

AGENDA 2019



CENTRE FOR
DEVELOPMENT
AND ENTERPRISE



Creating cities of hope

Before you vote, ask questions, demand answers

AGENDA 2019

Series Introduction

The 2019 elections provide an opportunity for South Africa to move onto a path of faster, more labour-intensive growth, a prerequisite for resolving our most pressing social and political challenges, especially mass unemployment.

Political leaders can create the right conditions for growth. South Africa has a strong private sector, robust institutions, and a citizenry deeply committed to democracy, all of which can become vehicles for the expansion of opportunities for all.

This series of AGENDA 2019 briefs will highlight critical policy challenges such as growth-friendly urbanisation, youth unemployment, and skilled migration. Each brief ends with key questions that voters and reporters should ask party leaders before and after the elections.

Creating cities of hope

Why urban-led growth?

Although it is not true that every urban society is rich, no country that has ever become rich has done so without urbanising. Cities, with their dense populations, deep labour markets and highly differentiated economies, make human labour far more productive than is possible in other settings. Cities also facilitate social prosperity by generating economies of scale in the provision of infrastructure and public services.

A genuine political commitment to urban-led growth could transform the country's economic prospects, and contribute significantly to making South Africa a more inclusive society.

Political parties need a vision for national revival in which the opportunities for poor people to move out of poverty are transformed. Harnessing the power of cities and using them as a platform for generating vast new opportunities is one of the most effective ways to achieve this.

South Africans continue to move to urban areas, and cities' young populations grow fast. The country is nearly 70% urbanised today, which is a significant change in comparison to 1994 when only 50% of the population lived in urban areas. Many of these areas remain poor, but even the least developed towns offer more prospects to their residents than large swathes of our rural areas. At the same time, cities such as Johannesburg and Cape Town have created hundreds of thousands of jobs over the past decade.

Poor rural people who move to the cities often experience immediate hardship and dislocation, but many also quickly improve their lives – why else would they move there? Urban employment, even where it is low paid or informal in character, can be a crucial first step out of poverty.

Too many South African policy makers are still 'reluctant urbanisers', however, and seem to believe that people would be better off staying in the rural areas and that it is government's job to bring opportunities to them there. Human history shows that this is certain to fail.

From apartheid segregation to cities of hope

South Africa needs to tackle the legacies of the past. Apartheid left behind urban sprawl and weak urban connectivity, with poor residents on the urban periphery, far from employment and economic opportunity. The result is costly and inefficient public transportation systems, some of which are also suffering from all manner of institutional dysfunction.

Nearly 4 million 'RDP houses' have increased the housing stock, but the policy has reinforced urban sprawl and disadvantage because houses have been built on cheap land on the outskirts of cities. Cities can be dragged down by infrastructure shortfalls, pollution, crime and congestion.

Cities need affordable housing located close to economic opportunities, effective crime reduction, efficient, affordable public transport, and a facilitative environment in which to do business for all firms, large and small.

Deficiencies in urban infrastructure set 'speed limits' on the growth of urban economies. Faltering GDP growth places a premium on strategies, including partnerships with business, to maximise urban infrastructure delivery.

“The key question for South African voters and their political parties is this: how can our cities be better managed so that they become platforms of opportunity rather than poverty?”

Gearing up cities for inclusive growth

Based on all CDE's research, we would propose the following key elements in how to achieve inclusive urban growth.

Markets must drive growth. Successful development needs the market and the city to come together. The city brings scale, while properly functioning markets ensure efficient allocation. Business is the most dynamic element of urban economies, and a potential generator of prosperity and development.

Urban policy makers must put growth first. Cities face protests if they fail to deliver utility services, but few sanctions if they fail to deliver growth. City governments should be better able to capture some of the gains from growth to use it to fund further growth. Our current system does that very inefficiently.

Cities need greater power. Cities have been treated as the junior partners of national and provincial government. They need greater control over staff hiring and firing and their local business environment. They must have a bigger say in national policies that affect urban-led growth. Many if not all of the eight metropolitan governments have the capacity to start right now.

Cities must become integrated post-apartheid places. The idea of 'township economies' has attracted a lot of attention, but policy-makers need to ask whether the benefits of this are greater than what can be achieved by seeking to integrate townships better into the urban economy. There are actions to be taken in townships to help local economies grow (de-regulation, more land for development, rezoning, etc) but the positive impact of growth in the wider city economy and

opportunities for black entrepreneurs in the entire city far outweighs any benefits township specific programmes might deliver.

Urban-led growth priorities

CDE's urban led growth priorities include the following:

Growth is a city story. We must place cities at the heart of South Africa's national growth strategy. If the economy is to grow more rapidly and create mass employment this can only happen in our cities.

The country needs to prioritise the cities. National government has a vital role to play in changing how SA thinks about cities as a priority. Political capital needs to be spent popularising policies such as urban densification and business-government partnerships.

Cities need a direct voice at the centre, with stronger representation in national policy development and national budget processes. Cities need greater revenue raising powers. Revenue must be linked to growth outcomes to encourage cities to pursue pro-growth policies. SOEs must take account of city needs. SOEs take investment decisions that affect city growth prospects; they own urban land essential for roads, housing and new development. Cities need to be able to shape how this land is used.

Cities must place jobs and growth at the heart of urban strategy. In many places this will require the establishment of local growth coalitions involving city politicians, government and business. Growing cities must embrace urbanisation and plan-ahead: they need long-term planning and multi-year expenditures, coordinated at different levels of government, and in partnership with the private sector.

City governments need to advocate for national policy changes. Cities must compete: they need exemption from certain national policies to shape their local investment climates; the power to drive regulatory reform, skills development, and labour market reforms to attract investment.

Cities must address the apartheid spatial legacy.

- * Reconfigure housing policy to encourage densification. Cities must incentivize denser construction and living patterns, the use of centrally located land for low-income housing, and the involvement of communities in informal settlement upgrading programmes.
- * Rethink transport policy. This priority needs far greater attention. Issues include affordability and efficiency and the reallocation of power and resources to build and maintain good public transport in expanding cities.

“South Africa needs accelerated inclusive growth that is urban-led, private sector driven, enabled by a smart state that understands markets, and targeted at mass employment.”

Before you vote, ask political parties these questions about cities, growth and jobs

1

How do you plan to **raise growth rates and encourage more investment** in our leading cities?

2

How will you provide **access to affordable housing** close to centres of economic activity?

3

How will you fight crime and **reduce the cost of doing business** in cities?

4

How will you **integrate townships into thriving urban economies?**

5

How will you **engage informal businesses** so that they drive prosperity and inclusion?

6

How will you **work with private business** to promote urban led growth?

7

What is your strategy for **urban infrastructure spending?**

8

How will you **reduce travel times and costs** in South African cities?



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