the voices of the vulnerable and the marginalized into policies and programmes and/or the delivery of services to these groups. This is central to a functioning democracy. Extensive research and advocacy has been done in these areas and focused on either ensuring markets work for the poor to greater state interventions in either the market or ensuring direct delivery. Often portrayed as a debate between socialists and capitalists and which has recently found expression, although sometimes muddled by other issues, at the Polokwane Conference of the ANC. The issues of state intervention and of greater accountability have led to a re-examination of the notion of a developmental state. As some have pointed out there is a challenge within this model in that while there is greater state intervention in the market, it has rely on more centralized planning and bucks against the more grassroots notion of democracy.

A variety of solutions are being offered, some at the macro-economic level that include fiscal and financial policy switches from what has been largely aimed at macro-economic balances to more expansive policies that address the rising inequalities which ranks South Africa amongst the most unequal societies in the world. In the other instances the solutions posed are at the micro-level in which local economies and local activities are recognized and supported. This dichotomy is characterized by the debate on the first and second economies. Many would argue this is a false dichotomy but it does have an important political resonance particularly within the present government. It does, however, point to issues relating to racial, class, and social exclusion. It also reflects, however imprecise the terminology, to formality and informality amongst others to markets and the built environment.

There are a number of tensions that arise as result of these discourses that are often overlooked and sometimes deliberately ignored. The first obvious tension is between the democratic consultation process and the delivery process. This tension has been part of the government since the start of democracy. The imperative was to deliver in the face of massive apartheid-inherited economic and social backlogs versus addressing the democratic deficit that was emphasised by the community and political struggles of the previous decades. Crudely put too much consultation delays delivery while too little consultation led to the inappropriate delivery. The next tension is at what level the intervention occurs. Interventions at the macro-level are by its very nature requires broad and blunt instruments and targeted largely at ensuring fiscal sustainability, equity and coverage, and replicability. But it can only address local circumstances to a limited degree that have income, livelihood and social sustainability and stability as its basic requirement. This requires more finely tuned instruments of government to address these issues. These tensions are based on a history reality of competing ideological positions.

The early debates on the liberation struggle still has resonance today. The competing positions were that of the national democratic revolution which argued that the priority was the getting rid of apartheid¹ and achieving national liberation to be followed by a more thorough-going transformation of society as opposed to the socialist revolution that overthrow the capitalist relations of production. What was a clear cut set of choices was complicated by the fall the communist regimes in Eastern Europe. These events did and do not detract from the debates that revolved around the nature of the state and in particular

¹ This is crude interpretation of more sophisticated argument.

role in the market. As was memorably put by Martin Nicol 'Is the state a jelly fish that swims in the ebb and tide of class struggle and stings now and then?'

The debates in the 1990s is that of is the rules based bureaucracy which borrowed heavily on European and North Constitutional models where rights and rules were paramount and that of the aggressive economies Asian Tigers notion of the developmental state. The latter model can be arguably be described as a mild example of the a command economy stripped of its class component. The introduction of second generation rights in the Constitution was the compromise between the two models by extending rights base.

The manifestation of this constitutional path in the state was to produce what seems to be four contradictory characteristics or at least competing models for development:

- Central to post apartheid state was the Constitution, which entrenched the rights as a basis resulting in the state making the judiciary an important role player in development arena.
- The RDP which was a supply side mechanism to address service backlogs through its targets such as one million houses in five years.
- Rules based legislation through Treasury that included the Public and Municipal Finance Manage Acts that was aimed at financial prudence in government.
- Bottom up planning from communities through to the various spheres of government through DPLG's IDP process.

Naturally the various institutions of state were often in conflict with each other and the institutional capacity to juggle these various strands was neglected in pursuit of in the face of fiscal prudence.

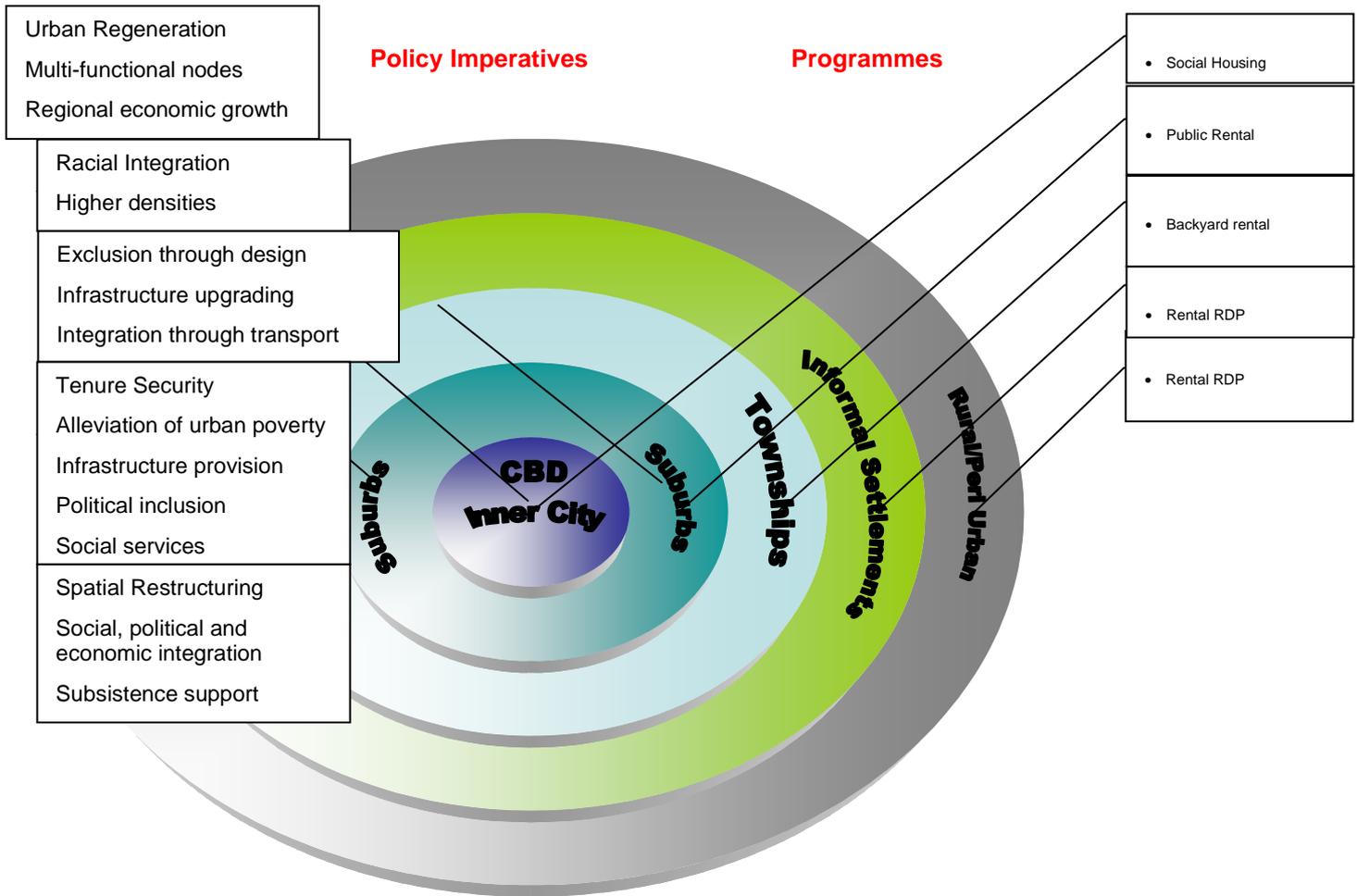
Formality and informality

Formal and informal activities or transactions, again the terms are used very loosely, requires responses that are very different. The former operates on rules that have widespread, uniform, and replicable application and usually reduced to legal recognition while the latter has a preponderance of socially recognised practices. While both may lead to a degree of certainty in transactions the former is easier to administer and recognise than the latter in bureaucratic terms as is noticed by the state's response to informal settlements or backyard accommodation. It is important to note this point because the responsiveness to informal or socially dominated transactions is less easy to read by the state.

Similarly in relation to what the built environment, building or house looks like still overshadows the nature of tenure security. Some townships established more than a decade ago in terms of the new subsidy scheme still have no title deeds issued.

In supply terms there are a number of different markets at play and can arguably be located within specific geographical areas where they are predominant. Similarly government policy interventions have a definite spatial focus as is witnessed by National Spatial Development Perspective and by the various programmes of government such as the Informal settlement Programme. While the temptation is neatly connect the two it more complex where characteristics in informal settlements can also be found in inner cities. Nevertheless this succumbs to the temptation because the dichotomy between the first and second economies can be usefully be illustrated by the following idealised representation geographical and programme priorities.

Figure 1: A more targeted response



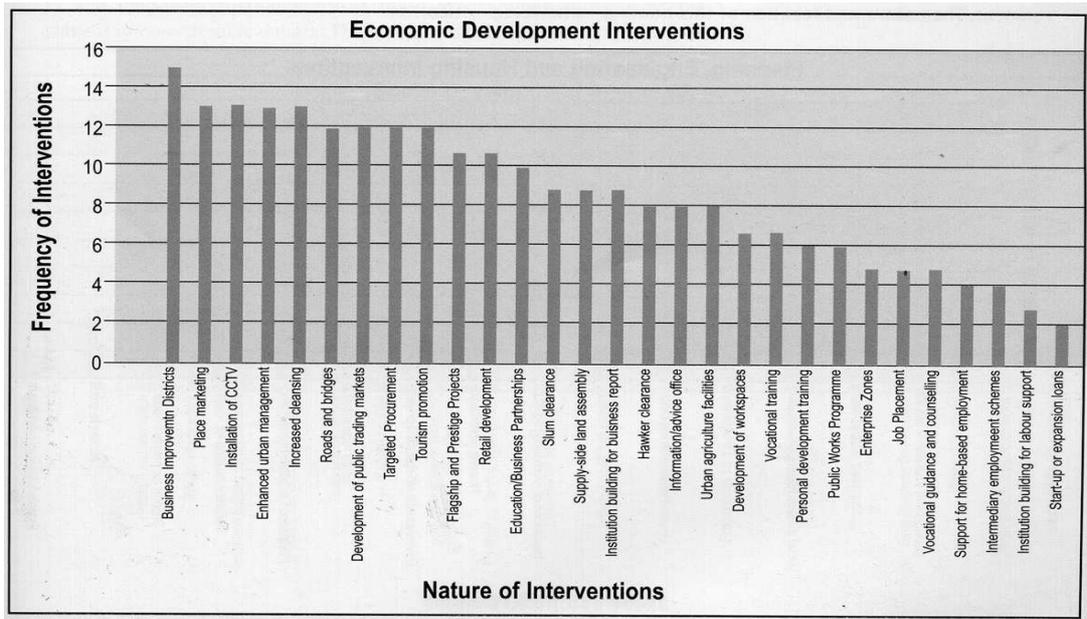
What the diagram points to is that there can be a more targeted response that combines policy imperatives to programme design and implementation but also points to the fact that certain areas of programme design are underdeveloped or inappropriate.

There is an emphasis on infrastructure by the state and in fact has origins in the RDP base document which has at its foundation a set of infrastructure targets. Here again it is easier to rollout the hard stuff, which South Africa has proved it can, but has greater difficulty in relation to 'soft' issues that relate to the Human Development Index. A SACN survey shows that interventions are heavily loaded in favour of infrastructure or first economy interventions.

Some supply issues

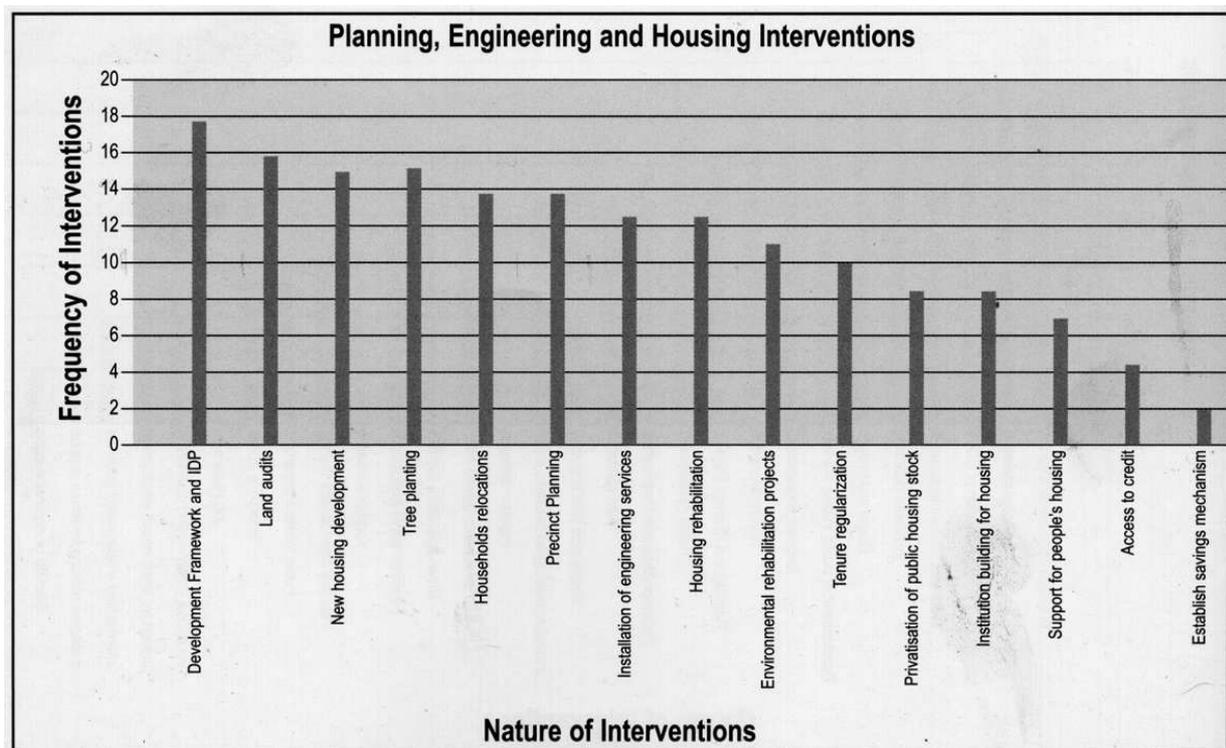
The survey done in 2004 looked at local government responses in the areas of economic development; planning, housing and engineering, and social development. It is clear that economic development interventions are weighted heavily in favour of the first economy.

Figure 2: Economic development interventions



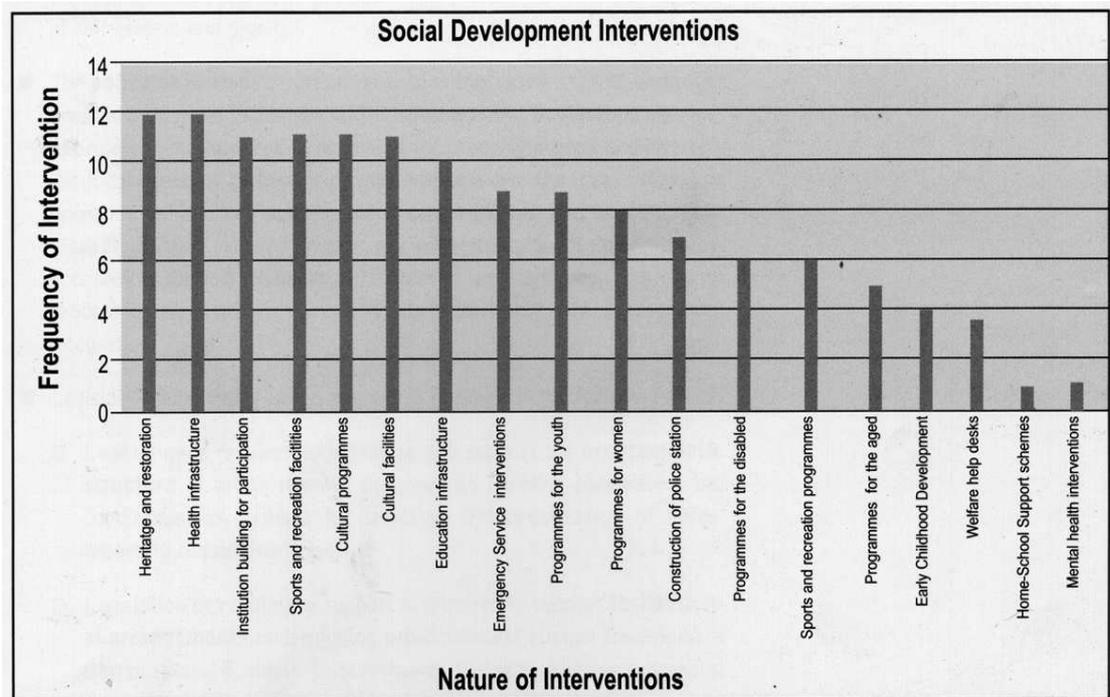
The economic interventions are strongest in the areas of CBDs and weakest in informal areas.

Figure 3: Planning, engineering and housing interventions



Here again the pattern is similar with formal planning mechanisms and new housing development overshadowing institution building for housing and savings clubs. This partly in response to IDP legislation and the fact that savings and institutional housing require longer term commitments.

Figure 4: Social development interventions



While the social development interventions confirm some of the earlier patterns it can be argued particularly in relation to local authorities they have very little control over some of the service areas and that is function of other spheres of government. The issue of intergovernmental relations and co-ordination then become a critical issues.

The level at which interventions are made also has implications for where decisions are made. Large infrastructure projects and long-term sustainability has to sit, most times uncomfortably, with local activities and livelihoods strategies. Often national infrastructure projects like dams run up against local environmental concerns or relocations from water sources butt against local settlements patterns.

Governance and governability

So while the issues of governance has been debated extensively, particularly outside of government the issue of governability or the ability to govern is neglected. It is particularly pertinent in relation to the tensions and different approaches outlined above. The consultation/delivery conundrum was neatly solved in the epithet coined in the Breaking New Ground housing policy of 'demand defined and supply negotiated'. What it however required was institutional arrangements and individual capacities that were both sophisticated, technically competent, and flexible and responsive to supply and demand dynamics – an uber bureaucracy with uber bureaucrats without taking into account the limits of the state and its officials. The housing policy is just one example of a plethora sophisticated policy making that has happened since 1994. This has been reinforced by a set of court decisions based on a world class constitution. So we have a Rolls Royce that has to be powered by Uno engine and steered by ever changing drivers. The reality of the state of the bureaucracy is that, although there are exceptions, is struggling with issues of capacity, co-ordination, and corruption. The management of the risks associated with matters is vital for delivery.

Capacity is being lost to the exodus of experienced post-1994 bureaucrats as result of political and institutional instability, entrepreneurial opportunities, and recruitment or deployment of less experienced officials to meet social and political targets. The last issue is not quibble with the desirability of redressing past exclusion but with the impact on the institutions at least in the short term. In addition through a combination of macro-economic policies and large numbers of vacancies there has not been enough warm bodies to do business as usual never mind doing business unusual.

Co-ordination of the different spheres of government and within the spheres government of government has suffered as a result of complex policies governing relationships, complex policies in various sectors often leading to unfunded mandates, inappropriate delegation or assigning of functions. The overriding problem bedeviling intergovernmental relations has been political competition either within the ruling party or with the opposition party. This has impacted on the important issues of planning and housing delivery where local planning instruments such as the IDP are largely ignored or where housing accreditation has been denied to local authorities despite the fact that the accreditation framework has been in place for over five years. Particularly in the urban context, the co-ordination of development should ideally be located at the local level where the management of supply and demand has the greatest potential because it is closest to the communities and therefore subject to greater accountability pressures.

There is no denying that corruption is rampant but often the causes are poorly understood. Corruption takes place within the context of sophisticated policy that is not understood, poor control mechanisms, and inexperienced or under-capacitated staff and institutions that lead us along a continuum of malpractice, maladministration, evasion, and criminality. So the problem has to be attacked on two fronts. The first is through legal sanction and second through risk management.

Two issues emerge from the above statements; co-ordinating development and risk management. Taking the latter first the case of the housing and accreditation points to some useful pointers.

Managing the risks in housing

Starting with the Constitution and running through the 1994 Housing *White Paper*, the Housing Act of 1997, the *National Housing Code* and the *Framework for Accreditation*, housing delivery is to be administered in a transparent, accountable and efficient and equitable manner. Moreover, starting with the Housing Act of 1997, local government has been viewed as the potential home for carrying out housing development, i.e. initiating, planning, executing, facilitating and coordinating housing development.

The Housing White Paper of 1994 concerned it self primarily with housing delivery and there were a restricted the number of sectors and stakeholders in the delivery process, however the Comprehensive Plan on Sustainable Human Settlements extends the involvement of the number of sectors and stakeholders dramatically and therefore involves more complicated decision-making processes to achieve sustainable human settlements. Particularly in the light of demand defined and supply negotiated strategy required by the Comprehensive Plan on Sustainable Human Settlements, which in the former instance requires extensive engagement with various sectors of the community and in the latter instance negotiations with public and private sector delivery agents. In addition many of the processes of decision making require the demarcation between political and official roles and responsibilities and therefore allocation of risk profiles in regard to this.

In considering what risks to identify and what are the mitigation interventions to put in place the desired outcomes and outputs for achieving greater effectiveness and efficiency should be spelt out. For the housing sector in particular and the government in general this requires:

- Ensuring that the **planning framework** of government achieves the necessary **alignment and co-ordination** of mandates, policy, legislation, programmes and projects of government. There are a number of risks in relation to this area and include issues of the allocation of functions, roles and responsibilities, political decision-making, intergovernmental relations, and bureaucratic and institutional delivery capacity.
- Ensuring there is **fiscal and financial consistency** and **policy and funding certainty**. The lack fiscal and financial consistency poses some of the major threats to delivery as the inconsistent application of intergovernmental transfers has risks in regard to the ability for the longer and medium term planning. Policy and funding uncertainty, while it has planning implications, impacts directly on project planning and feasibility and the associated issue of building delivery capacity in public, private, and community institutions. This uncertainty also has a direct relation to creating a greater risk aversion among public and private sector institutions. The identification and mitigation of these risks will assist in creating a more stable environment for delivery.
- Ensuring the **efficient and effective implementation** of housing programmes and projects. The risk areas are related to:
 - Procurement
 - Project management
 - Management of the allocation process

Managing the risks at programme and project poses significant risks in regard to the quality of housing, corruption, and social dynamics particularly in relation to delivery and allocation processes.

These risks at the moment cannot be managed because the accreditation model has stalled. It is imperative from an urban development point of view the principles and the risk areas must be addressed and managed.

Managing supply and demand

The issue of co-ordination for urban development in general and for addressing issues of governance and inclusivity requires a methodology and model. The following is the case of the Germiston Urban Regeneration model that was developed for the Ekurhuleni Metropolitan Municipality. A simple demand/supply framework was developed that intends:

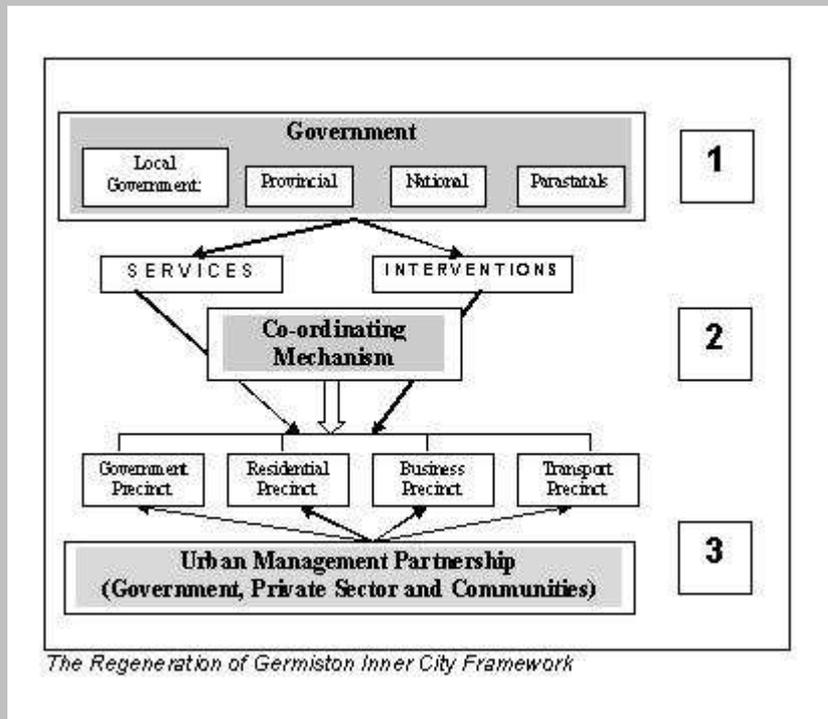
- To ensure that government adequately understands the demands of the public and private sectors.
- That a supply pipeline is put in place at least in the medium term.
- That there is sector co-ordination.
- That the interventions are geographically targeted.
- That governability or public management is based on partnerships and geographically specific.

In the Germiston case it was primarily a model for a CBD.

Box 1: Case: Germiston Inner City Economic Regeneration Programme

The Ekurhuleni Model

The following graphical framework represents the institutional and process aspects of the regeneration of the Germiston inner city. It attempts to clarify the different roles of government interventions and services in ensuring an environment that allows both private sector and citizens' investment in the success of inner city being a thriving urban centre that works.



The Regeneration of Germiston Inner City Framework

The framework suggests that there are a variety of government departments responsible for interventions and services impacting on the inner city. It raises the question of how these interventions and services are co-ordinate at precinct level. It also identifies the need for an urban management partnership that provides the joint management of precincts by the critical stakeholders. The three areas of interaction that impact on the regeneration of the inner city are described in more detail below:

1. Government Interventions and Services

The various government interventions and services that impact generally and more specifically on the inner city regeneration can be described in relation to the physical, economic and social landscape:

The physical landscape

The physical landscape of inner cities are usually driven by flagship projects. In most cities housing plays an important role. In regard to the physical landscape the primary driver of restructuring human settlements is the housing. Its key funding resource is the provincial government that allocates subsidies. Transport and civic infrastructure plays a key role in branding these inner cities.

The economic landscape

The economic landscape is a more complicated terrain for local government. All of the main functions in this arena are located at national level. For example, the National Treasury has the overall responsibility for tax issues and made the decision for the granting the accelerated depreciation allowance to investors

The Ekurhuleni Model

in its inner city. Another example is the Neighbourhood Partnership Development Fund² also managed by National Treasury.

The Department of Trade and Industry manages issues relating to industrial policy and trade relations. While national government has an overall responsibility for economic development, local government has the following important functions:

- 1) providing core services (the supply of water and electricity)
- 2) providing an enabling environment for business to operate in through the management and regulation of the environment through bylaws relating to urban management
- 3) levying property taxes (There has to be a balancing act between attracting investment and providing for equity in services. The key issue that emerges is how to provide further incentives over and above the tax breaks for the urban development zone to encourage investment.)
- 4) coordinating the different economic programmes located in government
- 5) using its own resources to promote local economic development through supporting local business and labour

The social landscape

There are two critical concerns in relation to the social aspect: the first is the provision of a wide variety of social and municipal services that improve the quality of life of people in terms of basic services. The second concern relates to human development programmes. This means very carefully targeted programmes to build the capacity of individuals through skills development and support of small enterprises through training and financial support. This call for the support of a variety of governmental organisations including the Department of Labour and its Sectoral Education and Training Agencies (SETAs), the Department of Trade and Industry and its allied institutions, and the support of the banking industry..

2. Co-ordinating Mechanism

An institutional mechanism is required to address the challenges presented by the regeneration, in particular the coordination of government services and interventions to specific geographical locations, taking into account the concerns of both the private sector and communities.

In general this coordinating institution has to be located as the interface between various spheres of government and the different services that are provided by the local authority. It will have to engage all government entities to coordinate investment and services into particular area-based development projects. The tendency to set up new institutions should be cautioned against without detailed consideration particularly the governance issues. It is preferable to build up capacity within the local authority for public governance. Control of development trajectory in a particular geographic area need to be government responsibility particularly where government investment and funding forms the major initiatives. This does detract from forming special purpose vehicles but issue is to ensue that the golden mandate and final accountability rest with government.

3. Urban Management Partnership

At the crux of the urban regeneration of inner cities is an urban management partnership. There are many partnerships that have been developed in other major cities in the country and any proposed partnership has to take into account the strengths and weaknesses of those other examples. What seems important is that urban management has to provide different management systems for its different precincts. If we look at both the sectoral and geographic characteristics of the inner cities there are different imperatives of management.

The responsibility for urban management lies primarily with the local authority but the extension of urban management to the private sector and the involved communities adds value to an inclusive urban regeneration project.

² See Appendix

1.1 Nigel

While the model developed for Germiston only reached the model stage that was adopted by the municipality, the Nigel project was aimed at a less privileged area was aimed implementing the model and using more widely. Nigel had different characteristics to Germiston which included:

- A higher poverty and lower human development index than the rest of Ekurhuleni.
- Extreme spatial separation in residential and economic terms.
- Located on the periphery of the EMM.
- Substantial farming activity.
- Gateway for migration into Gauteng from Mpumalanga.

Using the same demand/supply model and the use of catalytic projects to use as pilot programmes were used in this project.

The following demand side activities took place:

- An analysis of previous censuses and a demographic survey was commissioned to understand quantitative aspects of the population of Nigel using the SACN quadrants developed for the 2004 State of Cities Report. The survey has now been extended to all the wards in the municipality. A survey of the businesses in the area. Informal businesses would be covered in the demographic survey. An analysis of ward placed planning and community based planning exercise was commissioned to provide qualitative elements of the demand side. The community based planning model is now been implemented throughout the municipality.

In relation to supply side a report was done of the supply of goods (infrastructure) and services (social, health, education and economic) into the area was done by the municipality. The future delivery of goods and services is in the process of being done. In addition different catalytic interventions were undertaken which includes:

- Social cohesion project involving schools from the different social and racial areas.
- Economic Interventions are aimed at building the connections between the first and second economy through enterprise and skills development. Which includes the a business survey, a relationship with the local universities and further education institution institutions and local businesses, and building co-operative projects
- A housing project aimed at re-engineering local government processes including the land and planning processes to reduce the lead times that estimated to be over 400 days to 90 days.

Essential to the issues of governance and inclusivity, the Interventions are aimed at getting the demand right. It uses the SACN model because these questions of inclusivity has as a prerequisite both the quantitative and qualitative aspects of understanding the size form and character of the population and providing a guide to choices that have to be made by policy makers and stakeholders. By providing a detailed analysis of both the supply and demand the important issue now remains of connecting the two. The missing element on the supply side is what supply is happening by the private or community agencies in both formal and informal sectors which is more difficult given our definitions of what is appropriate supply. A number studies for instance suggest that back yard rental is a sub-optimal form of rental. Yet it contributes a significant supply of rental.

3. CONCLUDING REMARKS: SENSE AND SENSIBILITY

At the heart of the argument on the relationship between governance and inclusivity within the urban context is the ability of the state to be more responsive particularly to the dynamics of the 'second economy'. There are several impediments that have to be addressed in this regard:

- Institutional tensions cause severe IGR problems
- Weak institutions as a result of our heritage and macro-economic policies lessens the ability to deliver services or to govern. Particularly connecting spaces to to delivery and managing them.
- Our pursuit of Rolls Royce policies overstretches the Uno engine
- Weak institutions are also better able to deal with formal or the big processes not the less formal which characterise the 'second economy'.
- The ability to to understand the demand of various constitutencies is impacted on by the lack of skills or weak institutions

It must be emphasized that the term 'weak institutions' relate not only to the bureaucracy, but also to the political, private sector and civil society institutions.

The analysis and the models described in this paper points to a way of looking at these issues and a possible methodology for us in the first place to get the demand right and then institutionally to respond to these demands appropriately. While this may not be rocket science it points to serious interventions in building institutions in the state and in other spheres of government. The starting should be the state.

How does one deal with the real tension of a top down vs bottom up approach. Particularly as dealing with macro issues does lessen the impact of the poor on policy. This does not detract from decisions that have to be taken with a longer term and greater good view in mind. The position that is taken here is strengthening institutions, particularly of the state, to be more responsive to the demand side, organise the supply, and to be able govern. That is the road to legitimacy.

ANNEXURE 1: DEVELOPING A MODEL FOR INCLUSIVE DEVELOPMENT: SACN FRAMEWORK

PRODUCTIVE CITY

Can the local economy provide a majority of residents with means to earn a reasonable living? What are the economic interventions?

SUSTAINABLE CITY

How is the city impacting on the envelope of natural resources that sustains the settlement and makes it liveable? What are the community cohesion interventions?

Demographics

What is the size, form and character of the population and nature of the economy, and state of infrastructure and service provision

INCLUSIVE CITY

Do residents have the opportunities and capacities to share equitably in the social benefits of city life? What are social interventions?

WELL-GOVERNED CITY

Is the political & institutional context stable, open and dynamic enough to accommodate all interests? What are the governance interventions?

ANNEXURE 2: EXCERPT FROM EKURHELENI SOCIAL HOUSING STRATEGY 2008

Programme rationale

2.1 Formal private sector rental

This sector is still a major provider of rental housing stock. It plays two key roles: urban regeneration and well-located housing. The formal private sector rental operates primarily in the inner cities and suburbs and its product is mainly higher density accommodation. There are two crucial roles that the municipality can play. Firstly, as the facilitator of investment in rental stock. In this instance the Urban Development and restructuring zones need to be targeted and a process of facilitation needs to be put in place. Secondly, as a facilitator of rental for the poorer sectors of the population through either inclusionary housing provisions or through community rental units in what may be called 'zones of social inclusion'. In latter instance a programme must be designed to deal with this may be in conjunction with social NGOs. Secondly as the regulator of standards and landlord tenant relations through the provisions of the Rental Housing Act. In the suburbs the encouragement of higher densities through planning mechanisms and the encouragement of subletting would add to the greater racial integration and city efficiencies. As part of this rental market new developments would form part of it and the draft inclusionary housing policy does make specific reference to rental provision in these developments.

3.1 Social housing

The role that social housing has played in the past and continues to do so is as catalyst for urban regeneration and racial and social integration. Two issues arise from this: firstly it needs to identify five key pilot projects in the restructuring and urban development zones to test integrated, mixed use and sustainable settlements in the urban centres and secondly the institutional roles and responsibilities of the EDC needs to be defined. Its relationship to the EMM must be clarified including its targets and its accountability for them and its role as property manager requires the setting of clear standards and performance.

4.1 Public rental

There a contradictory impulses in relation to existing public rental in terms of current housing policy. The major programme has been the EEDB, which has been to transfer housing ownership into the hands of the occupants. The major reason has been financial burden on municipalities. Most of the free standing stock has been transferred. However there is a movement by government towards retaining and expanding that stock as future rental. The key issues that need to be addressed are:

The financial and physical condition of the stock. In many instances the stock has deteriorated but the extent is uncertain. Secondly the relationship between the value of the stock and rentals paid are at variance resulting in an annual shortfall of R15m. This constitutes an operational subsidy. The intention to retain this stock as public rental would require an assessment of the value and condition of the stock. This together with management fees will inform what constitutes an economic rental. A survey of incomes will assess affordability and therefore will be able quantify what would constitute a subsidy. Instead of providing a R15m subsidy default the municipality will be able to make an informed decision on its financial obligations.

Linked to the above issue is the question of property management, which may impact on the role of the EDC. In most instances the dire state of public rentals is the inadequate property

management capacity and skills. An assessment of the state of property management standards will be requirement will ensure that appropriate steps are taken to correct this situation. A partnership with a public property management concern mat be worth pursuing.

5.1 Backyard accommodation³

In the townships and informal settlements the most thriving and efficient rental market is backyard accommodation in terms of quantity, affordability and access. To increase the efficacy of the market two areas have to be addressed: standard of accommodation and landlord tenant relationships. A desk top study of this accommodation needs to be undertaken to assess the extent of the market and pilot study on the standard of accommodation. This will lead to the setting of standards which can be tested with organised tenants and landlords. A mechanism for providing loan finance through the private sector along the lines of the TUHFT programme should be investigated. The landlord-tenant relationship can be managed through existing legislation. Given the variety of household formation and cross border migration an informal settlement rental programme needs to be devised.

³ Backyard shacks has a negative connotation is not necessarily true until it is verified.

ANNEXURE 3: RISK ANALYSIS DEVELOPED BY M NARSOO AND M TOMLINSON

Below represents a generic grid of risks and issues. It only serves to provide an example of risk categories and defining some of the issues. A risk analysis is primarily related to a particular institution and the internal and external issues that impact on it.

Risk	Defining the issues
Planning Framework and Fiscal and Policy issues	
Political	The mandates of government. Political relationships between the various spheres of government. Relationships between councillors and officials, private sector and the community.
Intergovernmental relations	Relationships and negotiations between various spheres of government. Budget allocations. Alignments of programmes. Budget allocations. Delegations and assignment of powers. Planning frameworks.
Bureaucratic	Approvals of plans, programme, and projects. Approvals of allocations, beneficiaries, and claims.
Institutional risk	Capacity for delivery which includes staffing, skills and attraction and retention of staff
Implementation	
Programme and Project planning	Project and financial viability including affordability and location
Procurement	Procuring of land, professional services, developers, and financial agencies.
Project Management	Scale delivery, implementation and design and quality of housing and its environment
Social management	The management of consultation processes at project level. Management of community demands. Invasions, relocations and evictions. Miscommunication and perception in allocation.

ANNEXURE 4

The paper draws extensively from the following work:

- Engelbrecht C People and Places, SACN.
- State of Cities Report 2004, SACN.
- Morema D, M Ramanna, and M Narsoo, Ekurhuleni Social Housing Strategy.
- Mohan K and M Narsoo, Germiston and Nigel urban Regeneration Reports, EMM
- M Narsoo and M Tomlinson, Various Risk Analysis for Municipalities

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Review of the Eastern Cape's Siyakhula/Massive maize project – Norma Tregurtha

Urban development

Creating access to economic opportunities in small and medium-sized towns – Doreen Atkinson (for Urban LandMark)

The state of land use management in South Africa – Sarah Charlton (for Urban LandMark)

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How tenure security can increase access to economic opportunities for poor people – Lauren Royston (for Urban LandMark)

Challenges of inclusive cities: Making urban spaces and places for all – Nisa Mammon, Kathryn Ewing and Jody Patterson (for Urban Landmark)

Governance and governability: What are the challenges for an inclusive city – Monty Narsoo (for Urban Landmark)

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