

Human Settlements in relation to the National Infrastructure Plan

Roundtable held on
9 March 2011

Development Dialogues

“ (The) Majority of South Africans live in settled communities that are well located with accommodation (asset that is tradable, not houses only), that has quality but affordable basic services (water, sanitation, electricity, roads, lights and waste removal) with access to social infrastructure (health, education and safety), economic opportunities (easier to find full/part time or piece work without high transaction costs) and transport.”

Department of Performance Monitoring and
Evaluation, Presidency Outcome for 2025



Development Bank
of Southern Africa



Published by

Development Planning Division
Development Bank of Southern Africa
PO Box 1234
Halfway House 1685
South Africa

Telephone: +27 11 313 3911
Telefax: +27 11 313 3086

Intellectual Property and Copyright

© Development Bank of Southern Africa Limited

This document is part of the knowledge products and services of the Development Bank of Southern Africa Limited and is therefore the intellectual property of the Development Bank of Southern Africa. All rights are reserved.

This document may be reproduced for non-profit and teaching purposes. Whether this document is used or cited in part or in its entirety, users are requested to acknowledge this source.

Legal Disclaimer

Development conversations capture the output of Roundtables organised and hosted by the DBSA to integrate areas within its mandate. The Roundtables are run on a Chatham House basis and views expressed are not ascribed to individuals or organisations.

In quoting from this document, users are advised to attribute the source of this information to the participants concerned and not to the DBSA.

In the preparation of this document, every effort was made to offer the most current, correct and clearly expressed information possible. Nonetheless, inadvertent errors can occur, and applicable laws, rules and regulations may change. The Development Bank of Southern Africa makes its documentation available without warranty of any kind and accepts no responsibility for its accuracy or for any consequences of its use.

Participants:

Chairperson:

Richard Goode Development Bank of Southern Africa (DBSA)

Key informants:

Ahamady Vawda Department of Performance Monitoring and Evaluation, Presidency

Ketso Gordhan Independent

Mike Muller Development Bank of Southern Africa/National Planning Commission, Presidency

Yogesh Narsing National Planning Commission, Presidency

Participants:

Bea Drost National Planning Commission, Presidency

Catherine Cross Human Sciences Research Council

Glynn Davies Development Bank of Southern Africa

Lerato Lentsoone National Planning Commission, Presidency

Pamela Sekhonyana Development Bank of Southern Africa

Saguna Gordhan Development Bank of Southern Africa

Toivo Mohapi National Planning Commission, Presidency

Table of Contents

| | |
|---|----|
| 1. Introduction | 4 |
| 2. Issues | 4 |
| 2.1 The core issue | 4 |
| 2.2 Authority to plan and zone | 5 |
| 2.3 Cost of land..... | 5 |
| 2.4 Rural densification | 6 |
| 2.5 Location and Upgrades | 6 |
| 2.6 Options and Choices in housing | 8 |
| 2.7 Incentives and disincentives | 8 |
| 2.8 Institutional reform and Planning | 9 |
| 3. Conclusion | 10 |

“The scary picture: a map of Johannesburg and Pretoria, reflecting the post 1994 housing decisions is an “apartheid planner’s” dream-come-true. If we Juxtapose the cost of transport with where houses have been built and where jobs exist, a worrying picture emerges. That is the picture that needs to be changed.”

Participants

1. Introduction

The DBSA convened this conversation to benefit from the experience of participants, which would feed into the production of an Integrated Infrastructure Plan (IIP) by the Development Bank of Southern Africa (DBSA) for government. The object of the IIP exercise is to select promising ideas and address hard choices that need to be made in the period up to 2030 in four areas: transport (rail, road and ports); water and sanitation, energy with a focus on electricity, and communication infrastructure in so far as it provides for access in human settlements. Human settlements is a major investment focus for the DBSA, the point of intersection for many services and pose challenges for how enabling infrastructure should be best organized.

This discussion was concerned with the challenges of meeting the needs for largely low income and lower middle income housing needs. The issue of affordability, access to work and services, affordability and addressing the large backlog are amongst the concerns that need to be considered in relation to settlements. The issues of public policies, capacity, planning and trade-offs were institutional concerns.

The discussion had the benefit of key policy makers and experts on the issue.

2. Issues

2.1. The core issue

The core issue is to deal with increasing urbanization and the apartheid spatial legacy which placed the poor further away from opportunities, resulting in higher infrastructure lifecycle and services costs. The South African population is expected to grow by about 6 to 8 million, from the current 50.85 to 56.64 million in 2030. It is expected that these increases will be quite manageable because metro populations are growing slowly, while more rapid urbanization and growth is predicted in secondary cities.

However, significant additional factors that come into play are mortality rates, migration and immigration. In South Africa currently, approximately 1 million people are born each year, while 600 000 die, of whom 350 000 are due to HIV/AIDS-related illnesses. While there is growth due to migration in other cities in the southern African region, more international migrants to South Africa are expected.

In this context, the core issue for discussion was: to be familiar with the scale of the challenge facing human settlements, and to conceive of what is required to address the gap between policy and budget leading to the formulation of a strategy for 'how we are going to get there', that is address the needs of citizens.



Key questions included:

1. Is the decision making for the development of settlements, made at the appropriate sphere of government?
2. What are the incentives that would cause the nature of decisions made and behavior of politicians, officials and planners to change?
3. What are the incentives in place that is causing incorrect decisions by politicians and officials?
4. How to keep the plan green? (e.g.: Reward operational savings through insulation, solar. Build intelligent houses, densities and transport led).

2.2. Authority to plan and zone

The planning, zoning, regulatory frameworks within cities and metro's in particular are the key leverage mechanisms that cities have to influence spatial outcomes. The appropriate use of this authority can impact on spatial, economic, land market and human settlement patterns. The current planning process driven by the Integrated Development Plan needs to be reformed to take account of a new spatial reality; it must be driven by likely demographic and economic trends, be choice and evidence based, be linked directly to budgets, have the capacity to deliver, and must be enforced through binding contracts. A key element of this process is to revitalize the national spatial development framework which promotes a more sustainable spatial arrangement, which in turn necessitates making tough decisions on incentivising the relocation of some settlements/areas.

2.3. Cost of land

Availability and pricing of land is central to addressing settlement patterns. A concerted effort is needed to identify and accumulate land that is well located (existing land occupied by informal settlements as a priority), and to define a funding model for human settlements that moves away from the cost of the top structure to lifecycle costs, which will justify spending more on the land upfront and create a more valuable long term asset. Best located land is expensive. Therefore the long and short-term benefits of its use need to be considered. Outlying cheap land forces high long term costs onto residents.

The Housing Development Agency (HAD) has identified 33000 ha of well located land owned by cities, provinces, public enterprises and in some cases privately, with a purchase cost implication of R20bn. A well resourced and focused program could acquire half this land or 15000 ha, and at a density of even 60 units per ha this land would accommodate 900 000 units. If it is assumed that half of the 1m informal settlement units of accommodation are well located and can be upgraded with tenure and services, that counts as a further 500 000 additional units and the current social housing and rental stock initiatives within cities will collectively make a huge impact on the shape of our cities, housing and land markets.

However, costs need to be weighed against the criteria for development on these lands, which should:

- Change apartheid spatial patterns.
- Promote density, with residential walk up/high rise buildings that generate accommodation for 600-800 persons per ha, and reap the benefits associated with higher population density.
- Provide optimal location that can lower transport subsidies and social development costs such as for education and health.

A critical concern is to generate the most favourable long term trade-offs. These would include a need to consider the longer term savings in transport (both to the state and to individuals), and social benefits for health and education where improved basic conditions correlate with improved performance. Were these conditions to be achieved and if more jobs were created, the local cost of living could be reduced, providing leeway to lower salary levels in the labour market without impacting negatively on quality of life.

2.4. Rural densification

It is important to understand growth in rural densification, such as in the area from Polokwane to Tzaneen. These are low consumption and production areas, where to provide conventional services will be extremely costly. There is a need to realize why people are choosing to move there and to live there. For example, are people attracted by social networks and access to health services?

Another factor to take account of is the high level of individual investments made in rural housing. In these conditions, what would be an appropriate infrastructure investment approach that incorporates a longer term investment in people and provides incentives at the household level for people to migrate? Finally, taking a broader strategic perspective, could some of the densification taking place become part of an urban strategy?

2.5. Location and Upgrades

What incentives would support a denser, planned and serviced settlement pattern? There is potential as growth is taking place, and a different combination of subsidies and incentives could induce a desirable settlement pattern. The issues to concentrate on are:

- Decisions about the location of RDP housing as opposed to the location of shack settlements. It has been found that people are living in shack dwellings for much longer periods. The average is now 10 years as opposed to 3 to 5 years, before transitioning to formal housing or to an alternative location.
- There are a significant number of informal settlements that could benefit from upgrades. Areas where upgrading could be achieved include: in the south of Johannesburg, a corridor around the R28/Potchestroom Road, an area between Polokwane and Tzaneen, the Diepsloot Ugu district, and the Nelspruit to Sekhukhune corridor. Also, settlements in the environment of Bekkersdal have emerged.



It is possible that access to social services may be influencing the latter development.

- In other locations provision of road infrastructure has promoted development of settlements. Further, it is apparent that the private sector is crowding in on public sector investments.
- In areas where there are dispersed as opposed to dense settlements, a different set of incentives is envisaged. For example, if the location is appropriate for access and spatial plans, one way to proceed could be through serviced sites with vouchers for materials. Building bigger houses that people can sub-let and create an income stream can also be a very valuable approach. Increased tradability of the assets, up or down should be supported. The national Rural Housing Loan Fund is currently using a voucher system. People can build over time - an incremental approach referred to as “Pegs to palaces”. However, in these settlements density is important for provision of services.
- There is a role for rental housing. Awareness of the shape of the market is necessary. It consists mainly of young people with little or no money who are located above township but below mortgage affordability. Shacks attached to Reconstruction and Development Plan (RDP) housing meets rental demand, and generates an income stream for RDP house owners. In formal townships this phenomenon has major implications for infrastructure and must be addressed.
- Finally, there is social housing in 3 to 4 storey walk-ups which generate benefits of increased density. This form of housing also draws in private investment which is complementary to public investment.

Settlement upgrading offers a very good means for rapid improvement in living conditions. Where settlements must be moved, for example to vacate unsafe land, short term investments could impact significantly on quality of life. However for upgrading transitions, infrastructure investments need to be made for a 15 to 20 year period. These could include providing incentives for solar and water and capital savings generated by higher density developments. Some modeling work on these kinds of developments would be useful. For example, Diepsloot (Gauteng Province) is an excellent example of where a small investment of R 200m could transform the area. Nevertheless a larger investment of R1bn could get better results.

Zoning can be a very useful instrument to allocate different purposes for which land may be used. For instance, creative multipurpose use is facilitated in Curitiba buildings that have to be 15 stories, with the first two for commercial purposes. Or it can be specified that a development must generate a certain level of revenue, so developers can opt for a low density plan, though the development will be expensive.

2.6. Options and Choices in housing

There needs to be a shift away from the single focus on providing subsidized housing to people who earn less than R3500 per month. South Africa should design the housing market so that there are more options. A model based on government promoting the following segments, which do not exhaustively represent the full spectrum, could be considered:

- Low income upgradable informal settlement: Assistance is tenure plus services. To access additional funding, a resident would be required to open a savings account and reach a R10 000 positive balance threshold;
- Rural/small town environments: Assistance would consist of a serviced site with access to a voucher for materials. Completion of a dwelling would carry further incentives of white goods;
- Social and rental housing stock: To be developed with government facilitated up-front capital, guarantees or subsidies;
- Higher density, four storey walkups: The current subsidized housing product would be applied but based on household ability to earn and save, while varied contributions would be made by government;
- “Gap Market” housing: Assistance could take the form of subsidized well located land, bridging development finance, taking first loss through a guarantee, or removing requirements for developer contributions to bulk infrastructure; and
- First time homebuyer’s subsidy: A nominal amount to be provided for mortgage holders below the R300 000 level.

2.7. Incentives and disincentives

A number of examples were cited of municipalities and provinces not making decisions, making poor decisions or not spending their budgets, due to perverse incentives such as impact on revenue streams.

Local authorities may need to receive financing to do some of the developments. Also, land acquisition can be complicated such as in the case of the East Bank of Alexandra (Gauteng Province) where the cost of land is prohibitive. Eskom, the power utility, owns 10 000ha, where the cost of land is inflated so they can borrow against it, by putting it on the balance sheet. The land value can be changed through rezoning or when acquired by the state by other means. There is need to focus on the concentrations of the population, areas of economic growth, and concentrations of poverty. A useful place to start could be the twenty-one growth cities in SA identified in the National Spatial Development Plan process.

It is advisable to relook at the structure of the RDP housing subsidy and its impact on settlements. Strategically, better segmentation needs to be implemented to reduce the gap in the market.



A critical factor is where to locate economic development that creates jobs with easy reach of settlements which can support household capacity to pay for housing and services.

In South Africa, the immediate opportunity for leveraging economic growth lies in managing the cost of doing business as compared with the options of reducing the cost of labour or manipulating the exchange rate. Small businesses have four considerations: security cost, freight costs (including time costs), labour costs and the cost of infrastructure. Government spheres can create the conditions for lowering the costs of infrastructure for business and households, through for example, reducing cost of transport from 20% to 10% of income.

Nevertheless affordable interventions need to be pursued. There is a mismatch between what municipalities are planning and what is affordable, and small towns are struggling to provide infrastructure that link them to economic hubs.

2.8. Institutional reform and Planning

There is 'too much of a colour-by-numbers approach' instead of thinking economically and socially. We need a different, and perhaps broader mix of professionals involved in the planning process, such as economic, social and environmental professionals as well as architects. For example, Rio has set up 20 teams of architects before the world cup to support innovative planning. Generally there is lack of planning for the poor.

In support of the approach under discussion to achieve effective planning for all elements and types of infrastructure in government, an approach that focuses on all the 52 Districts will be more effective. It will be necessary to merge or devolve powers and functions to create a more optimal Local Government system. Human settlement transport planning and implementation needs to be done within larger municipalities and not by provinces. More funding should flow on a competitive and performance based allocation system to municipalities for funding bulk infrastructure, assembling available land and building public transport systems. The national co-ordination of this process needs to be improved. This can be done legislatively through creating a single land use management system that is simple, streamlining funding into a few performance based grants for which municipalities are accountable with the funds managed by Treasury, and reducing the number of reports and decision making forums.

3. Conclusion:

The crucial outcome is to build available settlements with houses that are well located, with core services (electricity, water, sanitation, roads, street lighting, and refuse collection), secure tenure and proximity to social services and economic opportunities. The presence of these conditions will contribute to safety, and to more productive use of time. In addition they seem to correlate strongly with improved community education and health outcomes. For example, in Johannesburg 50% of health issues are water borne because the quality of core water and sanitation provision cannot be guaranteed.

It is possible to produce a development plan for South Africa based on housing, using infrastructure grants to realize the goals. Practical actions to proceed must include:

- Modeling based on identified corridors represent a practical way to proceed with planning.
- Key is the use of incentives, disincentives, planning, and municipal capacity. Institutions and their capacity must be appropriate and stronger.
- Upgrading of informal settlement areas is a major part of the solution in providing housing and appropriate services.
- Appropriate management of demographic trends such as migration and rural densification can assist with meeting needs.
- Synthesise what is known and there is need for fresh thinking on these issues.

To answer the key question: “How we are going to get there?” The gap between policy and strategy in the provision of integrated human settlements must be addressed. A statement of the backlog with a budget is not sufficient. There is need to be clear about outcome, what must be true to achieve this outcome, what factors are causing the inability to deliver, what will it take to fix these factors, who will fix them and implement the decisions to enable the achievement of the outcome.

Overall there is need to be bold!!